



Joint Audit Committee

DATE: Tuesday 28 September 2021

TIME: 1.30pm

VENUE: by Microsoft Teams

CONTACT: Shirley Semke, 07900 912199

AGENDA

1. DECLARATION OF INTERESTS

All members who believe they have a personal or prejudicial interest in any matter to be considered at the meeting must declare that interest and consider whether to leave the meeting whilst the matter is discussed, save for exercising any right to speak. The declaration should be made at the time of the relevant debate.

2. APOLOGIES

PART 1- MATTERS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC (this session will commence at 2pm)

DECLARATION OF INTERESTS

All members who believe they have a personal or prejudicial interest in any matter to be considered at the meeting must declare that interest and consider whether to leave the meeting whilst the matter is discussed, save for exercising any right to speak. The declaration should be made at the time of the relevant debate.

3. CHAIR'S REPORT

(Oral)

The Chair to report as appropriate.

4. MINUTES, MATTERS ARISING AND ACTION LOG

To review the minutes of the meeting from 28 June 2021 together with the action log and consider any matters arising.

5. STATEMENT OF ACCOUNTS 2020/2021

To consider the reports of the Chief Finance Officer for the Chief Constable and Chief Finance Officer for the Police and Crime Commissioner.

6. EXTERNAL AUDIT – ANNUAL AUDIT REPORT 2020/2021

To consider the report of the External Auditors.

7. INTERNAL AUDIT PROGRESS REPORT 2020/2021

To consider the report of Chief Internal Auditor on progress to date.

8. INFORMATION COMMISSIONER'S OFFICE (ICO) REPORT

To consider the report of the ICO office for the Joint Information management Unit.

9. POLICY REVIEW

To consider reports from the Deputy Chief Constable and the Head of Standards and Compliance.

PART 2 - MATTERS TO BE CONSIDERED IN PRIVATE

EXCLUSION OF PRESS AND PUBLIC

To resolve that the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraph 3 & 7 of Part 1 of Schedule 12A to the Local Government Act 1972, being information relating to the financial or business affairs of any authority that hold that information and any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. Further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the report.

10. CONFIDENTIAL MINUTES AND ACTION LOG

To receive, and confirm as a correct record, the confidential minutes of the meeting of the Committee held on 28 June 2021

11. OFFICE OF THE POLICE AND CRIME COMMISSIONER'S STRATEGIC RISK REGISTER UPDATE

To consider the Strategic Risk Register for the OPCC.

12. HAMPSHIRE CONSTABULARY'S STRATEGIC RISK REGISTER UPDATE

To consider the report of the Strategic Risk Register for HC.

13. INTERNAL AUDIT REPORT ISSUED - CONFIDENTIAL

To consider a confidential report of the Chief Internal Auditor together with copies of the internal audit reports issued since the last report in June 2021.

14. AUDIT REPORT – UPDATE ON ACTIONS OUTSTANDING (late paper)

To consider the report of the Director of Change

15. DATE OF NEXT MEETING/FORWARD PLAN

The next meeting is Thursday 25 November at 1pm.

16. ANY OTHER BUSINESS

MEETING CLOSED

PART 3 – PRIVATE DISCUSSION WITH INTERNAL AND EXTERNAL AUDITORS (IF REQUIRED)

ABOUT THIS AGENDA:

This agenda is available on Police and Crime Commissioner's website (www.hampshire-pcc.gov.uk) and can be provided, on request to 01962 871595, in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

The press and public are welcome to attend the public sessions of the meeting.

If you have any particular access requirements, for example if you require wheelchair access or a hearing loop, please contact us on 01962 871595 in advance of the meeting to make the necessary arrangements.







Joint Audit Committee

Meeting Minutes

Date: Monday 28 June 2021

Time: 2pm

Location: Due to Covid-19, the meeting used 'Teams' for participants to dial-

in.

Committee Members:

Melvyn Neate (MN) Chair

Peter Lloyd (PL)
Katherine Pears (KP)
Gordon Manickam (GM)

In Attendance:

James Payne (JP) Chief Executive, OPCC

Andrew Lowe (AL) Chief Finance Officer for the Police and Crime

Commissioner

Richard Croucher (RC) Chief Finance Officer for the Chief

Constable, Hampshire Constabulary

Amanda Cooper (AC) Chief Information Officer

Marion Peuleve (MP) Head of Information Management, TVP

Gemma Farley (GF) Accountant (HCC)

Karen Shaw (KS) Chief Internal Auditor, OPCC and HC Ace Dann (AD) Strategic Risk Manager, Hampshire

Constabulary

Ben Collett (BC) Inspection and Review Manager Kevin Suter (KSu) Associate Partner, Ernst and Young

Richard Andrews (RA) Head of Standards and Compliance (OPCC) Shirley Semke (SS) Executive Office Manager, OPCC (Minutes)

DECLARATION OF INTERESTS

Members were mindful that, where they believed they had a personal or prejudicial interest in any matter to be considered at the meeting, they should at the time of the debate, declare their interest and consider whether to leave the meeting whilst the matter was discussed. There were no declarations of interest.

APOLOGIES

DCC Sara Glen, Nadia Siouty-Burke, C/I Patrick Holdaway, Liz Mackenzie

496. CHAIR'S REPORT (ITEM 3)

The Chair and Vice Chair had dialled in to a Chartered Institute of Public Finance and Accountancy (CIPFA) event that outlined changes to the audit arrangements, including extra reporting requirements, with a subsequent increase in auditing costs. A new regulator, ARGA (Audit Reporting and Governance Authority) will take over oversight responsibilities from the FRC (Financial reporting Council) from 2023 so arrangements will be changing. RC advised the option to choose auditors may change in the future and not be done through the PSAA (Public Sector Audit Appointments).

497. MINUTES, MATTERS ARISING AND ACTION LOG (ITEM 4)

The minutes of the meeting on 23 February 2021 were agreed as a true and proper record.

Action Log: The actions were all complete.

MP Joined the meeting.

498. SENIOR INFORMATION RISK OFFICER (SIRO) ANNUAL REPORT 2020/2021 (ITEM 5)

AC presented the report and highlighted the following:

- The force has prioritised resources in order to improve ICT infrastructure and brought forward the rollout of laptops and migration to Windows10 to support Covid.
- The force has led on trialling and piloting new security solutions, with security alerts now in a single place. The team have done an excellent job.
- Freedom of Information (FOI) requests turn around has been delayed, mostly due to Covid. The ICO (Information Commissioner's Office) audit does not note concerns about this. There have also been an increased number of FOI applications
- Data breaches have reduced and the team are working with CJ (Criminal Justice) and the CPS (Crown Prosecution Service) to reduce inappropriate disclosure.
- Lost and found devices especially TVP are still high, though retrieval rates have increased. The DCC in TVP is looking at introducing penalties and other actions in order to further reduce losses. Members were reminded all devices are encrypted.
- There were no successful Malware attempts and a recent significant alert was handled excellently within force.

- The ICT Security Manager has increased pro-active planning and good practice.
- SIRO decisions are included in the report and a good review mechanism in place.
- Future focus and technical changes are in process for this year. (Medium Term Financial Strategy (MTFS) planning is starting for 2022/2023 and bids from ICT will be included.

The Chair thanked AC for her report and asked a number of guestions:

Para 318, Public Services Network (PSN) asking if it is on the right track and asked AC to explain the vulnerabilities. These were around legacy systems and they are mostly no longer in use. There is secure wrap-around where there is a need to use legacy systems.

Para 331, A final report on Phishing Simulations was expected in summer 2021 and MN asked if there is anything in the findings. There has been an awareness campaign and training for officers and staff to spot the signs. AC also noted that nothing that would have got through quarantine.

Para. 3.6 The voluntary audit by the Information Commissioner's office (ICO) gave a number of limited assurances. The Committee would like to see a copy of the report. This is to be included in the agenda for the next meeting and sent in advance. MP advised the number of controls were much broader than in other areas with a broad checklist not adapted for law enforcement.

PL noted the comprehensive report and at 3.5.4, the limited assurance for TVP for data retention asking if this is a minor issue and will it be resolved. MP responded as she requested the audit ahead of General Data Protection regulations (GDPR). An independent assessment of the audit advised alternative methods of audit for this area. AC added that she welcomes limited assurance audits as these highlight areas of concern and areas to improve.

GM asked when PSN accreditation be possible. AC confirmed this would be once when legacy systems are no longer in use and should be by 2022.

KP referred to Section 4, Information Security Management, para 4.1.8, which notes that staff intimidation by offenders is increasing. Is this a significant problem and how concerned should we be? AC advised this is part of DCC remit and responded, though not with specific information. Auditing Britain are individuals who overtly film from Police Stations; officers are reminded of and aware of personal security.

KP asked why it is that TVP lose so much more equipment than HC and have more data breaches, and asked how this is being addressed. AC advised a change in disclosure legislation changed the dynamic and business process changes in TVP have changed to reduce this. MP added that data going in to the current year shows reduction on data and physical equipment loss. The DCC has met with the Head of the Professional Standards department (PSD), and is reviewing a system of penalties to understand whether losses are by the same persons. Behavioural Insights work being is also being undertaken.

KP referred to the Covid data included in the report, asking what the key challenges have been and if they have been addressed. AC advised that the rollout of Windows 10 and Office 365 should have been completed over 18 months but was pushed out at speed to support home working. There have been issues over bandwidth and multiple use to aid load balancing and support the infrastructure. Home working increased the need for support, as colleagues

were available to provide information in an office setting. Calls and activities to the Service Desk were exponential.

MN thanked AC and MP for the comprehensive report and answers to questions.

Action 96 (SS): ICO report to be added to the next meeting agenda and report circulated with papers.

MP left the meeting.

499. TREASURY MANAGEMENT OUTTURN REPORT (ITEM 6)

GF joined the meeting to present the report that fulfils the obligation to the CIPFA code. The global Covid Pandemic dominated 2020/2021 and has affected Local Authorities, including the PCC.

The borrowing position has slightly reduced, with no new borrowing and net investment increased in short term options. For the coming year funds will be invested in longer opportunities as more options become available.

Table 5, p42 benchmarks investment for year to March 2021.

PL referred to para 55, asking what discretion there is for a PCC to limit external borrowing and use internal, or the other way round? AL advised all borrowing is under regular review with Arlingclose Treasury Management Advisors whose current advice is to use internal borrowing. There are regular quarterly meetings to keep this under review. The overall cash position is good.

MN requested an explanation of para. 8.2. AL advised the option to make 3-year upfront repayment or 1 year only became available in 2021. The OPCC made a 1 year pre-payment to pension funds, which showed a good return and is repeated for current financial year.

Action 97 (GF/SS): Updated Treasury Management Outturn report to be forwarded to members.

500. ANNUAL GOVERNANCE STATEMENTS 2020/2021 (ITEM 7)

AL presented the PCC report showing tracked changes for ease of reading. **MN** noted the significant changes are Covid and the Code of Corporate Governance, together with CIPFA changes.

MN asked if 'going concern' should be considered for inclusion after issues with the sign-off of accounts last year. AL confirmed this is not included as it is not considered relevant to this particular document. **MN** noted that this is a shadow year for new CIPFA code. AL advised he is watching for changes as are HC and confirmed OPCC are compliant with the code and there are no areas of concern. RC confirmed there are no areas of concern for HC.

PL asked the CFOs whether it is appropriate for mental health issues to be included due to the effect of Covid on officers and staff. RC advised this as a strategic risk from HC perspective but mitigations are in place. This is not an issue but a risk HC are aware of.

501. EXTERNAL AUDIT PLAN FOR 2020/2021 (ITEM 8)

KSu presented the draft annual planning report for year ended March 2021, with the delay due to backlog in audits last year. The overview dashboard on p5 shows no major change in activities or risk.

SC highlighted key audit risks for year and work on testing.

- Valuation of land and buildings and pension accounting will be reviewed, as these are significant estimates. ISA 540 applies from year-end and changes to audit procedures are outlined in the plan.
- Going concern was highlighted as requiring detail and procedures are required to provide assurance.
- Changes around value for money (VFM) responsibilities were outlined by KSu, much more detailed commentary is required. This should not be a surprise but reflect what is already known. These changes are contained in an Auditors Annual Report which can be supplied up to 3 months after Annual Audit Opinion.

AL advised of discussion around going concern with KSu and SC with positive outcomes. This year presumption at outset is that we are a going concern, which is major change. There will be a 'going concern' disclosure note included. KSu confirmed the conversation.

KP referred to p94 asking if the disclosure on 'going concern' is a standard paragraph, and asked if this year's process will be easier. KSu advised he hopes it will be. AL advised further audit guidance notes have been issued which auditors will follow, and will ease the issues experienced last year.

MN welcomed the liaison between the CFOs and the auditors and looks forward to a more straightforward year than last year.

RC advised we need to await the Whole of Government Accounts (WGA) and despite work done on VFM and 'going concern' this may delay the process. KSu advised he assumes the sign-off of the accounts can be done without waiting for this.

MN questioned the impact of the new regulations on the CFOs workload who advised that after doing work once it is now easier to take forward, but new requirements inevitably increase workload.

502. INTERNAL AUDIT PROGRESS REPORT 2020/2021 (ITEM 9)

KS presented report that closes off work for 2020/2021. There are two drafts to be finalised, the 2021/2022 plan is finalised and agreed with HC and OPCC The summary of management actions shows a positive direction of travel.

503. ANNUAL INTERNAL AUDIT REPORT & OPINION 2020/2021 (ITEM 10)

KS thanked the Committee for their support as this unprecedented year with Covid has affected audit work. There has been no need to change planned work, though working practices changed overnight. The support from HC and OPCC has not compromised the quality of work done.

MN thanked KS for the opinion and the work achieved in the circumstances. The opinion is reasonable.

504. DATE OF NEXT MEETING/FORWARD PLAN (ITEM 11)

The next meeting is Tuesday 28 September at 1.30pm.

505. ANY OTHER BUSINESS (ITEM 12)

There was no other business.

- OFFICIAL -

Joint Audit Committee Action Log

Item 4a

Action No.	Minute Ref.	Title of Minute	Details of Action	Member Dealing	Date Due	In Progress/ Completed	Action Taken
96			ICO report to be added to the next meeting agenda and report circulated with papers.	SS	28.09.21	Completed	report circulated with papers
97	499		Updated Treasury Management Outturn report to be forwarded to members.	SS	28.09.21		Report supplied by GF and circulation by SS





Serving Hampshire Isle of Wight Portsmouth Southampton

Hampshire Police and Crime Commissioner

Draft Statement of Accounts 2020/21

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INTRODUCTION

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and sets out the overall financial position of the Police and Crime Commissioner for Hampshire and the Group Accounts for the year ending 31 March 2021. 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 2020/21*. This narrative provides a brief explanation and overview of the financial performance and activities during 2020/21.

The Statement of Accounts aims to provide information so that members of the public, including electors and residents of Hampshire, IOW, Portsmouth and Southampton, partners and stakeholders can:

- Understand the overarching financial position of the PCC (and the 'PCC Group' including Hampshire Police)
- Have confidence that the PCC has spent public money wisely and has been accounted for in an appropriate manner
- Be assured that the financial position of the PCC (and Group) is sound and secure

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years. The information contained within these accounts is presented as simply and clearly as possible, but by its nature is both technical and complex.

This narrative report aims to help readers better understand the role of the PCC, and to assist in understanding and interpreting the accounts through an explanation and overview of the financial performance and activities during 2020/21.

EXPLANATION OF THE PCC AND GROUP

The Police & Crime Commissioner (PCC) and the Chief Constable are established as separate legal entities.

The PCC is elected by the public every four years to secure the maintenance of an efficient and effective police force and to hold the chief constable to account for the exercise of their functions and those of persons under their direction and control.

It should be noted that due to the current Covid 19 pandemic, the PCC elections scheduled for May 2020 were postponed until May 2021, thus extending the term of the PCC to 5 years. Following the elections in May 2021, the PCC has changed, with Donna Jones being elected the new PCC. The accounts for the period ended 31 March 2021 are therefore for a period which relate to the term of office of the previous PCC, Michael Lane.

The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services in the Hampshire Police area.

This set of accounts focuses on those discrete activities which the PCC is directly responsible for, such as commissioning services for victims and witnesses of crime, as well as the "PCC Group" which includes all aspects of operational policing under the direction and control of the Chief Constable.

The Chief Constable has produced a separate set of accounts which explains how the resources provided by the PCC have been used to deliver operational policing services.

The Net Revenue Budget for the Group for 2020/21 was £363m, of which £44.1m million was under the PCC's direct control.

INTRODUCTION TO HAMPSHIRE

In policing terms Hampshire Constabulary is the second largest non-metropolitan police force in England and Wales and covers the county of Hampshire and also the Isle of Wight. The combined population of the Hampshire Constabulary area is approximately 2 million.

The PCC and Constabulary work in partnership with a whole range of organisations, including the 4 upper tier authorities (Hampshire County Council, and the unitary councils in the IOW, Southampton, and Portsmouth), and the 11 district councils.

The Constabulary delivers a number of services in collaboration with other Police Forces across the south of England, including:

- Counter Terrorism South East
- South East Regional Organised Crime Unit
- Shared IT, Information Management and a Joint Operations Unit (which includes strategic operations, roads policing, firearms and dog unit) with Thames Valley Constabulary

The PCC and Constabulary are also part of a joint working arrangement 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 are also provided through this arrangement.

Further information on Collaboration is set out later in this narrative report under Non-Financial Performance.

THE POLICE AND CRIME COMMISSIONER

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

- Holding the Chief Constable to account
- Appointment / suspension / removal of the Chief Constable
- Setting the priorities for the Force and producing the Police and Crime Plan
- Attending the Police and Crime Panel
- Setting of the annual budget and Council Tax precept
- Direct engagement with the public
- Publishing an annual report stating how priorities and targets have been met, and other information as specified by the Secretary of State to enable greater public awareness of police and crime performance in the area

 Collaborating for an efficient and effective Criminal Justice System for Hampshire and the Isle of Wight with partners such as the Youth Offending Team, Crown Prosecution Service and Prison Service etc.

The Commissioner is ultimately accountable to the electorate via the ballot box. A Police and Crime Panel (PCP) is also established under the Police Reform and Social Responsibility Act 2011 and is charged with scrutinising and supporting the work of the Commissioner. The Panel, however, cannot hold the Chief Constable to account.

As set out above, a new PCC is in post from May 2021.

The PCP's core functions include:

- To review the draft Police and Crime Plan
- To publicly scrutinise the Commissioner's Annual Report
- To review and scrutinise decisions and actions of the Commissioner
- To review and have the power to veto the Commissioner's proposed Council Tax precept levels
- To review the Commissioner's Conduct the PCP can suspend the Commissioner if they are charged with a minimum of a 2-year imprisonable offence and report to the Independent Police Complaints Commission, however they cannot remove the Commissioner
- To confirm the Chief Constable's appointment
- To appoint an acting Commissioner, if required.

The Police and Crime Panel work through a number of sub / working groups to be able to give greater visibility to the detail of the work undertaken by the Commissioner and their team. The Finance Working Group was established to review each aspect of the Commissioner's work to deliver a budget that supports efficient and effective policing in the Hampshire Policing Area as well as to test and advise the Panel on the work that leads up to the setting of the Council Tax Precept.

The Commissioner has established a joint audit committee with the Chief Constable. 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 Office of the PCC and Hampshire Constabulary
- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC and the Chief Constable in addressing riskrelated 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 in both summary and full version on his website at www.hampshire-pcc.gov.uk. The vision of the Commissioner is to make Hampshire and the Isle of Wight safer.

As set out earlier, due to the impact of Covid 19, the current term of office for the Commissioner was extended through until May 2021. In light of this, the Commissioner provided a new interim Police and Crime plan, 'A Plan for our Safer Futures 2020 - 2022 and this can be accessed using the link below:

https://www.hampshire-pcc.gov.uk/commissioner/police-crime-plan

As set out above a new PCC was elected in May 2021, and they will publish their own Police and Crime Plan going forward for their term of office.

THE PCC AND GROUP'S FINANCIAL PERFORMANCE

Revenue Budget 2020/21

In February 2020, the Commissioner approved funding for the net revenue budget for 2020/21. The net revenue budget for the year was £363m for the Group, an increase of £25m on the previous year.

Revenue Expenditure Outturn

The financial performance of the group over the year is set out below and more detail is shown in the accounts which follow.

In 2020/21, the reported outturn position for the Group was net expenditure of £356.0m 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.

This net expenditure position represents an underspend for the year of £6.68m (1.84% underspend), which has been transferred to the general fund reserve. Within this sum, it is anticipated that £3.1m will need to be drawn down in 2021/22 to fund carry forward requests for work which was in progress but not complete at year end.

PCC Controlled Expenditure

The table below provides a high level analysis of the income and expenditure directly controlled by the Commissioner for 2020/21, in the format of the management accounting figures prepared for scrutiny by the PCC, and shows a net underspend for the year of £2.4m.

Outturn 2020/21	Budget £'000	Actuals £'000	Variance £'000	
Expenditure owned by the PCC				
Office of the PCC	2,520	2,404	(116)	
Commissioning	2,576	2,478	(98)	
Estates	18,872	16,980	(1,892)	
Crime Prevention	0	2	2	
Capital Financing	2,807	2,743	(64)	
Interest on balances	(500)	(771)	(271)	
Contributions to/(from) reserves	17,855	17,855	0	
Net expenditure owned by the PCC	44,130	41,691	(2,439)	

Group Level (PCC and Chief Constable)

The table below provides a high level comparison between the approved budget for 2020/21 and actual expenditure at the Group Level (i.e. PCC and Chief Constable), and shows at a Group level an overall underspend for the year of £6.678m.

Outturn 2020/21	Budget £'000	Actuals £'000	Variance £'000
Funding	(362,651)	(362,651)	0
PCC Controlled Budget	44,130	41,691	(2,439)
Hampshire Constabulary			
Expenditure:			
Employees	264,305	259,539	(4,766)
Indirect Employee Costs	6,027	7,199	1,172
Premises	1,155	1,294	139
Transport	6,075	5,584	(491)
Supplies & Services	19,874	18,944	(930)
Third Party Payments	76,959	75,681	(1,278)
Support Services	2,770	2,732	(38)
Total Expenditure on Police Services	377,165	370,973	(6,192)
Income:			
Fees & Charges	(7,861)	(5,944)	1,917
Grants & Contributions	(48,190)	(48,228)	(38)
Internal Income	(2,593)	(2,518)	75
Total Income on Police Services	(58,644)	(56,690)	1,954
Net Hampshire Constabulary	318,521	314,283	(4,238)
Net total expenditure for PCC Group	362,651	355,974	(6,677)
Net Revenue Position (Under)/ Overspend	0	(6,677)	(6,677)

Capital Expenditure

Capital expenditure is incurred on the acquisition and enhancement of the Commissioner's assets which have a life of more than one year. The PCC approved a Capital Programme of £15.8m for 2020/21, including costs for the next phase of the Estates Change Programme (ECP).

Total expenditure in 2020/21 was £10.0m. Of this, £6.6m was spent on buildings and £3.4m on vehicles. The capital expenditure was funded by capital receipts, capital grant and revenue contributions; no internal or external borrowing was required to fund the capital programme in 2020/21.

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

2019/20		2020/21
£m		£m
	Expenditure:	
6.7	Land & Buildings	6.6
1.6	Vehicles (Including Boats) and Plant	3.4
0.0	IT & Operational Equipment	0.0
8.3	Total	10.0
	Funded by:	
1.2	Government Grant	0.3
0.0	Capital Contributions	0.0
3.8	Capital Receipts	7.3
0.0	Donated Assets	0.0
3.3	Revenue Contributions	2.4
0.0	Borrowing (incl. Internal)	0.0
8.3	Total	10.0

Outlook - Medium Term Financial Strategy

Budget 2021/22

Revenue

The revenue and capital budget for 2021/22 and Medium Term Financial Strategy were approved by the Police and Crime Commissioner in February 2021 and published on the PCC's website.

The revenue budget for 2021/22 at the Group level is £387.6m, as shown in the table below.

Budget 2021/22	£'000
Funding	
Government Grant	(229,173)
Council Tax Precept	(158,408)
Collection Fund Surplus	(13)
Total Funding	(387,594)
Expenditure	
PCC Controlled Budget	47,372
Hampshire Constabulary Budget	340,222
Net total expenditure for PCC Group	387,594
Net Revenue Position	0

The amount of funding raised through Council Tax is based on the precept increase agreed by the PCC, which for 2021/22 was for a precept increase of £15 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.

Police Officer Uplift

Nationally the Government made a commitment to fund an uplift in police officer numbers by 20,000 nationally over the 3 year period 2020/21 – 2022/23, with an initial uplift in numbers in year 1 (2020/21) of 6,000 officers (of which Hampshire's share was 156).

Further funding has been received for 2021/22, and the revenue budget therefore includes provision for a further uplift in police officer numbers in Hampshire of 154 (of which 7 will be posts allocated to regional policing) during the course of 2021/22.

Capital

The approved capital programme for 2021/22 includes £17m of planned expenditure. Of this amount £14.7m relates to the built estate and £2.3m relates to replacement vehicles. This is funded by £11m of capital receipts, £0.3m from capital grant and £5.7m from revenue contributions.

Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) for the period 2021/22 – 2024/25 is based on an assumption that the PCC will be able to increase the Police element of the council tax precept (Band D) by 1.99% per annum from 2022/23 onwards, and in the absence of any guidance on future government grant allocations, includes a prudent assumption of 'flat cash' for government grant settlements for the period 2022/23 to 2024/25.

Based on these prudent assumptions, the current MTFS does currently show a cumulative shortfall in the budget in later years, as follows: 2022/23 £4.4m, 23/24 £16.7m, £21.9m.

The MTFS will be reviewed as further information on the Police funding settlement and council tax precept levels is announced. The MTFS includes an assumption of £5m for growth per annum, and this can be reviewed in light of the funding position. The PCC also has healthy reserves, including a Grant Equalisation Reserve and a Council Tax Reserve, which can be used to support the budget position in the short to medium term should it become clear that ongoing savings are required to deliver a balanced budget, and such savings will take a period of time to deliver beyond the budget year in question.

Treasury Management

The Capital and Investment Strategy and Treasury Management Strategy are both approved annually by the Police and Crime Commissioner and published on the website. These documents contain a more detailed explanation of the economic outlook and the agreed prudential indicators. The authorised limit for external debt was £91.1m for 2020/21. Debt (£29.95m) did not exceed the Capital Financing Requirement of £54.67m at 31 March 2021.

Borrowing

The Prudential Code allows the Commissioner to borrow money as long as it is prudent, affordable and sustainable. In accordance with their borrowing strategy for 2020/21 the Commissioner did not take out any new long term loans and financed capital expenditure incurred during the year through the use of capital grant, capital receipts and earmarked reserves. Some of the existing borrowing at the start of the financial year was repaid using resources set aside for such purposes.

As a result, at the year end the Commissioner had a total of £29.95m of outstanding PWLB loans at actual interest rates ranging between 2.65% and 6.0% and a weighted average overall rate of 4.28% (all debt outstanding is legacy debt which pre-dates the establishment of PCCs). Of the total outstanding debt, £0.250m of principal is repayable in 2021/22 and is classified as a current liability in the accounts, leaving £29.70m as long term borrowing shown on the balance sheet.

In addition, the PCC is internally borrowed in the sum of £24.7m.

Investment

The Commissioner has an investment portfolio consisting of reserves and short-term cash flows (including on-call cash investments). We continue to invest according to a low risk, high quality lending list as outlined in the Investment Strategy for 2020/21.

Cash balances reached an average of £79.4m during the year and interest and dividends of £0.531m was generated from treasury management activity, which was a decrease compared with the £0.703m achieved in 2019/20, with the average yield decreasing from around 1.18% to 0.67%. At 31 March 2021 the investment holding stood at £73m.

In March 2020, in response to the Covid-19 pandemic, the Bank of England decreased the base rate of interest twice, first to 0.25% on the 13th March, and then further to 0.1% on the 23rd March, having previously held this at 0.75% since August 18. The rate remains at this historically low level. Low base rates would benefit the Commissioner in that they are able to borrow (if required) to finance the capital programme at very low rates. However, the downside is that the rates of return on interest received on surplus cash balances, which are credited to the income and expenditure account, and which helps to reduce the burden on the council tax payer, are very low.

Pensions

The Commissioner'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 Chief Constables have accepted the claims of discrimination against them, in light of the Employment Tribunal determination in relation to the Judges and Fire Fighter schemes.

The government has now produced a Bill which aims to remedy the position. The actuary has therefore modelled the assumed remedy on this basis.

Overall, the net pension liability has increased by £786m from £3,594m at 31 March 2020 to £4,380m at 31 March 2021. The Commissioner's assessed share of the value of the plan assets of the Local Government Superannuation scheme showed an increase of £88m while the assessed present value of the Commissioner's liabilities on all pension schemes increased by £874m.

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 Commissioner's and the Group's financial position remains sound.

Although the PCC is responsible for all assets and liabilities, pension liabilities are disclosed in the Chief Constable's Balance Sheet, as the majority of staff are employed by the Chief Constable. While a small number of staff work directly for the Commissioner, the proportionate share of pension liabilities would not be material and so these are included in the total liability on the Chief Constables' Balance Sheet and the Group Balance Sheet, as the PCC has ultimate responsibility for them.

Reserves

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

All reserves are held by the Commissioner with two exceptions; the accumulated absences account and the pensions reserve. Both of these reserves are unusable (i.e. not cashbacked). The balance on the accumulated absences account at 31 March 2021 was £4.400m (£4.340m at 31 March 2020) and the balance on the pensions reserve was £4,379m (£3,594m at 31 March 2020).

Useable Reserves

Total useable reserves were £101.3m as at 31 March 2021, split as follows:

	£m
General Fund Reserve	13.1
Earmarked Reserves	77.9
Useable by PCC	91.0
ACRO Reserves	10.3
Total Reserves	101.3

However, it is important to note that of these usable reserves, £10.3m belongs to the ACRO Criminal Records Office and associated activities, partly as a surety (£3.326m) but mainly to support its on-going activity (£6.976m); these reserves are not available for use by the PCC.

The General Fund reserve balance represents a decrease of £5.8m when compared to 31 March 2020, primarily due to transfers to earmarked reserves.

Earmarked reserves are held in support of a range of specific issues, and further detail on each earmarked reserve and the sums held are set out in Note 4 to the accounts.

The medium-term financial strategy approved by the Commissioner as part of the 2021/22 budget setting process shows how reserves will be used to support investment over the medium-term.

The notes to the accounts (note 4) provide further details of the year end balances and the purpose of each reserve.

Going Concern

CIPFA's Bulletin 09 'Closure of the 2020/21 Financial Statements' sets out that the provisions in the Code on the going concern accounting requirements reflect the economic and statutory environment in which PCCs operate. These provisions confirm that a PCC has no ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements (i.e management deciding to liquidate the entity or cease trading).

As PCC's cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for PCC statements to be prepared on anything other than a going concern basis. Paragraph 3.4.2.23 of the Code therefore confirms as a matter of fact that local authority (incl PCC) accounts must be prepared on a going concern basis.

The CFO's management assessment has concluded that there are no proposals to alter the current legal framework for the provision or funding of policing services, and that the Going Concern basis therefore remains appropriate in line with the Code.

Whilst there is no statutory change to this position, it is the responsibility of the CFO to keep the financial position under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate. Ongoing financial sustainability of both the PCC and the Constabulary has therefore been reviewed and considered below.

Financial Sustainability

Across the country, the negative impact of Covid-19 over the past year on the finances of organisations, both public and private, has been well documented. In the public sector the significant pressures experienced have led to many organisations raising concerns as to their financial stability and sustainability, and a number of Local Authorities have issued Section 114 notices, with others mooted to be close to requiring Section 114 notices to be issued.

However, given the above context it is important to note that whilst policing has been impacted by Covid-19, the financial impact thus far for Policing has been limited compared with many other public sector bodies, and this is the case for the Hampshire PCC and Hampshire Constabulary, who have delivered a combined year end underspend of £6.7m for the 2020/21 financial year.

Nevertheless, as part of the assessment of the 2021/22 budget and the MTFS through until 2024/25, the PCC CFO has considered a whole range issues which could impact on financial sustainability, and these are detailed in his Section 25 report (appendix I to the 2021/22 Budget report):

https://democracy.hants.gov.uk/documents/g6572/Public reports pack 29th-Jan-2021 10.00 Hampshire Police and Crime Panel Statutory Joint Committe.pdf?T=10

The issues considered within the Section 25 report were:

- robustness of estimates in the budget
- risks in the budget 2021/22 and the MTFS
- adequacy of reserves
- reliability / accuracy of budget estimates
- cash flow
- the position beyond 2021/22

In terms of the risk assessment within the Section 25 report, the CFO commented that:

My assessment is that it would be unlikely that all risks would arise in any one year, and that individually the risks can be managed. It would take a significant number of these risks to arise at the same time to be unmanageable through the available reserves in the short to medium term.

These identified risks are mitigated, to a certain extent, because the PCC:

- maintains an appropriate level of reserves and balances;
- has made prudent assumptions as to the level of future grant income, Uplift funding and precept increases which should limit the actual impact
- will proactively manage and monitor all aspects of budget performance during the year'

In conclusion, the PCC CFO set out in his Section 25 statement that:

'Given the details outlined above, provided that the PCC considers the above factors which form part of the budget and MTFS and agrees the budget and MTFS as proposed, including the level of earmarked reserves and balances, a positive opinion can be given under Section 25 on the robustness of the estimates and level of reserves for 2021/22'.

Cash Flow

Within the section 25 statement, the CFO also reviewed the Cash Flow position and concluded that:

'I have reviewed, together with the Chief Constable's CFO, the cash flow forecast for the period through until end of March 2022. The cash flow position remains very positive, and I have no concerns as to the cash position'.

The cash flow position has subsequently been reviewed through until the end of March 2023, and this shows that the cash position is healthy; the forward cash position therefore remains very positive and there are no concerns as to the cash position.

The PCC has borrowing headroom against the Capital Financing Requirement in the sum of £24.7m, so can support the cash position if necessary, through external borrowing.

Reserves

The PCC has healthy useable reserves (excl ACRO) of £91m, including a Grant Equalisation Reserve and a Council Tax Reserve, which can be used to support the budget position in the short to medium term should it become clear that ongoing savings are required to deliver a balanced budget, and such savings will take a period of time to deliver beyond the budget year in question.

In the Section 25 statement, the CFO concluded that:

- 'the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates'
- 'the overall level of reserves is appropriate given the known financial pressures and risks faced by the PCC'

Medium Term Position

For the position beyond 2021/22, the CFO set out in the Section 25 statement that:

'Given the announcement of a one-year Spending Round for 2021/22, the PCC is still in the position of not knowing what the funding position is beyond a one-year planning horizon.

At this stage, in response to this position, the budget report for 2021/22 and the MTFS have been based on prudent funding assumptions, which should mean the PCC is well placed to respond to and manage changes to funding.

The MTFS is necessarily based on prudent assumptions which do show budget shortfalls across the 3 years post 2021/22. However, whilst there are risks within the MTFS these have been mitigated as far as possible and it would take a significant change in the funding regime to create a scenario which the PCC and Chief Constable could not manage over the course of the MTFS through either planned budget reduction and/or draws from reserves'.

Whilst the current and forecast medium term financial position remains stable, the PCC and Constabulary CFOs will continue to evaluate any evolving financial impacts to the sector in general and to Hampshire in particular, be they Covid related or otherwise.

The financial position and the impact on financial sustainability will be kept under ongoing review going forward, particularly as further information on the forthcoming Spending Review, Police funding settlement and council tax precept levels is announced.

NON FINANCIAL PERFORMANCE

Inspection Outcomes

In February 2020 Her Majesty's Inspector of Constabularies and Fire and Rescue Services (HMICFRS) reported their Police Efficiency Effectiveness and Legitimacy (PEEL) assessment of the extent to which Hampshire Constabulary keeps people safe and reduces crime. The full report is available on line:

<u>www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/peel-assessment-2018-19-hampshire.pdf</u>

The outcome was that the HMICFRS graded the Constabulary 'good' overall and in all subsections in effectiveness, efficiency and legitimacy. The following observations were made by Her Majesty's Inspectorate:

"I am pleased with Hampshire Constabulary's overall performance, and the force continues to improve despite being one of the lowest funded forces in England and Wales.

"The force has successfully addressed many of those areas where we identified it could do better in our previous inspections. We have seen improvements in how it investigates and records crime, protects vulnerable people and treats its staff and the public. In other areas, work is in progress."

"I am particularly pleased to see the work that the force does to protect victims of domestic abuse. It is making good use of a range of options to both support victims and to protect them by preventing offending behaviour by perpetrators".

"I strongly commend Hampshire Constabulary for sustaining its positive performance over the past year".

The Constabulary monitors operational performance through the Force Performance Group. Five key metrics are used that cover confidence and satisfaction, commission rates, outcomes and wellbeing.

Strategic risk registers are maintained by both the Commissioner and the Chief Constable on separate risk registers, and are reported to each meeting of the Joint Audit Committee. Papers for the Joint Audit Committee can be accessed using the link below:

www.hampshire-pcc.gov.uk/transparency/scrutiny/joint-audit-committee

Performance

Further information on performance can be found on the Commissioner's website and on the Chief Constable's website at:

www.hampshire-pcc.gov.uk/performance and

www.hampshire.police.uk/police-forces/hampshire-constabulary/areas/sd/stats-and-data/

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 Commissioner has entered into a collaboration agreement with Thames Valley in order to create a joint Information & Communications Technology (ICT) and Information Management department, with a shared Assistant Chief Officer having direct responsibility for the provision of ICT and information management assurance for both Forces.

A Joint Operations Unit has also been created using another collaboration agreement with Thames Valley Police allowing strategic operations, roads policing, firearms and dogs units, to be delivered in collaboration between the two forces across departmental and geographical boundaries (although not a collaborated function, the Hampshire Constabulary Marine Unit is also managed through the Joint Operations Unit). A collaboration agreement was signed in 2016/17 for Contact Management, and the new contact management solution went live in Hampshire in January 2020.

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 ongoing 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 determined, due to the strong collaboration arrangements already in place, 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. The PCC undertook a full review of the shared service partnership arrangements during 2019 in relation to both the PCC and Constabulary to ensure arrangements continue to deliver the anticipated benefits from partnership working and continued to provide value for money, reaching a positive conclusion on both counts.

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 ACRO 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 2021. The Commissioner's total useable reserves included within Other Earmarked Revenue Reserves £10.302m of reserves which are held on behalf of ACRO. These reserves are ringfenced to ACRO and are not available to the Commissioner to support delivery of his Police and Crime Plan nor can they be used by the Commissioner to support Policing within Hampshire.

STATEMENT OF ACCOUNTS

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

The Home Office has produced 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 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 identifies the powers and responsibilities of each CFO.

The Police and Crime Commissioner's and the Group Financial Statements for 2020/21 consist of the:

- Statement of Responsibilities for the Statement of Accounts
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Comprehensive Income and Expenditure Statement
- Notes to the Accounts
- Police Pension Fund Account
- Annual Governance Statement (Commissioner)
- Independent Auditor's 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

Due to the disruption caused by Covid-19, the statutory dates for publishing the accounts were changed this year. The deadline for publishing the draft accounts was moved to 31 July 2021. The deadline for publishing the audited accounts has been moved to 30 September 2021

Significant changes in accounting policies

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

Underlying accounting principles

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

a) Understandability

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

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

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

b) Relevance

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

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

c) Reliability

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

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

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

d) Comparability

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

The application of the terms, accounting policies and requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in England (2019) Statement of Recommended Practice is the way in which the Commissioner and the Chief Constable have ensured consistency of financial information in the financial statements leading to comparability.

Material Assets Acquired or Liabilities Incurred

There were no material assets acquired 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), there is a requirement 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 2021 was £4.400m (£4.340m as at 31 March 2020).

Further information

Further information on these accounts is available from the Chief Finance Officer, Police and Crime Commissioner for Hampshire, c/o Hampshire County Council, The Castle, Winchester, SO23 8UB.

Telephone: 0370 779 7883, e-mail: budget@hants.gov.uk

Statement of Responsibilities

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

Certification of Accounts

The Chief Finance Officer's Statement

I certify that the Statement of Accounts for 2020/21 give a true and fair view of the financial position of the Commissioner and the group at 31 March 2021 and its income and expenditure for the year then ended

Andrew Lowe

Signed: Andrew Lowe, CPFA

Date: 30 July 2021

Movement in Reserves Statement - Group

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves 29	Total Group Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2019	(67,550)	-	-	(67,550)	3,625,552	3,558,002	į
Movements during 2019/20							
Total Comprehensive Income and Expenditure	116,846	-	-	116,846	(367,364)	(250,518)	
Adjustments between accounting basis & funding basis under regulations	(126,055)	-	-	(126,055)	126,055	-	2
(Increase)/Decrease in year	(9,209)	-		(9,209)	(241,309)	(250,518)	
Balance at 31 March 2020	(76,759)			(76,759)	3,384,243	3,307,484	•
Movements during 2020/21							
Total Comprehensive Income and Expenditure	102,163	-	-	102,163	692,593	794,756	
Adjustments between accounting basis & funding basis under regulations	(126,787)	-	-	(126,787)	126,787	-	2
(Increase)/Decrease in year	(24,624)	-		(24,624)	819,380	794,756	
Balance at 31 March 2021	(101,384)	-	-	(101,383)	4,203,623	4,102,240	

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves 29	Total Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2019	(67,550)	-	-	(67,550)	(172,475)	(240,025)	
Movements during 2019/20							
Total Comprehensive Income and Expenditure	(6,868)	-	-	(6,868)	(43,858)	(50,726)	
Adjustments between accounting basis & funding basis under regulations	(2,341)	-	-	(2,341)	2,341	-	2
(Increase)/Decrease in year	(9,209)	-	-	(9,209)	(41,517)	(50,726)	
Balance at 31 March 2020	(76,759)	-		(76,759)	(213,992)	(290,751)	
Movements during 2020/21							
Total Comprehensive Income and Expenditure	(18,344)	-	-	(18,344)	27,139	8,795	
Adjustments between accounting basis & funding basis under regulations	(6,281)	-	-	(6,281)	6,281	-	2
(Increase)/Decrease in year	(24,625)	-	-	(24,625)	33,420	8,795	
Balance at 31 March 2021	(101,384)	-		(101,384)	(180,572)	(281,956)	

Balance Sheet - Group

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

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

Balance Sheet - Group

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

31 March 2020 £'000		31 March 2021 £'000	Note
268,783	Property, plant and equipment	238,642	15
6,819	Long term investments	11,170	17
295	Long term debtors	289	17
275,897	Long Term Assets	250,101	
12,576	Short term investments	53,785	17
400	Assets held for sale	-	
1,010	Inventories	821	
36,983	Short term debtors	28,832	17
27,672	Cash and cash equivalents	7,849	18
78,641	Current Assets	91,287	
(677)	Short term borrowing	(425)	17
· -	Grants received in advance - revenue	·	7
-	Other short-term liabilities	(753)	
(37,500)	Short term creditors	(30,165)	17
	Provisions	(150)	
(38,177)	Current Liabilities	(31,493)	
40,464	Net Current Assets	59,794	
(29,950)	Long term borrowing	(29,700)	17
-	Other long term liabilities	(2,639)	
(3,593,895)	Net liability related to pension schemes	(4,379,796)	19
(3,623,845)	Long Term Liabilities	(4,412,135)	
(3,307,484)	Net Liabilities	(4,102,240)	
	Financed by:		
(76,759)	Usable reserves	(101,383)	4
3,384,243	Unusable reserves	4,203,623	3
3,307,484	Total Reserves	4,102,240	

Signed: Andrew Lowe, CPFA (Chief Finance Officer)

Date: 30 July 2021

31 March 2020 £'000		31 March 2021 £'000	Note
268,783	Property, plant and equipment Long term	238,642	15
6,819	investments	11,170	17
295	Long term debtors	289	17
275,897	Long Term Assets	250,101	
	Short term		
12,576	investments	53,785	17
400	Assets held for sale	, -	
1,010	Inventories	821	
36,983	Short term debtors	28,832	17
27,672	Cash and cash equivalents	7,849	18
78,641	Current Assets	91,287	
(677)	Short term borrowing	(425)	17
· -	Other short-term liabilities	(753)	
(33,160)	Short term creditors	(25,765)	17
	Provisions	(150)	
(33,837)	Current Liabilities	(27,093)	
44,804	Net Current Assets	64,194	
(29,950)	Long term borrowing	(29,700)	17
-	Other long term liabilities	(2,639)	
(29,950)	Long Term Liabilities	(32,339)	
290,751	Net Assets/(Liabilities)	281,956	
	Financed by:		
(76,759)	Usable reserves	(101,383)	4
(213,992)	Unusable reserves	(180,573)	3
(=10,002)	22.32.10 . 300 30	(100,010)	
(290,751)	Total Reserves	(281,956)	

Signed: Andrew Lowe, CPFA (Chief Finance Officer)

Date: 30 July 2021

Cash Flow Statement - Group

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

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

2019/20 £'000		2020/21 £'000	Note
116,846	Net (surplus) or deficit on the provision of services	102,163	CIES
(135,455)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(134,160)	22b
5,014	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	7,576	22c
(13,595)	Net cash flows from Operating Activities	(24,421)	
(8,532)	Investing Activities	43,268	22d
502	Financing Activities	976	22e
(21,625)	Net (increase) or decrease in cash and cash equivalents	19,823	
(6,047) (27,672)	Cash and cash equivalents at the beginning of the reporting period Cash and cash equivalents at the end of the reporting period	(27,672) (7,849)	18

2019/20 £'000		2020/21 £'000	Note
(6,868)	Net (surplus) or deficit on the provision of services	(18,344)	CIES
(11,741)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(13,653)	23b
5,014	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	7,576	23c
(13,595)	Net cash flows from Operating Activities	(24,421)	
(8,532)	Investing Activities	43,268	23d
502 (21,625)	Financing Activities Net (increase) or decrease in cash and cash equivalents	976 19,823	23e
(6,047) (27,672)	Cash and cash equivalents at the beginning of the reporting period Cash and cash equivalents at the end of the reporting period	(27,672) (7,849)	18

Comprehensive Income and Expenditure Statement - Group

These statements show 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.

Gross expenditure	2019/20 Gross Income	Net expenditure		Gross expenditure	2020/21 Gross Income	Net expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
384,918	(53,204)	331,714	Operational policing services	405,510	(54,166)	351,344	
2,298	(84)	2,214	PCC - Office	2,509	(105)	2,404	
6,026	(3,750)	2,276	PCC - Commissioning	7,437	(4,959)	2,478	
26,268	(272)	25,996	PCC - Estate	29,514	(352)	29,162	
-	-	-	PCC - Crime Prevention	583	(581)	2	
22,611	(19,287)	3,324	Other items not allocated to services	19,882	(20,969)	(1,087)	
442,121	(76,597)	365,524	Cost of Policing Services	465,435	(81,132)	384,303	11
			Other income and expenditure:-				
51,278	(51,278)	-	Other operating income and expenditure	51,688	(51,688)	-	5
	(2,064)	(2,064)	(Gain) / loss on disposal of asset	-	(2,212)	(2,212)	
92,300	(732)	91,568	Financing and investment income and expenditure	81,788	(538)	81,250	6
-	(338,182)	(338,182)	Taxation and non-specific grant income	-	(361,177)	(361,177)	7
143,578	(392,256)	(248,678)	Total other (income)/expenditure	133,476	(415,615)	(282,139)	
		116,846	(Surplus) or Deficit on the Provision of Services			102,164	
		(43,858)	(Surplus) or deficit on revaluation of PPE assets			27,139	
		(323,506)	Net (gain)/loss on the pension assets and liabilities			665,454	
		(367,364)	Other Comprehensive (Income)/Expenditu	ire		692,593	
		(250,518)	Total Comprehensive (Income)/Expenditure	re		794,757	

Comprehensive Income and Expenditure Statement - PCC

Gross expenditure	2019/20 Gross Income	Net expenditure		Gross expenditure	2020/21 Gross Income	Net expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
2,298	(84)	2,214	PCC - Office	2,509	(105)	2,404	
6,026	(3,750)	2,276	PCC - Commissioning	7,437	(4,959)	2,478	
26,268	(272)	25,996	PCC - Estate	29,514	(352)	29,162	
,	, ,	,	PCC - Crime Prevention	583	(581)	2	
34,592	(4,106)	30,486	Cost of Policing Services	40,043	(5,997)	34,046	11
51,278	(51,278)	-	Other income and expenditure:- Other operating income and expenditure	51,688	(51,688)	-	5
	(2,064)	(2,064)	(Gain) / loss on disposal of asset		(2,212)	(2,212)	
2,310	(732)	1,578	Financing and investment income and expenditure Taxation and non-specific grant	275	(538)	(263)	6
-	(338,182)	(338,182)	income	-	(361,177)	(361,177)	7
53,588	(392,256)	(338,668)	Total other (income)/expenditure	51,963	(415,615)	(363,652)	
		(308,182)	(Surplus) or Deficit on the Provision of Services before funding			(329,606)	
		301,314	Intra-group funding			311,263	
		(6,868)	(Surplus) or Deficit on the Provision of Services			(18,343)	
		(43,858)	(Surplus) or deficit on revaluation of PPE assets			27,139	
		(43,858)	Other Comprehensive (Income)/Expe	nditure		27,139	
		(50,726)	Total Comprehensive (Income)/Exper	nditure		8,796	

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1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, council tax precept and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices as presented in the Comprehensive Income and Expenditure Statement. The EFA also shows how this expenditure is allocated for decision making purposes between services.

Group Expenditure and Funding Analysis

C. Cup Exp.	Oroup Experiantare and running Analysis							
Net Expenditure chargeable to the General Fund Balance	2019/20 Adjustments between accounting and funding basis	Net expenditure in the CIES		Net Expenditure chargeable to the General Fund Balance	2020/21 Adjustments between accounting and funding basis (see note 2)	Net expenditure in the CIES		
£'000	£'000	£'000		£'000	£'000	£'000		
300,391	31,323	331,714	Operational policing services	313,735	37,609	351,344		
2,214	-	2,214	PCC - Office	2,404	-	2,404		
2,276	-	2,276	PCC - Commissioning	2,478	-	2,478		
16,656	9,340	25,996	PCC - Estate	16,980	12,182	29,162		
-	-	-	PCC - Crime Prevention	2	-	2		
923	2,401	3,324	Other items not allocated to services	(2,472)	1,385	(1,087)		
322,460	43,064	365,524	Net cost of Policing Services	333,127	51,176	384,303		
(331,669)	82,991	(248,678)	Other income and expenditure	(357,751)	75,611	(282,140)		
(9,209)	126,055	116,846	Net (Surplus)/deficit on the provision of services	(24,624)	126,787	102,163		
(67,550)			Opening General Fund (including earmarked reserves) balance at 1 April	(76,759)				
(9,209)			Plus net (surplus)/deficit on the provision of services	(24,624)				
(76,759)			Closing General Fund (including earmarked reserves) balance at 31 March	(101,383)				

PCC Expenditure and Funding Analysis

Net Expenditure chargeable to the General Fund Balance	2019/20 Adjustments between accounting and funding basis	Net expenditure in the CIES		Net Expenditure chargeable to the General Fund Balance	2020/21 Adjustments between accounting and funding basis (see note 2)	Net expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
2,214	-	2,214	PCC - Office	2,404	-	2,404
2,276	-	2,276	PCC - Commissioning	2,478	-	2,478
16,656	9,340	25,996	PCC - Estate	16,980	12,182	29,162
-	-	-	PCC - Crime Prevention	2	-	2
21,146	9,340	30,486	Net cost of Policing Services	21,864	12,182	34,046
(331,669)	(6,999)	(338,668)	Other income and expenditure	(357,752)	(5,901)	(363,653)
(310,523)	2,341	(308,182)	Net (Surplus)/deficit on the provision of services before funding	(335,887)	6,280	(329,607)
301,314	-	301,314	Intra-group funding	311,263		311,263
(9,209)	2,341	(6,868)	Net (Surplus)/deficit on the provision of services	(24,624)	6,280	(18,344)
(67,550)			Opening General Fund (including earmarked reserves) balance at 1 April	(76,759)		
(9,209)			Plus net (surplus)/deficit on the provision of services	(24,624)		
(76,759)			Closing General Fund (including earmarked reserves) balance at 31 March	(101,383)		

2 Adjustments between Accounting and Funding Basis

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

2020/21	Adjustments for capital purposes	Net change for the pensions adjustments	Other adjustments	Total Adjustments
Adjustments between accounting and funding basis analysis:-	£'000	£'000	£'000	£'000
Operational policing services PCC - Office	-	37,549	60	37,609
PCC - Commissioning	-	-	-	-
PCC - Estate	12,182	-	-	12,182
PCC - Crime Prevention	-	-	-	-
Other items not allocated to services	-	1,385	-	1,385
Net cost of services	12,182	38,934	60	51,176
Other income and expenditure from the funding analysis Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	5,658	81,513 120,447	623 683	75,612 126,788
Note a) Adjustments for capital purposes: Charges to services for depreciation and impairment Revaluation losses on property, plant & equipment	8,383 -			8,383
Service revenue expenditure funded from capital				
under statute	3,799			3,799
Current value of assets disposed	5,047			5,047
Statutory minimum revenue provision for capital financing	(1,618)			(1,618)
Revenue contributions to capital	(2,382)			(2,382)
Capital grants and contributions applied (note i)	(311)			(311)
Total transferred to capital adjustment account (including note i)	12,918			12,918
Transfer asset sale proceeds to capital receipts				
reserve	(7,260)			(7,260)
Note a) Total	5,658			5,658

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Note b) Adjustments for pensions:				
Current service cost of funded local government pensions		86,836		86,836
Past service cost of funded local		00,000		00,000
government pensions		1,385		1,385
Interest on net pension liability		81,513		81,513
Total transferred to Pension Reserve Employer's contributions payable to the pension fund transferred from the Pension		169,734		169,734
Reserve		(49,287)		(49,287)
Note b) Total		120,447		120,447
Note c) Other adjustments: Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated				
Absences Account Movement in fair value of financial instruments transferred to the Financial			60	60
instrument 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			(851)	(851)
Collection Fund Adjustment Account			1,473	1,473
Note c) Total			682	682
Total adjustments				126,787
(note i) transfer from capital grants unapplied	d reserve			-
Total adjustments between accounting ar	nd funding basis	s under statute		126,787

2019/20	Adjustments for capital purposes (note a)	Net change for the pensions adjustments (note b)	Other adjustments (note c)	Total Adjustments
Adjustments between accounting and funding basis analysis:-	£'000	£'000	£'000	£'000
Operational policing services	-	31,180	143	31,323
PCC - Office	-	-	-	-
PCC - Commissioning	-	-	-	-
PCC - Estate	9,340	-	-	9,340
Other items not allocated to services	-	2,401	-	2,401
Net cost of services	9,340	33,581	143	43,064
Other income and expenditure from the funding analysis Difference between the General Fund surplus or deficit and the Comprehensive Income and	1,015	89,990 123,571	1,326 1,469	82,991 126,055
Expenditure surplus or deficit				
Note a) Adjustments for capital purposes: Charges to services for depreciation and impairment	7,906			7,906
Revaluation losses on property, plant & equipment	211			211
Service revenue expenditure funded from capital				
under statute	1,223			1,223
Current value of assets disposed	1,736			1,736
Statutory minimum revenue provision for capital financing	(1,777)			(1,777)
Revenue contributions to capital	(3,270)			(3,270)
Capital grants and contributions applied (note i)	(1,214)			(1,214)
Total transferred to capital adjustment account (including note i)	4,815			4,815
Transfer asset sale proceeds to capital receipts reserve	(3,800)			(3,800)
Note a) Total	1,015			1,015
Tioto aj Total	-,			1,013

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Adjustments (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Note b) Adjustments for pensions:				
Current service cost of funded local government pensions		83,827		83,827
Past service cost of funded local government pensions		2,401		2,401
Interest on net pension liability		89,990		89,990
Total transferred to Pension Reserve		176,218		176,218
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(52,647)		(52,647)
Note b) Total		123,571		123,571
Note c) Other adjustments: Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account			143	143
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account			997	997
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			329	329
Note c) Total			1,469	1,469
			•	Í
Total adjustments				126,055
(note i) transfer from capital grants unapplied reserve				-
Total adjustments between accounting and fundi		statute		126,055

3 Unusable Reserves

Unusable Reserves - Group

31 March 2020 £'000	Movement £'000	31 March 2021 £'000	Note
(101,415)	30,767	(70,648)	3a
(111,785)	2,030	(109,755)	3b
3,593,895	785,901	4,379,796	3c
4,340	60	4,400	3d
(1,473)	1,473	0	3e
681	(851)	(170)	3f
3,384,243	819,380	4,203,623	
31 March	Movement	31 March	
			Note
£'000	£'000	£'000	2
(101,415)	30,767	(70,648)	За
(111,785)	2,030		3b
(1,473)	1,473	Ó	Зе
681	(851)	(170)	3f
(213,992)	33,419	(180,573)	
	£'000 (101,415) (111,785) 3,593,895 4,340 (1,473) 681 3,384,243 31 March 2020 £'000 (101,415) (111,785) (1,473) 681	2020 £'000 £'000 (101,415) 30,767 (111,785) 2,030 3,593,895 785,901 4,340 60 (1,473) 1,473 681 (851) 3,384,243 819,380 31 March Movement 2020 £'000 £'000 £'000 (101,415) 30,767 (111,785) 2,030 (1,473) 1,473 681 (851)	2020 £'000 £'000 (101,415) 30,767 (70,648) (111,785) 2,030 (109,755) 3,593,895 785,901 4,379,796 4,340 60 4,400 (1,473) 1,473 0 681 (851) (170) 3,384,243 819,380 4,203,623 31 March 2020 2021 £'000 £'000 £'000 (101,415) 30,767 (70,648) (111,785) 2,030 (109,755) (1,473) 1,473 0 681 (851) (170)

3a Revaluation Reserve

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

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

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

2019/20 £'000		2020/21 £'000
(59,544)	Balance at start of year	(101,415)
(43,858) 585 1,402	Revaluations during year Disposal of revalued assets Depreciation of revaluations	27,139 2,245 1,383
(101,415)	Balance at end of year	(70,648)

3b Capital Adjustment Account

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

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

2019/20 £'000		2020/21 £'000	2020/21 £'000
(110,813)	Balance at 1 April		(111,785)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
7,906	 Charges for depreciation and impairment of non- current assets 	8,383	
211	 Revaluation losses on Property, Plant and Equipment 	-	
1,223	 Revenue expenditure funded from capital under statute 	3,799	
1,736	 Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement 	5,047	
11,076	Sub-Total		17,229
(1,987)	Adjusting amounts written out of the Revaluation Reserve		(3,628)
9,089	Net written out amount of the cost of non-current assets consumed in the year		13,601
(3,801)	 Capital financing applied in the year: Use of the Capital Receipts Reserve to finance new capital expenditure 	(7,265)	
(3,270)	 Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure 	(2,382)	
(1,214)	 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing 	(311)	
(1,777)	 Statutory provision for the financing of capital investment charged against the General Fund balance 	(1,618)	
0	 Voluntary provision for the financing of capital investment charged against the General Fund balance 	-	
(10,062)	Sub-Total		(11,576)
(111 705)	Write-down of capital debtors Balance at 31 March		(100 755)
(111,785)	Daianoo at on maron		(109,755)

3c 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 resources the Chief Constable has set aside to meet the benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £'000		2020/21 £'000
3,793,830	Balance at start of year	3,593,895
(300,639) (51,030) 28,163	Actuarial losses/(gains) on pensions assets and liabilities Government contributions to Police Officer schemes Return on plan assets	791,967 (52,406) (74,107)
176,218	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	169,734
(52,647)	Employer's pension contributions and direct payments to pensioners payable in the year	(49,287)
3,593,895	Balance at end of year	4,379,796

3d 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.

3e Collection Fund Adjustment Account

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

3f Financial Instrument Adjustment Account

The change in fair value of strategic pooled investment funds debited or credited to the provision of services are reversed out of the General Fund balance to this adjustment account in the Movement in Reserves Statement.

4 Usable Reserves

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

	Balance 1 April 2019	Movement in 2019/20	Balance 31 March 2020	Movement in 2020/21	Balance 31 March 2021	
	. / .p	2010/20				Note
	£'000	£'000	£'000	£'000	£'000	ž
Revenue Reserves	(40)	(0.170)	444-		//a /aa>	
A. General Fund Balance	(10,790)	(8,159)	(18,949)	5,846	(13,103)	а
B. PCC Earmarked Revenue Reserve	es					
Fully committed to Existing Spend F	Programmes					
Carry Forward Reserve	(6,863)	6,548	(315)	(494)	(809)	b
Equipment Reserve	(1,000)	1,000	_	_	_	С
ESMCP Reserve	(7,000)	7,000	-	-	-	d
Estates Reserve	-	(10,224)	(10,224)	(5,227)	(15,451)	е
IT Services Reserve	_	(12,979)	(12,979)	(9,591)	(22,570)	f
Laboratory Reserve	(153)	153	-	_	-	g
Replacement Programme Reserve	. ,	(2,154)	(2,154)	(2,490)	(4,644)	h
Revenue Grants Unapplied	(1,110)	1,110	(2,134)	(1,980)	(1,980)	i
	(16,126)	(9,546)	(25,672)	(19,782)	(45,454)	'
Departmental/Trading Reserves	(10,120)	(0,010)	(20,012)	(10,102)	(10,101)	
Forfeit Reserve	(803)	(123)	(926)	59	(867)	i
Netley Business Plan	(288)	29	(259)	69	(190)	k
Property Act Reserve	(69)	69	(===)	-	(,	ı
Safer Roads Reserve	(2,124)	354	(1,770)	(850)	(2,620)	m
	(3,284)	329	(2,955)	(722)	(3,677)	
Risk Reserves						
Insurance Reserve	(1,477)	-	(1,477)	-	(1,477)	n
Grant Equalisation Reserve	-	-	-	(6,000)	(6,000)	0
Operation Magenta Reserve	-	-	-	(5,938)	(5,938)	р
Pension Remedy Reserve		-	-	(3,000)	(3,000)	q
	(1,477)	-	(1,477)	(14,938)	(16,415)	
Corporate Reserves						
Commissioner's Reserve	(624)	(264)	(888)	174	(714)	r
Performance Reserve	(424)	424	-	-	-	s
Transformation Reserve	(23,857)	4,865	(18,992)	7,274	(11,718)	t
	(24,905)	5,025	(19,880)	7,448	(12,432)	
Total Earmarked Revenue Reserves Available	(45,792)	(4,192)	(49,984)	(27,994)	(77,978)	

	Balance 1 April 2019	Movement in 2019/20	Balance 31 March 2020	Movement in 2020/21	Balance 31 March 2021	Note
	£'000	£'000	£'000	£'000	£'000	ž
C. Other Earmarked Revenue Reser	ves					
ACRO General Reserve	(4,392)	892	(3,500)	(3,476)	(6,976)	u
ACRO Surety	(4,000)		(4,000)	2,000	(2,000)	٧
AVCIS Surety	(346)	20	(326)	(1,000)	(1,326)	w
	(8,738)	912	(7,826)	(2,476)	(10,302)	
Total Revenue Reserves and Balances	(65,320)	(11,439)	(76,759)	(24,624)	(101,383)	
Capital Reserves						
Capital Grants Unapplied	_	-	-	_	_	
Capital Receipts Reserve	-	-	-	_	_	
Capital (Revenue Contributions) Reserve	(2,230)	2,230			-	х
Total Capital Reserves and Balances	(2,230)	2,230	-	-	-	
Total Usable Reserves	(67,550)	(9,209)	(76,759)	(24,624)	(101,383)	

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

- a. The General Fund Balance is the main reserve held to manage unidentified and unforeseen risk;
- b. The Carry Forward Reserve is for approved budget carry forwards where expenditure has been committed but not yet spent;
- c. The Equipment Reserve holds funds available to offset the impact of large-scale equipment replacement such as the need to replace body armour when the warranty for body armour expires. This was consolidated into the Replacement Programme Reserve in 2019/20;
- d. The ESMCP Reserve holds funds set aside for the delivery of the Emergency Services Mobile Communication Programme. This was consolidated into the IT Services Reserve in 2019/20;
- e. The Estates Reserve holds revenue funds for a number of future Estates programmes such as large repairs and maintenance projects, future potential dilapidations costs, Isle of Wight capital programme and Estate Change Programme;
- f. The IT Services Reserve holds funds set aside for IT refresh programmes (laptops, phones, BWV and servers), IT projects and the delivery of ESMCP;
- g. The Laboratory Reserve holds funds available to pay for renewal of equipment as part of a joint scheme with Hampshire County Council. This was consolidated into the Replacement Programme Reserve in 2019/20;
- h. The Replacement Programme Reserve holds funds available to offset the impact of large-scale equipment replacement (such as body armour and laboratory equipment) and vehicles;

- The Revenue Grants Unapplied reserve holds grants for which there are no outstanding conditions but where the expenditure has not been incurred at year-end;
- j. The Forfeit Reserve holds any surplus generated from confiscated money and is ringfenced for activities relating to the prevention or detection of drug-related crime;
- k. The Netley Business Plan holds any surplus generated from the use of the Netley site for functions such as weddings and is ring-fenced for subsequent reinvestment in the site:
- The Property Act Reserve holds any surplus from the sale of confiscated property and is ring-fenced for purchases relating to property and evidence storage. It was consolidated into the Forfeit Reserve in 2019/20;
- m. The Safer Roads Reserve holds any surplus from safer roads initiatives and will be used to further improve road safety;
- n. The Insurance Reserve holds funds available to pay for items that are not covered by the insurance contract. Research and experience has shown that it is more cost effective to hold a reserve for some things that are low risk and low probability rather than pay an insurance premium to cover them;
- o. The Grant Equalisation Reserve will be used to offset and manage future uncertainty in the level of Police grant;
- p. The Operation Magenta Reserve has been set up in response to the reinvestigation of the historic events at Gosport War Memorial Hospital which is an investigation of national interest. The PCC is currently able to apply for Special Grant from the Home Office to support 85% of expenditure annually, although it is anticipated that the available special Grant could reduce to 75% in future years. The costs of the investigation on an annual basis are now significant, and at a 25% contribution rate would equate to a cost to be funded by the PCC of over £2m per annum over the next 2 years and possibly beyond (50% annual spend currently assumed for year 3). This new reserve has been set up to ensure that funding is set aside to meet these costs;
- q. The Pension Remedy Reserve sets aside specific funding in recognition of the oneoff costs which will arise from implementation of the McCloud/Sargeant pension remedy judgment impacting Police Pensions;
- r. The Commissioner's Reserve holds amounts that are used specifically to support the Commissioner's priorities and support delivery of the Police and Crime Plan;
- s. The Performance Reserve holds funds used to pay for specific targeted medium-term operations such as Cyber Crime. It was consolidated into the Transformation Reserve in 2019/20;
- t. The Transformation Reserve was specifically set up to recognise the significant investment required to deliver transformational change, support the investment requirements linked to technology development and digital initiatives, and to provide a buffer to help manage the budget in the medium term;
- u. The ACRO General Reserve is the surplus of income over expenditure held on behalf of the Criminal Records Office to supplement ACRO income in future years.
- v. The ACRO surety is a sum held to meet any liabilities if the ACRO service ceases or is transferred out of the Commissioner's stewardship at short notice:

- w. The AVCIS surety is a sum held to meet any liabilities if the ACPO Vehicle Crime Intelligence Service ceases or is transferred out of the Commissioner's stewardship at short notice;
- x. The Capital (Revenue Contributions) Reserve holds funds that have been set aside from within the annual revenue budget to pay for capital schemes. This reserve will collect funds on a temporary basis as the funds will usually then be paid out in the next one or two years to cover the cost of a capital scheme.

5 Other operating income/expenditure

2019/20		2020/21
£'000		£'000
(51,278)	Home Office Police Pension Fund Top-up Grant	(51,688)
51,278	Transfer of Home Office Grant to the Police Pension Fund	51,688
_		-

6 Financing and investment income and expenditure

6.1 Financing and investment income and expenditure – Group

2019/20		2020/21
£'000		£'000
1,306	Interest payable and similar charges	1,368
89,990	Pensions interest cost and expected return on pension assets	81,513
(731)	Interest receivable and similar income	(774)
997	Pooled investments (gain) or loss	(851)
6	Expected credit losses	(6)
	Change in expected loss allowance for receivables	-
91,568		81,250

6.2 Financing and investment income and expenditure – PCC

2019/20		2020/21
£'000		£'000
1,306	Interest payable and similar charges	1,368
(731)	Interest receivable and similar income	(774)
997	Pooled investments (gain) or loss	(851)
6	Expected credit losses	(6)
	Change in expected loss allowance for receivables	-
1,578		(263)

7 Government Grants and other contributions – Group and Commissioner

Government grants and third party contributions are recognised as income at the date that the Commissioner 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.

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

2019/20		2020/21
£'000		£'000
	Credited to Taxation and Non-Specific Grant Income	
(139,642)	Council Tax Precept	(146,752)
(63,473)	Formula funding	(67,781)
(120,909)	Police Grant	(130,401)
(12,944)	Council tax legacy grant	(12,944)
-	Police Pension grant (previously credited to services)	(2,988)
(1,184)	Government Grant to Finance Capital Expenditure	(311)
(30)	Other capital contributions	-
(338,182)	Total	(361,177)

	Credited to Services	
2019/20		2020/21
£'000		£'000
(301)	Contributions to National Wildlife Crime Unit (ACRO)	(311)
(2,691)	Counter-Terrorism Policing Grant	(2,509)
(270)	Cybercrime Grant	-
(317)	Early Intervention Youth Funding	-
(2,861)	Home Office grants to ACPO Criminal Records Office	-
(150)	Learning development for police officers providing input in schools	
(185)	Multi Agency Stalking Intervention Programme	
(2,988)	Police Pension Grant (now credited to taxation and non-specific grants)	-
(2,602)	Restorative Justice/Victims Support grant	(2,902)
(1,260)	Serious Violence Fund	(830)
(747)	Uplift Enablers Grant	(2,179)
-	Uplift Enablers Grant / Covid Support Grant	(2,179)
(880)	Violence Reduction Units	(1,002)
-	Operation Magenta Grant	(5,145)
-	Conductive Electronic Device Grant	(41)
-	Operation Cobb Grant	(42)
-	EU Exit Preparation Grant (ACRO)	(1,054)
-	Sexual Exploitation in the Aid Sector Grant (ACRO)	(93)
-	ESMCP Grant	(340)
-	Covid Grant	(1,504)
-	Covid Enforcement Grant	(778)
-	Safer Streets Fund	(550)
-	Police Science, Technology, Analysis and Research Funding	(42)
-	Domestic Abuse Perpetrator Programme Fund	(240)
	Covid 19 Domestic Abuse and Sexual Violence Support Services	(5.4.4)
	Funding	(811)
(29)	Miscellaneous grants	(14)
(15,281)	Total	(22,566)

2019/20 PCC £'000	2019/20 CC £'000		2020/21 PCC £'000	2020/21 CC £'000
		Credited to Taxation and Non-Specific Grant Income		
		·		
(139,642)	-	Council Tax Precept	(146,752)	-
(63,473) (120,909)	-	Formula funding Police Grant	(67,781) (130,401)	-
(12,944)	-	Council tax legacy grant	(12,944)	-
- (4.404)	-	Police Pension grant (previously credited to services)	(2,988)	-
(1,184) (30)	-	Government Grant to Finance Capital Expenditure Other capital contributions	(311)	-
			(0.04, 4.77)	
(338,182)		Total	(361,177)	-
2019/20	2019/20		2020/21	2020/21
PCC	CC		PCC	CC
£'000	£'000	Credited to Services	£'000	£'000
-	(301	_	_	(311)
_	(2,691	·	-	(2,509)
_	(270	·	-	-
(317)	•	- Early Intervention Youth Funding	-	-
	(2,861) Home Office grants to ACPO Criminal Records Office	-	-
-	(150	Learning development for police officers providing input in schools	-	-
-	(185	Multi Agency Stalking Intervention Programme	-	-
-	(2,988	Police Pension Grant (now credited to taxation and non-specific grants)	-	-
(2,602)		- Restorative Justice/Victims Support grant	(2,902)	
	(1,260	Police Surge Funding Grant	-	(830)
-	(747	Uplift Enablers Grant	-	(2,179)
-		- Uplift Enablers Grant / Covid Support Grant	-	(2,179)
-	(880)	Violence Reduction Units	(1,002)	-
-		- Operation Magenta Grant	-	(5,145)
-		- Conductive Electronic Device Grant	-	(41)
-		- Operation Cobb Grant	-	(42)
-		- EU Exit Preparation Grant (ACRO)	-	(1,054)
-		- Sexual Exploitation in the Aid Sector Grant (ACRO)	-	(93)
-		- ESMCP Grant	-	(340)
-		- Covid Grant	-	(1,504)
-		- Covid Enforcement Grant	-	(778)
-		- Safer Streets Fund	(550)	-
-		- Police Science, Technology, Analysis and Research Funding	(42)	-
-		 Domestic Abuse Perpetrator Programme Fund Covid 19 Domestic Abuse and Sexual Violence Support Services 	(240)	-
-		- Funding	(811)	-
-	(29	Miscellaneous grants	(3)	(11)
(2,919)	(12,362	Total	(5,550)	(17,016)

8 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 - Group

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

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

The 2015 regulations define senior police officers for these purposes as being those with the rank of superintendent or above. The numbers also include people who are seconded to national roles but whose costs are reimbursed.

2019/20 2020/21 **Remuneration Band** Number of employees **Number of employees** CC **PCC Group Total** CC PCC **Group Total** £50,000 - £54,999 £55,000 - £59,999 £60,000 - £64,999 £65,000 - £69,999 £70,000 - £74,999 £75,000 - £79,999 £80,000 - £84,999 £85.000 - £89.999 £90,000 - £94,999 £95,000 - £99,999 £100,000 - £104,999 £105,000 - £109,999 £110,000 - £114,999 £115,000 - £119,999 £120,000 - £124,999 £135,000 - £139,999 £190,000 - £194,999 Totals

^{*}Note - This table does not include the senior employees stated separately on page 52

Remuneration for relevant police officers and senior employees

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

The table below provides the relevant disclosure for 2020/21 and comparative information for 2019/20 is provided in the second table. Where there have been changes in personnel during the current and prior year the part year remuneration is shown on an individual basis over more than one line. This will mean that certain posts are not comparable. The tables show the distinction between the Office of the PCC and those included in the operating cost statement for the Chief Constable, although in reality all officers and staff are paid by the Commissioner.

2020/21 Disclosure									
Post holder information	-		4	o		ø			
	рc		Expenses Allowance	Compensation for loss of employment	þ	Other payments (Police officers only)	Employer's Pension contributions	Total Remuneration including pensions contributions	
	Salary, fees and allowances	es	<u>8</u>	ensation for employment	Benefits in Kind	r payments (I officers only)	ployer's Pens contributions	Total Remuneratior including pensions contributions	
	ılary, fees a allowances	Bonuses	s Al	tion Oyn	ts ir	mer ers c	er's ibut	mur g pe ibut	Note
	lary allo	В	nse	nsa: mpl	nefi	pay	loye	I Re ıdin ontr	_
	Sa		xbe	npe	å	her	m S	lota o	
			ш	Co		ŏ		_ _	
	£	£	£	£	£	£	£	£	
Office of the PCC									
PCC For Hampshire & Isle of Wight	86,700	-	-	-	-	-	14,479	101,179	
Chief Exec (PCC)	102,907	-	-	-	-	-	17,185	120,093	
Constabulary						-			
Chief Constable - 01/04/2020 -	194,381	_	671	_	671	_	58,634	254,357	
31/03/2021 Olivia Pinkney Deputy Chief Constable -							·		
01/04/2020 - 31/03/2021	149,718	-	1,260	-	7,906	-	43,977	202,861	
Assistant Chief Constable - Local Policing - 01/04/2020 -	64,266	_	289	_	3,555	_	18,501	86,611	
04/10/2020	04,200		200		0,000		10,001	00,011	
Assistant Chief Constable - Operations - 01/04/2020 -	119,109				7,431		36,583	163,123	
31/03/2021	119,109	-	-	-	7,431	-	30,363	103,123	
Assistant Chief Constable -	24.047						0.400	40.440	
Operations - 01/04/2020 - 04/07/2020	31,017	-	-	-	-	-	9,402	40,419	
Assistant Chief Constable -									
Crime, Criminal Justice and Intelligence - 01/04/2020 -	113,347	-	-	-	3,828	-	33,744	150,919	
31/03/2021									
Assistant Chief Constable - Local Policing and Public									
Protection - 01/06/2020 -	95,051	-	-	-	3,681	-	28,825	127,557	
31/03/2021 Assistant Chief Constable -									
Corporate Insights -	60,906	-	-	-	1,190	-	19,024	81,120	
04/09/2020 - 31/03/2021									
Assistant Chief Constable - 01/04/2020 - 31/3/2021	114,591	-	-	-	-	-	33,867	148,459	
	1,131,994	-	2,219	-	28,262	-	314,222	1,476,697	1,2

Note 1: The Chief Finance Officer for the PCC is employed by Hampshire County Council as part of the shared services arrangement. This is a part-time role and the Officer providing this function is included within the remuneration details disclosed by Hampshire County Council. A recharge is made to the PCC from the County Council in respect of the time and cost of the statutory role carried out by the Chief Finance Officer. This charge was £69,752, which includes all employer oncosts.

Note 2: 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 £122,383, which includes all employer oncosts.

Note 1: The Chief Finance Officer for the PCC is employed by Hampshire County Council as part of the shared services arrangement. This is a part-time role and the Officer providing this function is included within the remuneration details disclosed by Hampshire County Council. A recharge is made to the PCC from the County Council in respect of the time and cost of the statutory role carried out by the Chief Finance Officer. This charge was £65,658 (This figure include all employers on costs)

Note 2: 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 £117,003 (This figure includes all employer on costs).

9 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 - Group

	2019/2 0	2020/2	2019/2 0	2020/2	2019/2 0	2020/2 1	2019/20	2020/21
		•		•	_	-		
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	4	-	1	-	5	-	46	-
£20,001 - £40,000	-	-	1	-	1	-	20	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000		-	-	-	-	-	-	-
Totals	4	-	2	-	6	-	66	-

In addition to the payments made to staff leaving the organisation, the Chief Constable also made payments to the Local Government Superannuation Scheme which it bears as the employer for the early retirement of eligible staff who are made redundant. No charges were necessary to the Comprehensive Income and Expenditure Statement to cover the actual or expected payments in 2020/21 (£85k in 2019/20).

10 External audit costs

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

2019/20 £'000		2020/21 £'000
	Police and Crime Commissioner:	
32	Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year Other services provided by EY	32
	Chief Constable:	
14	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	-
46		46

Fees paid by the PCC and the Chief Constable in 2020/21 were in line with the scale fee.

11 Nature of Expenses - Group

As disclosed in the note to the CIES, during 2020/21 the service segments used by the PCC and Constabulary were updated and the new segments are presented. The prior year figures disclosed in the nature of expenses note have therefore also been updated to reconcile to the new CIES presentation. The Cost of Services includes the following items of income and expenditure:

2019/20 Expenditure in the CIES		Note	2020/21 Expenditure in the CIES
£'000		14010	£'000
304,252	Employee Benefit Expenses	а	320,729
129,752	Other Service Expenses	b	136,323
8,117	Depreciation and Impairment	С	8,383
442,121	Total Expenditure		465,435
(52,577)	Grants, contributions and reimbursements		(63,065)
(24,020)	Fees, charges and other service income		(18,067)
(76,597)	Total Income		(81,132)
365,524	Net Cost of Services		384,303

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

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

2019/20 £'000		2020/21 £'000
(9,063)	Operational policing services	(5,938)
(1)	Office of the Police and Crime Commissioner	-
(264)	Police and Crime Commissioner - Estate	(250)
(14,692)	Other items not allocated to services	(11,879)
(24,020)	Total income from external customers analysed by service	(18,067)

Nature of expenses - PCC

As disclosed in the note to the CIES, during 2020/21 the service segments used by the PCC and Constabulary were updated and the new segments are presented. The prior year figures disclosed in the nature of expenses note have therefore also been updated to reconcile to the new CIES presentation. The Cost of Services includes the following items of income and expenditure:

2019/20 Expenditure in the CIES		Note	2020/21 Expenditure in the CIES
£'000	_		£'000
1,974	Employee Benefit Expenses	а	2,474
24,501	Other Service Expenses	b	29,186
8,117	Depreciation and Impairment	С	8,383
34,592	Total Expenditure		40,043
(3,841)	Grants, contributions and reimbursements		(5,747)
(265)	Fees, charges and other service income		(250)
(4,106)	Total Income		(5,997)
30,486	Net Cost of Services		34,046

- a) Employee benefit expenses include pay, employer national insurance contributions, employer pension contributions and other employee benefits.
- 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).
- c) Depreciation and impairment charges are made to the CIES to reflect the use of fixed assets during the period. These are not chargeable to the general fund.

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

2019/20 £'000		2020/21 £'000
(1)	Office of the Police and Crime Commissioner	-
(264)	Police and Crime Commissioner - Estate	(250)
(265)	Total income from external customers analysed by service	(250)

12 Related Parties

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

The UK Government exerts significant influence through legislation and grant funding. The value of grants received is shown in the Income and Expenditure Account and further details of specific additional grants received are given in note 7.

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 £37.3m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£35.3m in 2019/20). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £12.6m in 2020/21 (£17.1m in 2019/20).

The Chief Finance Officer (CFO) to the Commissioner and the CFO to the Chief Constable are both employed by Hampshire County Council. The governance arrangements of the Commissioner and Chief Constable and the independence and professional status of each CFO, ensure that these relationships are 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 2020/21 (none in 2019/20).

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:-

			PCC share of
Activity	Partners	Lead/ Host	costs
	Hampshire County Council (HCC), Hampshire Fire and Rescue		LIII
Joint working for support services Joint ICT/Information Management	Services (HFRS)	HCC	
Department	Thames Valley Police (TVP)	TVP	20.2
South East Organised Regional Organised Crime Unit (SEROCU)	South East Region Forces (TVP, Surrey, Sussex)	TVP	3.8
Joint Operations Unit	Thames Valley Police (TVP)	TVP	25.7

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 Capital financing requirement

The Commissioner's borrowing for capital purposes is controlled under the CIPFA Prudential Code for Capital Finance in Local Authorities. The total borrowing is expressed as the Capital Financing Requirement (CFR).

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Revenue Expenditure Funded From Capital Under Statute

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

2019/20	Capital financing and expenditure	2020/21
£'000		£'000
58,062	Opening Capital Financing Requirement	56,281
	Capital investment	
4,654	Operational assets	5,453
•	·	•
2,404	Non-operational assets	712
1,223	Revenue Expenditure funded from capital under statute	3,799
	Sources of finance	
(3,801)	Capital receipts	(7,265)
(1,214)	Government grants and contributions	(311)
-	Donated assets	-
(3,270)	Use of reserves (Revenue contributions to capital)	(2,382)
(1,777)	Sums from revenue (Minimum revenue provision - MRP)	(1,618)
56,281	Closing Capital Financing Requirement	54,669
	Explanation of movements in year	
(1,781)	Increase/ (decrease) in underlying need to borrow	(1,612)
	Increase/(decrease) in Capital Financing	
(1,781)	Requirement	(1,612)

£10m of capital expenditure was on property, plant and equipment and vehicles as shown above. The expenditure on non-operational assets in 2020/21 predominantly relates to expenditure on vehicles that will become operational during 2021/22. These assets will be reclassified at that point and will be used in the delivery of services

Under the Prudential Code arrangements, the Commissioner is permitted to borrow money to finance capital expenditure as long as the borrowing is prudent, affordable and sustainable. No new borrowing was taken out in 2020/21 (Nil in 2019/20).

Minimum Revenue Provision for the repayment of debt

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

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

14 Leases

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

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

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

14a The Commissioner as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Commissioner has one building and one equipment asset which was originally acquired under a finance lease under IAS17. No other assets have been identified as being acquired under finance leases. These operational assets are carried as property, plant and equipment in the Balance Sheet and are subject to depreciation in accordance with their class of asset.

A premium was paid when a 999-year lease for the building commenced in March 2001 and a peppercorn rent is payable for the remainder of the lease term. The minimum lease payment is not recognised as a long-term liability in the Commissioner's accounts due to its immateriality. The annual lease payment is recognised as a revenue expense. The net book value of the property at 31 March 2021 was £4.096m (£4.199m at 31 March 2020).

A new lease with BT was entered into in conjunction with Test Valley Police in July 2020 for a fully supported, managed, and monitored network and voice service. The minimum lease payment is recognised as a long-term liability in the Commissioner's accounts at a value of £2.638m. The net value of the equipment assets included in the service at 31 March 2021 was £3.287m.

The outstanding liability to the supplier is as follows:

2019/20		2020/21
£'000		£'000
-	Balance outstanding at 1 April	-
-	Liability bought onto balance sheet	3,868
-	Payments during the year	476
_	Balance outstanding at 31 March	3,392

The Group is committed to payments as follows:

	Principal	Interest	Total
	£'000	£'000	£'000
Not later than one year	753	66	819
Later than one year and not later than five years	2,639	111	2,750
Total	3,392	177	3,569

Operating Leases

The Commissioner leases a number of operational buildings. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease). The expenditure charged to the net cost of services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £3.053m (£3.184m in 2019/20).

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2020 £'000		31 March 2021 £'000
3,311	Not later than one year	3,100
8,601	Later than one year and not later than five years	8,992
51,076	Later than five years	50,582
62,988	Total	62,674

14b The Commissioner as Lessor

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

No significant property, plant, equipment or other assets are leased, either as finance leases or operating leases.

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

Assets that have a physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. PP&E assets are shown in the balance sheet at their written-down value after taking account of depreciation.

Recognition

All expenditure above the de minimis limit of £10,000 (£6,000 for vehicles) on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. Expenditure that maintains, but does not extend, the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to the relevant service area within the Comprehensive Income and Expenditure Statement as it is incurred.

Measurement

PPE assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

 Operational Land and Buildings - current value, determined as the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of

- fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Surplus Land and Buildings at fair value in highest and best use, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- Vehicles, Plant and Equipment are measured at depreciated historical cost (as this is not materially different from the current value).
- Assets under construction Historic cost (not subject to depreciation until operational);

PPE assets included in the Balance Sheet at fair value or current value (i.e. land and buildings) are re-valued where there have been material changes in the value, or a change in use, and as a minimum every five years. The freehold and leasehold properties of the Commissioner's property portfolio have been valued under a rolling programme by Hampshire County Council's property services staff. Valuations were carried out in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. For assets not included in the current year's valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices.

Surplus properties have been valued within level 2 of the fair value hierarchy. The fair value for the properties within level 2 is based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant.

Increases in valuations are matched by credits to the Asset Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the relevant service area within the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to the service area. The Asset Revaluation Reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date form part of the Capital Adjustment Account.

Impairment

Decreases in value (due to either physical impairment or market prices) are either charged to the Asset Revaluation Reserve (to the extent that it has any balance relating to the specific asset) or to the relevant service area within the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised. However, revaluation losses and subsequent reversals are not permitted by statutory arrangements to impact on the General Fund Balance and therefore any gains or losses are reversed out of the General Fund Balance (in the Movement in

Reserves Statement) and are transferred to the Capital Adjustment Account.

Depreciation

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

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

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

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

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

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

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

Depreciation is charged to the relevant revenue service area within the Comprehensive Income and Expenditure Statement. However, depreciation charges are not permitted by statutory arrangements to have an impact on the General Fund Balance and therefore all depreciation charges are reversed out of the General Fund Balance (in the Movement in Reserves Statement) and are transferred to the Capital Adjustment Account.

Revaluation gains are also depreciated, with an amount equal to the depreciation between current value depreciation charged on assets and the depreciation which would have been

chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

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

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

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

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

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

Disposals and assets held for sale

When a material PPE asset is to be disposed of, and meets all of the criteria of an asset held for sale, it is reclassified as Assets Held for Sale. If the carrying amount at the time of reclassification is higher than the fair value less costs to sell the asset, then the asset held for sale will be impaired. This impairment is charged to other costs in the Comprehensive Income and Expenditure Statement. Assets that are being abandoned or scrapped are written out without being reclassified.

When the asset is disposed of, or decommissioned, the carrying value of the asset is written out to the Other Operating Income and Expenditure line within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital

Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. Any revaluation gains accumulated for the asset in the Asset Revaluation Reserve are written out to the Capital Adjustment Account by way of a transfer between the accounts.

Amounts received in excess of £10,000 are categorised as capital receipts and are credited to the other operating expenditure line within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. They are then appropriated to the Capital Receipts Reserve from the General Fund Balance within the Movement in Reserves Statement and then can only be used for new capital investment or set aside to reduce the County Council's underlying need to borrow (the capital financing requirement).

Property, Plant and Equipment Movement on balances

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

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

Movement on balances 2020/21

Cost or valuation At 31 March 2020 257,910 20,302 8,003 749 12,096 299,060 Additions in year 2,751 2,702 689 23 6,165 3,		Land and Buildings	Vehicles and Plant	Furniture and Equipment	Assets under construction	Surplus Assets	Total Property, Plant and Equipment	Finance lease included in Property Plant & Equipment
At 31 March 2020 Additions in year 2,751 2,702 - 689 23 6,165 3, Donations Revaluation increases/(decreases) recognised in the Revaluation Reserve Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services Derecognition - Other Assets reclassified (to)/from held for sale At 31 March 2020 Depreciation Charge At 31 March 2020 Depreciation written out to the Surplus/Deficit on the Provision of Services Deprecognition - Other At 31 March 2020 Classified (to)/from held for sale At 31 March 2020 Depreciation written out on revaluation Depreciation written out to the Surplus/Deficit on the Provision of Services Derecognition - Other At 31 March 2020 Classified (to)/from held for sale Clas		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Additions in year 2,751 2,702 - 689 23 6,165 3, Donations Revaluation Revaluation Reserve Revaluation Reserve Revaluation Of Services Derecognition - Other At 31 March 2020 (10,668) (12,766) (1,915) (892) - (136) (7,802) (580) (10,916) (
Donations Revaluation Increases/(decreases) recognised in the Revaluation Reserve Revaluation Increases/(decreases) recognised in the Revaluation Reserve Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services Derecognition - Other Assets reclassified (to)/from held for sale Other movements in cost or valuation At 31 March 2021 Accumulated depreciation and Impairment At 31 March 2020 Classified (to)/from held for sale (10,668) (12,766) (6,524) - (319) (30,277) Depreciation written out on revaluation Depreciation written out on revaluation Depreciation written out to the Surplus/Deficit on the Provision of Services Derecognition - Other Assets reclassified (to)/from held for sale Other movements in depreciation and Impairment At 31 March 2020 (10,668) (12,766) (6,524) - (319) (30,277) Expression written out on revaluation Depreciation written out to the Surplus/Deficit on the Provision of Services Derecognition - Other Assets reclassified (to)/from held for sale Other movements in depreciation and impairment At 31 March 2021 (12,975) (13,521) (3,949) - (294) (30,739) (5)				8,003				-
Revaluation Increases/(decreases) recognised in the Revaluation Reserve Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services Derecognition - Disposals Content of the Provision of Services Content of the Provision of Se	-	2,751	2,702	-	689	23	6,165	3,868
increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services Derecognition - Disposals Derecognition - Other Assets reclassified (to)/from held for sale Other movements in cost or valuation At 31 March 2021 Accumulated depreciation and Impairment At 31 March 2020 Classified (to)/from other (1,915) Accumulated depreciation and Impairment At 31 March 2020 Classified (to)/from other (1,915) Depreciation Charge (4,859) Depreciation written out on revaluation Depreciation written out to the Surplus/Deficit on the Provision of Services Derecognition - Other (2,552) Derecognition - Other (3,467) Assets reclassified (to)/from held for sale Other movements in depreciation and impairment At 31 March 2021 (12,975) (13,521) (3,949) Classified (5,966) Classified (5,966) Classified (5,966) Classified (5,966) Classified (6,964) Classified (6,944) Classified (6,524) Classified (6,	Revaluation increases/(decreases) recognised	(29,769)	-	-	-	78	(29,691)	-
Derecognition - Disposals Derecognition - Other Derecognition - Other Assets reclassified (to)/from held for sale Other movements in cost or valuation At 31 March 2021 Accumulated depreciation and Impairment At 31 March 2020 Depreciation Charge Depreciation written out on revaluation Depreciation written out to the Surplus/Deficit on the Provision of Services Derecognition - Other Derecognition - Other At 31 March 2021 At 31 March 2021 Derecognition - Other Charge	increases/(decreases) recognised in the Surplus/Deficit on the	-	-	-	-	-	-	-
Assets reclassified (to)/from held for sale Other movements in cost or valuation At 31 March 2021 Accumulated depreciation and Impairment At 31 March 2020 Depreciation Charge Leptocognition - Disposals Derecognition - Other Assets reclassified (to)/from held for sale Other movements in depreciation and Impairment At 31 March 2021 Accumulated depreciation and Impairment At 31 March 2020 (10,668) (12,766) (6,524) - (319) (30,277) (136) (7,802) (50) (136) (7,802) (7,802) (7,802) (7,802) (7,802) (136) (7,802) (7,802) (7,802) (136) (7,802) (7,802) (7,802) (136) (7,802) (7,802) (7,802) (136) (7,802) (7,802) (7,802) (136) (7,802) (7,802) (7,802) (136) (7,802) (7,802) (7,802) (7,802) (136) (7,802) (7,80	Derecognition - Disposals	-	(1,466)	-	-	(4,500)		-
Other movements in cost or valuation At 31 March 2021 Accumulated depreciation and Impairment At 31 March 2020 Depreciation Charge Comparison of Services Derecognition - Other Assets reclassified (to)/from held for sale Other movements in cost or valuation At 31 March 2021 230,892 21,705 4,536 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,531 691 8,270 266,094 3, 4,536 691 8,270 266,094 3, 4 3, 4 4,536 691 8,270 266,094 3, 4 3, 4 4,536 691 8,270 266,094 3, 4 3, 4 4 4 3, 4 4 4 3 4 4 4 4 4 4 4 4 4		-	-	(3,467)	(7)	-	(3,474)	-
At 31 March 2021 230,892 21,705 4,536 691 8,270 266,094 3, Accumulated depreciation and Impairment At 31 March 2020 (10,668) (12,766) (6,524) - (319) (30,277) (50,000)	• • •	-	-	-	-	-	-	-
Accumulated depreciation and Impairment At 31 March 2020 (10,668) (12,766) (6,524) - (319) (30,277) Depreciation Charge (4,859) (1,915) (892) - (136) (7,802) (50,552) Depreciation written out on revaluation 2,552 2,552 Depreciation written out to the Surplus/Deficit on the Provision of Services Derecognition - Disposals - 1,160 161 1,321 Derecognition - Other 3,467 3,467 Assets reclassified (to)/from held for sale Other movements in depreciation and impairment At 31 March 2021 (12,975) (13,521) (3,949) - (294) (30,739) (55,552)		-	167	-	(740)	573	-	-
Impairment	At 31 March 2021	230,892	21,705	4,536	691	8,270	266,094	3,868
Depreciation Charge (4,859) (1,915) (892) - (136) (7,802) (50	Impairment							
Depreciation written out on revaluation Depreciation written out to the Surplus/Deficit on the Provision of Services Derecognition - Disposals Derecognition - Other Assets reclassified (to)/from held for sale Other movements in depreciation and impairment At 31 March 2021 2,552 2,552 2,552 2,552 2,552		(10,668)	(12,766)	(6,524)	-	(319)	(30,277)	-
revaluation Depreciation written out to the Surplus/Deficit on the Provision of Services Derecognition - Disposals Derecognition - Other Assets reclassified (to)/from held for sale Other movements in depreciation and impairment At 31 March 2021 Z,552	-	(4,859)	(1,915)	(892)	-	(136)	(7,802)	(581)
Surplus/Deficit on the Provision of Services	revaluation	2,552	-	-	-	-	2,552	-
Derecognition - Disposals - 1,160 161 1,321 Derecognition - Other - 3,467 3,467 Assets reclassified (to)/from held for sale Other movements in depreciation and impairment At 31 March 2021 (12,975) (13,521) (3,949) - (294) (30,739) (5) Net Book Value	Surplus/Deficit on the Provision of	-	-	-	-	-	-	-
Derecognition - Other 3,467 3,467 Assets reclassified (to)/from held for sale Other movements in depreciation and impairment At 31 March 2021 (12,975) (13,521) (3,949) - (294) (30,739) (5			1 160		_	161	1 221	
Assets reclassified (to)/from held for sale Other movements in depreciation and impairment At 31 March 2021 (12,975) (13,521) (3,949) - (294) (30,739) (5) Net Book Value		-	-	3,467	-	-		-
and impairment At 31 March 2021 (12,975) (13,521) (3,949) - (294) (30,739) (5 Net Book Value		-	-	-	-	-	· -	-
At 31 March 2021 (12,975) (13,521) (3,949) - (294) (30,739) (5		-	-	-	-	-	-	-
	At 31 March 2021	(12,975)	(13,521)	(3,949)		(294)	(30,739)	(581)
At 31 March 2020 247,242 7,536 1,479 749 11,777 268,783	At 31 March 2021	217,917 247,242	8,184 7,536			7,976 11,777	235,355 268,783	3,287 0

Movement on balances 2019/20

	Land and Buildings	Vehicles and Plant	Furniture and Equipment	Assets under construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation At 31 March 2019 Additions in year Donations Revaluation increases/(decreases) recognised in the Revaluation Reserve	180,337 3,740 42,349	20,394 1,298	21,025	30,752 2,297	12,431 45	264,939 7,380 42,349
recognised in the Nevaldation Neserve						
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(110)	-	-	-		(110)
Derecognition - Disposals	-	(1,667)	-	-		(1,667)
Derocognition - Other	-	-	(13,022)	-	- (0.00)	(13,022)
Assets reclassified (to)/from held for sale	-	-	-	-	(380)	(380)
Other movements in cost or valuation	31,594	277	-	(32,300)	-	(429)
At 31 March 2020	257,910	20,302	8,003	749	12,096	299,060
Accumulated depreciation and						
Impairment At 31 March 2019 Depreciation Charge	(7,691) (4,471)	(12,384) (1,663)	(17,941) (1,605)	-	(156) (167)	(38,172) (7,906)
Depreciation written out on revaluation	1,494	-	-	-	-	1,494
Depreciation written out to the Surplus/Deficit on the Provision of Services Depreciation written out to the Surplus/Deficit on the Provision of Services	_	_	_	_	_	
Derecognition - Disposals	-	1,281	-	-	-	1,281
Derecognition - Other Assets reclassified (to)/from held for	-	-	13,022	-	- 4	13,022 4
sale	-	-	-	-	4	4
Other movements in depreciation and impairment		-	-	-		-
At 31 March 2020	(10,668)	(12,766)	(6,524)	-	(319)	(30,277)
Net Book Value At 31 March 2020 At 31 March 2019	247,242 172,646	7,536 8,010	1,479 3,084	749 30,752	11,777 12,275	268,783 226,767

Capital commitments

As at 31 March 2021 the Commissioner had committed capital expenditure of £1.9m. £0.6m is committed for vehicle purchases and £1.3m is in relation to ongoing works for the Estates Change Programme.

Intangible assets

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

16 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants do not give rise to financial instruments. Financial instruments are recognised in the Balance Sheet when the authority becomes a party to the contractual provisions of the instrument.

Financial Assets

Financial assets are classified into one of three categories dependent on both:

- the reason the authority is holding the asset (e.g. to collect the contractual cash flows until maturity and / or to sell before maturity); and
- the nature of the asset's contractual cash flows (e.g. just principal and interest or something more complicated).

Reason for holding the asset	Nature of the contractual cash flows	Classification category
Holding assets in order to collect contractual cashflows	Solely payments of principal and interest	Amortised Cost
Holding assets in order to collect contractual cashflows as well as selling the assets	Solely payments of principal and interest	Fair value through other comprehensive income
Holding assets that do not fall into either of the above categories	Not solely payments of principal and interest	Fair value through profit and loss

As an exception to the above, at initial recognition an authority may make an irrevocable election to present changes in the fair value of investments in equity instruments through

other comprehensive income rather than through profit and loss. This is dependant on these investments being held for strategic rather than trading purposes. Such investments are then classified as Fair value through other comprehensive income.

All financial assets are initially measured at fair value and recognised on the balance sheet. How the financial assets are subsequently measured, and how unrealised gains or losses are shown in the accounts is dependent on what category the asset has been classified as.

Classification category	Subsequent measurement basis	Presentation of unrealised gains & losses
Amortised Cost	Amortised Cost	A disclosure note
Fair Value through Other Comprehensive Income (FVOCI)	Fair Value	The 'Other comprehensive income' section of the Comprehensive Income & Expenditure Statement (CIES)
Fair Value through Profit & Loss (FVPL)	Fair Value	The 'Financing and investment income & expenditure' section of the CIES.

A financial asset is derecognised from the Balance Sheet when the contractual rights to the cash flows expire, or the financial asset is transferred.

Interest or dividends are credited to the Financing and Investment Income and Expenditure line in the CIES. Dividends are credited when they become receivable by the authority. Interest income is credited based on the amortised cost of the asset multiplied by its effective interest rate.

Financial liabilities

All financial liabilities are classified as subsequently measured at amortised cost. This means they are initially measured at fair value before subsequently being measured at amortised cost. The amount presented in the Balance Sheet is therefore the outstanding principal repayable (plus accrued interest);

Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The amount payable each year therefore matches to the loan agreement.

Impairment of Financial Instruments - Expected Credit Loss (ECL) model

At each reporting date, using reasonable and supportable forward looking information that is available without undue cost or effort, an authority shall assess whether the risk of default occurring over the life of the financial instrument has increased significantly since it was initially recognised.

The basis of this assessment determines the ECL that is then charged to the 'Financing and investment income & expenditure' section of the CIES:

Risk of default has increased significantly	ECL equal to the anticipated loss over the lifetime of the financial instrument
Risk of default has not increased significantly	ECL equal to the anticipated loss over the next 12 month period

A simplified approach for calculating the ECL can be used for trade receivables, contract assets and lease receivables that do not contain a significant financing component.

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

	Long	Term	Short Term		
Financial Assets	31/03/2020	31/03/2021	31/03/2020	31/03/2021	
	£'000	£'000	£'000	£'000	
Investments:					
At amortised cost					
- Principal	0	2,000	12,517	53,705	
 Accrued interest 	0	0	60	84	
- Loss Allowance	0	0	(1)	(4)	
At Fair Value through Other			,		
Comprehensive Income (FVOCI)					
- Principal at amortised cost	0	0	0	0	
- Accrued interest	0	0	0	0	
- Loss allowance	0	0	0	0	
 Fair value adjustment 	0	0	0	0	
- Equity investments	0	0	0	0	
At Fair Value through Profit & Loss					
- Fair value	6,819	9,170	0	0	
	,				
Total investments	6,819	11,170	12,576	53,785	
Cash & cash equivalents:					
- Cash (including bank accounts)			(641)	(600)	
- At amortised cost			8,033	780	
- At FVOCI			0,000	0	
- At Fair Value through Profit &					
Loss			20,280	7,669	
2000					
Total cash and cash equivalents	0	0	27,672	7,849	
·					
Loans and receivables:					
 trade debtors 	295	289	14,478	9,723	
Total financial assets	7,114	11,459	54,726	71,357	

	Long	Term	Short Term		
Financial Liabilities	31/03/2020 £'000	31/03/2021 £'000	31/03/2020 £'000	31/03/2021 £'000	
Loans at amortised cost:					
-Principal sum borrowed	(29,950)	(29,700)	(500)	(250)	
-Accrued interest			(177)	(175)	
Total borrowing	(29,950)	(29,700)	(677)	(425)	
Liabilities at amortised cost:					
-Finance leases	0	(2,639)	0	(753)	
-Trade creditors	0	0	(23,938)	(20,026)	
Total other liabilities	0	(2,639)	(23,938)	(20,779)	
Total	(29,950)	(32,339)	(24,615)	(21,204)	

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

16a Fair values of Assets and Liabilities

Financial assets classified as fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVPL) are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

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

All other financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, using the following methods and assumptions:

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

 The fair values of investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;

Liabilities

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

Assets

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

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

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

The fair value of the remaining housing assistance loans is £0.29m (£0.30m at 31 March 2020). This is now the same as the carrying value.

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

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

	Fair	Balance Sheet		Fair Value		
	Value	31/03/2020	31/03/2021	31/03/2020	31/03/2021	
Financial Liabilities	level	£'000	£'000	£'000	£'000	
Long term loans from PWLB Accrued interest	2	(30,627)	(30,125)	(39,406)	(38,581)	
Total loans borrowed Liabilities for which fair value is		(30,627)	(30,125)	(39,406)	(38,581)	
not disclosed *		(23,938)	(23,418)			
Total financial liabilities		(54,565)	(53,543)	(39,406)	(38,581)	
Recorded on balance sheet as: Short term creditors Short term borrowing Deferred liability repayable within one		(23,938) (677)	(20,026) (425)			
year Long term creditors			(753)			
Long term borrowing Deferred liabilities		(29,950)	(29,700) (2,639)			
Total financial liabilities		(54,565)	(53,543)			
Financial Assets Held at fair value: Money market funds Bond, equity & property funds Certificates of deposit Corporate & government bonds Assets held at amortised cost:	1 1 2	20,280 2,892 3,927	7,669 5,271 3,899	20,280 2,892 3,927	7,669 5,271 3,899	
Long term loans to other authorities Held at amortised cost:	4					
Corporate & government bonds	1	0	0	0	0	
Long-term loans to local authorities and housing associations	2	0	2,000	0	0	
Total Assets for which fair value is not disclosed *		27,099	18,839	27,099	16,839	
Total financial assets		34,741 61,840	63,977 82,816			
Recorded on balance sheet as:			, ,			
Long term investments Long term debtors		6,819 295	11,170 289			
Short term investments Cash and cash equivalents Short term debtors Short term service loans		12,576 27,672 14,478	53,785 7,849 9,723			
Total financial assets		61,840	82,816			

16b Trade Receivables (Debtors)

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

31 March		31 March
2020		2021
£'000		£'000
14,478	Financial instrument debtors	9,723
22,505	Non-financial instrument debtors	19,109
36,983	Total debtors and prepayments	28,832

The Commissioner reviews the exposure to debtors failing to pay amounts which are due to the Commissioner on an annual basis and assesses whether there is a likelihood that a proportion of debts may be considered to be impaired on the basis of experience that some debts will be unrecoverable. The sum assessed as an expected loss allowance for receivables is £325,000 as at 31 March 2021 (£325,000 as at 31 March 2020).

16c Trade Payables (Creditors)

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

Short-term creditors - Group

31 March		31 March
2020		2021
£'000		£'000
(23,938)	Financial instrument creditors	(20,026)
(13,562)	Non-financial instrument creditors	(10,139)
(37,500)	Total short term creditors	(30,165)

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

Short-term creditors - PCC

31 March		31 March
2020		2021
£'000		£'000
(23,938)	Financial instrument creditors	(20,026)
(9,222)	Non-financial instrument creditors	(5,739)
(33,160)	Total short term creditors	(25,765)

16d Financial liabilities at amortised cost (Long-term borrowing)

The Commissioner's borrowing strategy for 2019/20 was set in April 2019 and updated in February 2020. The PCC's chief objective when borrowing money was to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the OPCC's long-term plans change was deemed a secondary objective.

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

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

No new long-term borrowing was taken out in 2019/20 due to a combination of the cost of carry and the level of internal balances and reserves which are available for temporary financing and to fund the capital programme.

Financial guarantee contracts

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

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

Risks

The Commissioner has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in 2017). As part of the adoption of the Treasury Management Code, the Commissioner approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Commissioner also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

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

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

Credit Risk

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

A limit of £10m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £5m applies. The OPCC also sets limits on investments in certain sectors. No more than £15m in total can be invested for a period longer than one year.

The credit quality of £4m of the Commissioner's investments is enhanced by collateral held in the form of covered bonds collateralised by residential mortgages. The collateral significantly reduces the likelihood of the OPCC suffering a credit loss on these investments.

The table below summarises the credit risk exposures of the Commissioner's investment portfolio at 31 March 2021 by type of investment counterparty:

	Long-term		Short	-term
Credit Rating	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
AAA	-	-	4,005	4,205
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	4,997	
A+	-	-	13	
A	-	-	3,036	13,783
A-	-	-	-	-
AAA Money market funds	-	-	20,280	7,670
Unrated local authorities	-	2,000	8,558	36,576
Unrated pooled funds	6,819	9,170	-	-
Total Investments	6,819	11,170	40,889	62,234

Liquidity Risk

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

The maturity analysis of the principal sums borrowed as at 31 March 2021 is as follows:

Outstanding debt - maturity periods	31 March 2020	% of total debt portfolio	31 March 2021	% of total debt portfolio
	£'000	%	£'000	%
Less than 1 year	(500)	2	(250)	1
Between 1 and 2 years	(250)	1	-	-
Between 2 and 5 years	(700)	2	(700)	2
Between 5 and 10 years	-	-	-	-
Between 10 and 15 years	(18,000)	59	(21,000)	70
Between 15 and 20 years	(11,000)	36	(8,000)	27
Between 20 and 25 years	-	-	-	-
Total	(30,450)	100	(29,950)	100

Market Risks

Interest Rate Risk. The Commissioner is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks through the interest rate risk indicator. At 31 March 2021, all of the £29.95m of principal borrowed was at fixed rates. £54.3m of the OPCC's investment balance at 31 March 2021 was exposed to variable interest rates, including £4m of floating rate notes. The OPCC's investments in diversified income pooled funds (£1.5m at 31 March 2021) also have some exposure to interest rate risk.

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

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

£'000

	2 000
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rate investments	(180)
Decrease in fair value of investments held at FVPL	54
Impact on (Surplus) or Deficit on the Provision of Services	(126)
Decrease in fair value of investments held at FVOCI	-
Impact on Comprehensive Income and Expenditure	(126)

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

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

The commissioner's investment in a pooled property fund is subject to the risk of falling commercial property prices and his investment in pooled equity funds are subject to the risk of falling share prices. This risk is limited by the Commissioner's investment strategy. A fall in commercial property or share prices would result in a charge to the surplus or deficit on the Provision of Services which is then transferred to the Financial Instrument Adjustment Account – this would have no impact on the General Fund until the investment was sold.

Foreign Exchange Risk. The Commissioner has one significant financial asset denominated in a foreign currency (i.e. Euro), which it holds in a designated Euro currency bank account. Whilst the account balance is included in the Balance Sheet under cash and cash equivalents at the spot exchange rate pertaining on 31 March 2021, this is for accounting and reporting purposes only. The Euro account is held so that the Commissioner can account for the use of the EU grant it relates to and the donor bears the risk of any losses or benefits from any gains arising from movements in exchange rates. The Commissioner therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

17 Cash and cash equivalents

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

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

Cash and cash equivalents – Group and PCC

2019/20		2020/21
£'000		£'000
373	Cash in hand	389
(1,014)	Bank overdraft	(989)
28,313	Surplus cash deposited with approved counterparties (on immediate call)	8,449
27,672	Total Cash and Cash Equivalents	7,849

18 IAS19 (Pensions Accounting) entries and disclosures

Participation in pensions schemes

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

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

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

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

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

Transactions relating to retirement benefits

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

the Movement in Reserves Statement during the y	Unfunded Police Pension Schemes		LGPS (Po	olice Staff)
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Comprehensive Income and Expenditure Statement				
Cost of Services Current service				
- cost	58,037	61,017	23,703	23,520
- Past service costs	2,181	1,383	220	2
- (Gain)/loss from settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Net interest expense	84,533	74,958	3,991	4,357
Total Charge to the Surplus or Deficit on the Provision of Services	144,751	137,358	27,914	27,879
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising	ng:			
Return on plan assets (excluding the amount included in the net interest expense)	_	_	28,163	(74,107)
 Government contributions to Police Officer schemes Actuarial (Gains)/Losses arising:- 	(51,030)	(52,406)	20,100	(14,107)
- from changes in financial assumptions	(135,881)	656,337	(19,025)	156,957
- from changes in demographic assumptions	(41,031)	-	(11,822)	-
- from changes in actuarial experience	(145,908)	(35,546)	19,206	(4,963)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(229,099)	705,743	44,436	105,766
Movement in Reserves Statement				
Reverse charge to Provision of Services	(144,751)	(137,358)	(27,914)	(27,879)
Actual Amount charged against the General Fund Balance for pensions in the year				
Employer's contributions to the scheme	32,607	34,262	17,114	12,146
Benefits paid direct to beneficiaries		-		-
Charge on General Fund	32,607	34,262	17,114	12,146

	Injury Pensions (police officers)		All sche Sumn	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services Current service - cost - Past service cost - (Gain)/loss from settlements	2,087	2,299 - -	83,827 2,401 -	86,836 1,385 -
Financing and Investment Income and Expenditure			-	-
Net interest expense Total Charge to the Surplus or Deficit on the Provision of	1,466	2,198	89,990	81,513
Services	3,553	4,497	176,218	169,734
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement Remeasurement of the net defined benefit liability comprisit Return on plan assets Government contributions to Police Officer schemes Actuarial (Gains)/Losses arising: from changes in financial assumptions from changes in demographic assumptions from changes in actuarial experience Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	ng: - (2,234) 410 35,646 37,375	20,069 - (887) 23,679	28,163 (51,030) (157,140) (52,443) (91,056) (147,288)	(74,107) (52,406) 833,363 - (41,396) 835,188
Movement in Reserves Statement Reverse charge to Provision of Services Actual Amount charged against the General Fund	(3,553)	(4,497)	(176,218)	(169,734)
Balance for pensions in the year			4	44.454
Employer's contributions payable to the scheme	2 026	2 970	49,721	46,408
Benefits paid direct to beneficiaries Charge on General Fund	2,926 2,926	2,879 2,879	2,926 52,647	2,879 49,287
Gnarge on General Fund	2,920	2,019	52,047	49,207

Pensions assets and liabilities recognised in the Balance Sheet

The nature of the schemes is explained in note 19 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 2021.

The nature of the three police pension schemes in operation is explained in note 19 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:-

	Police Pension Schemes		Injury Pensions (police officers)		
Value at year ending	31 March 2020	31 March 2021	31 March 2020	31 March 2021	
	£000	£000	£000	£000	
Present value of the defined benefit obligation	3,301,424	3,972,905	96,999	117,799	
Fair value of plan assets	-	-	-	-	
Net liability arising from the defined benefit obligation	3,301,424	3,972,905	96,999	117,799	
	Local Gov Scho		То	tal	
Value at year ending			To 31 March 2020	tal 31 March 2021	
Value at year ending	Scho 31 March	eme 31 March	31 March	31 March	
Value at year ending Present value of the defined benefit obligation	Scho 31 March 2020	eme 31 March 2021	31 March 2020	31 March 2021	
Present value of the defined benefit	Scho 31 March 2020 £000	eme 31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	

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

	Unfunded Police Pension Schemes		Local Govt Pension Scheme	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening fair value of assets	-	-	330,990	322,000
Interest income	-	-	8,415	7,000
Remeasurement gains and (losses):-				
 the return on plan assets (excluding the amount included in the net interest expense) 	51,027	52,406	(28,163)	74,000
- other	-	-	-	-
Employer contributions	32,607	34,262	17,081	12,000
Contributions by scheme participants	13,263	14,173	4,331	5,000
Settlements	-	-	-	-
Benefits Paid	(96,897)	(100,841)	(10,354)	(10,000)
Closing fair value of assets	-	-	322,300	410,000

Injury Pensions	
(police officers)	

	2019/20	2020/21
	£000	£000
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	2,926	2,879
Contributions by scheme participants	-	-
Settlements	-	-
Benefits Paid	(2,926)	(2,879)
Closing fair value of assets	-	-

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

		ed Police Schemes	Local Govt Pension Scheme	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening Balance - 1 April	(3,563,130)	(3,301,424)	(499,140)	(517,772)
Current Service Cost	(58,037)	(61,017)	(23,703)	(23,520)
Interest Cost	(84,533)	(74,958)	(12,406)	(11,846)
Contributions from scheme participants Remeasurement (gains) and losses: Actuarial gains and (losses) arising:-	(13,263)	(14,173)	(4,331)	(4,564)
- from changes in actuarial experience	135,884	(656,337)	19,025	(156,957)
- from changes in demographic assumptions	41,031	<u>-</u>	11,822	<u>.</u>
- from changes in financial assumptions	145,908	35,546	(19,206)	4,963
Liabilities extinguished on settlements	_	_	_	_
Benefits Paid	96,897	100,841	10,387	10,254
Past service costs	(2,181)	(1,383)	(220)	(2)
Closing balance - 31 March	(3,301,424)	(3,972,905)	(517,772)	(699,444)
Closing balance - 31 March	Injury Pens	(3,972,905) ions (police ers)	(517,772) To	, , ,
Closing balance - 31 March	Injury Pens	ions (police	, , ,	
Closing balance - 31 March	Injury Pens offic	ions (police ers)	То	tal
Opening Balance - 1 April	Injury Pens offic 2019/20	ions (police ers) 2020/21	To 2019/20 £000 (4,124,820)	tal 2020/21
Opening Balance - 1 April Current Service Cost	Injury Pens office 2019/20 £000	ions (police ers) 2020/21 £000	To 2019/20 £000	2020/21 £000 (3,916,195) (86,836)
Opening Balance - 1 April	Injury Pens office 2019/20 £000 (62,550)	ions (police ers) 2020/21 £000 (96,999)	To 2019/20 £000 (4,124,820)	2020/21 £000 (3,916,195)
Opening Balance - 1 April Current Service Cost	Injury Pens office 2019/20 £000 (62,550) (2,087)	ions (police cers) 2020/21 £000 (96,999) (2,299)	2019/20 £000 (4,124,820) (83,827)	2020/21 £000 (3,916,195) (86,836)
Opening Balance - 1 April Current Service Cost Interest Cost Contributions from scheme participants Remeasurement (gains) and losses:	Injury Pens office 2019/20 £000 (62,550) (2,087)	ions (police cers) 2020/21 £000 (96,999) (2,299)	2019/20 £000 (4,124,820) (83,827) (98,405)	2020/21 £000 (3,916,195) (86,836) (89,002)
Opening Balance - 1 April Current Service Cost Interest Cost Contributions from scheme participants Remeasurement (gains) and losses: Actuarial gains and (losses) arising: from changes in actuarial experience	Injury Pens office 2019/20 £000 (62,550) (2,087)	ions (police cers) 2020/21 £000 (96,999) (2,299)	2019/20 £000 (4,124,820) (83,827) (98,405) (17,594)	2020/21 £000 (3,916,195) (86,836) (89,002)
Opening Balance - 1 April Current Service Cost Interest Cost Contributions from scheme participants Remeasurement (gains) and losses: Actuarial gains and (losses) arising: - from changes in actuarial experience - from changes in demographic	Injury Pens office 2019/20 £000 (62,550) (2,087) (1,466)	ions (police cers) 2020/21 £000 (96,999) (2,299) (2,198)	2019/20 £000 (4,124,820) (83,827) (98,405) (17,594)	2020/21 £000 (3,916,195) (86,836) (89,002) (18,737)
Opening Balance - 1 April Current Service Cost Interest Cost Contributions from scheme participants Remeasurement (gains) and losses: Actuarial gains and (losses) arising: from changes in actuarial experience - from changes in demographic assumptions - from changes in financial assumptions	Injury Pens office 2019/20 £000 (62,550) (2,087) (1,466)	ions (police cers) 2020/21 £000 (96,999) (2,299) (2,198)	2019/20 £000 (4,124,820) (83,827) (98,405) (17,594)	2020/21 £000 (3,916,195) (86,836) (89,002) (18,737)
Opening Balance - 1 April Current Service Cost Interest Cost Contributions from scheme participants Remeasurement (gains) and losses: Actuarial gains and (losses) arising: - from changes in actuarial experience - from changes in demographic assumptions - from changes in financial assumptions Liabilities extinguished on settlements	Injury Pens office 2019/20 £000 (62,550) (2,087) (1,466) 	ions (police eers) 2020/21 £000 (96,999) (2,299) (2,198) - (20,069) - 887	2019/20 £000 (4,124,820) (83,827) (98,405) (17,594) 157,143 52,853 91,056	2020/21 £000 (3,916,195) (86,836) (89,002) (18,737) (833,363) - 41,396
Opening Balance - 1 April Current Service Cost Interest Cost Contributions from scheme participants Remeasurement (gains) and losses: Actuarial gains and (losses) arising: from changes in actuarial experience - from changes in demographic assumptions - from changes in financial assumptions	Injury Pens office 2019/20 £000 (62,550) (2,087) (1,466)	ions (police cers) 2020/21 £000 (96,999) (2,299) (2,198)	2019/20 £000 (4,124,820) (83,827) (98,405) (17,594) 157,143 52,853	tal 2020/21 £000 (3,916,195) (86,836) (89,002) (18,737) (833,363)

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.

Closing balance - 31 March

(96,589)

(117,799) (3,915,785) (4,790,148)

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. The last triennial valuation was March 2019:
- 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 regular contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2022 are £12.9m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £84.66m. This figure includes both the Chief Constable's contribution and the Top-Up Grant from the Home Office. In addition, the Chief Constable expects to pay £1.2m 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 2021.

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:

	31 March 2020	31 March 2021
LGPS	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.
Police Pension schemes	Assumed that 90% of members of the 1987 Scheme commute 25% of their pension.	Assumed that 90% of members of the 1987 Scheme commute 25% of their pension.
	Assumed that no members of the 2006 Scheme elect to commute any of their pension.	Assumed that no members of the 2006 Scheme elect to commute any of their pension.
	Assumed that 75% of members of the 2015 Scheme commute 25% of their pension.	Assumed that 75% of members of the 2015 Scheme commute 25% of their pension.

31 March 2020		31 March 2021
2.6%	Rate of Inflation (RPI) (Police Officer Schemes)	
1.8%	Rate of Inflation (CPI) (LGPS)	2.6%
2.0%	Rate of Inflation (CPI) (Police Officer Schemes)	2.7%
2.8%	Rate of increase in salaries (LGPS)	3.6%
3.0%	Rate of increase in salaries (Police Officer Schemes)	3.7%
1.8%	Rate of increase in pensions (LGPS)	2.6%
2.0%	Rate of increase in pensions (Police Officer Schemes)	2.7%
2.3%	Rate for discounting scheme liabilities (LGPS)	2.1%
2.3%	Rate for discounting scheme liabilities (Police Officer Schemes)	2.1%
	Longevity at 65 for current Pensioners (years):	
23.0	Men (LGPS)	23.1
25.5	Women (LGPS)	25.5
22.2	Men (Police Pension Schemes)	22.3
24.2	Women (Police Pension Schemes)	24.3
	Longevity at 65 for future Pensioners (years):	
24.7	Men (LGPS)	24.8
27.2	Women (LGPS)	27.3
23.8	Men (Police Pension Schemes)	23.9
26.0	Women (Police Pension Schemes)	26.1

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 2021 and the projected service cost for the year ending 31 March 2022 is set out below:-

Baseline:-

Police Schemes

Present Value of total obligation (excluding injury benefits) @ 31 March 2021 = £3,301.42m Projected Service cost 2021/22 = £57.07M

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31 March 2021 = £517.46m Projected Service cost 2021/22 = £22.90M

	LG	LGPS Police Schemes		hemes
	+ 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)	680.96	718.01	3,892.56	4,057.39
* % change in present value of total obligations	-2.6%	2.7%	-2.0%	2.1%
* Projected service cost (£M)	34.78	37.56	85.45	91.58
* % change in projected service cost	-3.8%	3.9%	-3.4%	3.5%
Rate of general increase in salaries				
* Present value of total obligations (£M)	701.23	697.04	3,985.96	3,960.01
* % change in present value of total obligations	0.3%	-0.3%	0.3%	-0.3%
* Projected service cost (£M)	36.15	36.15	88.51	88.44
* % change in projected service cost	0.0%	0.0%	0.0%	0.0%
Rate of increase to pensions in payment and deferred pe				
* Present value of total obligations (£M)	715.92	683.06	4,044.17	3,905.62
* % change in present value of total obligations	2.4%	-2.3%	1.8%	-1.7%
* Projected service cost (£M)	37.56	34.78	91.55	85.49
* % change in projected service cost	3.9%	-3.8%	3.5%	-4.2%
Adjustment to mortality age rating assumption				
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	723.61	674.67	4,115.93	3,829.88
* % change in present value of total obligations	3.5%	-3.5%	3.6%	-3.6%
* Projected service cost (£M)	37.60	34.74	92.21	84.75
* % change in projected service cost	4.0%	-3.9%	4.2%	-4.2%

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:

31 March 2020		31 March 2021 Quoted	31 March 2021 Unquoted	31 March 2021
%		%	%	Total %
52.7	Equities	49.4	7.6	57.0
21.8	Government bonds	17.3	-	17.3
7.3	Property	0.8	5.3	6.1
0.0	Corporate bonds	0.0	-	0.0
2.0	Cash	1.4	-	1.4
16.2	Other (hedge funds, currency holdings, futures, private equities)	15.9	2.3	18.2
100.0		84.8	15.2	100.0

19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Commissioner a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Commissioner may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. As at 31 March 2021, a provision of £150,000 has been made for estimated backdated rent payments relating to a site for which complex lease negotiations are on-going. No provisions were considered necessary at 31 March 2020.

Contingent Liabilities

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

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

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 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 95 claims lodged against her with the Central London Employment Tribunal. The claims are in respect of unlawful age discrimination arising from the transitional protection afforded to some people but not others when the Home Office made changes to the Police Pension Schemes in 2015 (known as McCloud Sargeant). This is a national issue.

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 (£1.47m at 31 March 2020).

Contingent Assets

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

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

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

20 Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

21 Notes to the cash flow statement 2019/20 - Group

21a Operating Activities – Interest

The cash flows for operating activities include the following items:

2019/20		2020/21
£'000		£'000
(742)	Interest received	(750)
1,308	Interest paid	1,370
	Dividends received	-
566		620

21b Adjustments to the net surplus or deficit on the provision of services for non-cash movements

2019/20 £'000		2020/21 £'000
(135,455)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(134,160)
	Analysis:-	
(123,571)	Pensions	(120,447)
(7,906)	Depreciation and impairment charged to CIES	(8,383)
(211)	Revaluation adjustments	-
-	Increase/Decrease in impairment for bad debts	-
6,631	Increase/(Decrease) in Debtors	(8,128)
(7,230)	(Increase)/Decrease in Creditors	7,333
-	Increase/(Decrease) in Inventories	(189)
-	(Increase)/Decrease in Provisions	(150)
(1,736)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(5,047)
(997)	Movement in the value of financial instruments	851
(429)	Property, plant & equipment written off as REFCUS	-
(5)	Other non-cash items charged to the net surplus or deficit on the provision of services	
(135,455)		(134,160)

21c Adjustments to the net surplus or deficit on the provision of services for investing and financing activities

2019/20 £'000		2020/21 £'000
5,014	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	7,576
	Analysis:-	
3,800	Proceeds from the sale of PP&E, investment property and intangible assets	7,265
1,214	Capital grant (included within investing activities)	311
-	Any other items for which the cash effects are investing or financing cash flows	-
5,014		7,576

21d Investing activities

2019/20 £'000		2020/21 £'000
2000	Cash outflows	2 000
7,487	Purchase of property, plant and equipment, investment property and intangible assets	6,165
80,484	Purchase of short-term and long-term investments	176,035
-	Other payments for investing activities	-
	Cash inflows	
(3,801)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,265)
(91,488)	Proceeds from short-term and long-term investments	(131,356)
(1,214)	Other receipts from investing activities	(311)
(8,532)	Net cash outflow/(inflow) from investing activities:	43,268

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

21e Financing activities

2019/20		2020/21
£'000		£'000
	Cash outflows	
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	476
	Repayment of short- and long-term	500
502	borrowing	333
-	Other payments for financing activities - interest paid	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
	Cash inflows	
-	Cash receipts of short- and long-term borrowing	-
-	Other receipts from financing activities - interest received	-
502	Net cash outflow/(inflow) from financing activities:	976

22 Notes to the cash flow statement 2020/21 - PCC

22a Operating Activities – Interest

The cash flows for operating activities include the following items:

2019/20		2020/21
£'000		£'000
(742)	Interest received	(750)
1,308	Interest paid	1,370
-	Dividends received	-
566		620

22b Adjustments to the net surplus or deficit on the provision of services for noncash movements

2019/20 £'000		2020/21 £'000
(11,741)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(13,653)
(7,906) (211) 6,631 (7,087) - - (1,736) (997) (429)	Analysis:- Pensions Depreciation and impairment charged to CIES Revaluation adjustments Increase/(Decrease) in Debtors (Increase)/Decrease in Creditors Increase/(Decrease) in Inventories (Increase)/Decrease in Provisions Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised Movement in the value of financial instruments Property, plant & equipment written off as REFCUS	(8,383) (8,128) 7,393 (189) (150) (5,047) 851
(5)	Other non-cash items charged to the net surplus or deficit on the provision of services	-
(11,741)		(13,653)

22c Adjustments to the net surplus or deficit on the provision of services for investing and financing activities – PCC

2019/20 £'000		2020/21 £'000
5,014	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	7,576
	Analysis:-	
3,800	Proceeds from the sale of PP&E, investment property and intangible assets	7,265
1,214	Capital grant (included within investing activities)	311
-	Any other items for which the cash effects are investing or financing cash flows	_
5,014	manoring oddin nowo	7,576

22d Investing activities - PCC

2019/20 £'000		2020/21 £'000
	Cash outflows	
7,487	Purchase of property, plant and equipment, investment property and intangible assets	6,165
80,484	Purchase of short-term and long-term investments	176,035
-	Other payments for investing activities	-
	Cash inflows	
(3,801)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,265)
(91,488)	Proceeds from short-term and long-term investments	(131,356)
(1,214)	Other receipts from investing activities	(311)
(8,532)	Net cash outflow/(inflow) from investing activities:	43,268

22e Financing activities - PCC

2019/20 £'000		2020/21 £'000
	Cash outflows	
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	476
	Repayment of short- and long-term	500
502	borrowing	
-	Other payments for financing activities - interest paid	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
	Cash inflows	
-	Cash receipts of short- and long-term borrowing	-
-	Other receipts from financing activities - interest received	-
502	Net cash outflow/(inflow) from financing activities:	976

23 Statement of Accounting Policies and Estimation Techniques

23.1 General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2019). 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.

23.2 Going Concern basis of preparation

Local authorities cannot be created or dissolved without statutory prescription, therefore within CIPFA's Accounting Code of Practice there is a presumption that the Commissioner's accounts will be prepared on a going concern basis for as long as police services will continue to operate. Notwithstanding the statutory basis for going concern, the Chief Financial Officer has separately assessed the underlying financial sustainability of the organisation and this is outlined in note 24.

23.3 Accruals of Income and Expenditure

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

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

Amounts below £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 Commissioner's overall income and expenditure. Where items of income or expenditure fall below this amount they may still be accrued in certain circumstances such as where they are subject to specific terms and conditions relating to a grant or where there is an element of cost recovery. Items of a similar nature which are individually below this £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 ongoing and are regular, such as quarterly or monthly payments for utilities, the Commissioner takes a pragmatic approach and ensures that four quarters or twelve months are recorded in any one year where such payments or receipts are of relatively consistent amounts.

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

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

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

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

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

23.5 VAT

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

23.6 Trading Account

The Commissioner has one trading account in respect of venue hire for functions at the Training and Support Headquarters. The income and expenditure is now included within the net cost of services to give clearer reconciliations between the financial ledger and the statement of accounts. Any net surplus or deficit is credited or debited to an earmarked reserve at the year end. The modest level of turnover of this account (c £156,000) means that no separate disclosure is made.

23.7 Inventories

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

23.8 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.

24 Critical Judgements in Applying Accounting Policies

Financial Sustainability

The Chief Financial Officer has a statutory obligation to keep the financial position of the Authority under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate.

The Authority regularly reviews and updates its Medium Term Financial Strategy, incorporating known factors that will have a positive or negative impact upon its financial strategy and making realistic assumptions to allow for the inevitable risk and uncertainty that accompanies any financial forecast. This is underpinned by the Authority's well established reserves policy and approach to identifying and delivering required savings from the budget, with regular monitoring through monthly financial resilience reporting. The medium term strategy and current assumptions on funding, priorities and pressures informs the annual budget setting process, with outcomes monitored throughout each financial year taking a risk based approach with the escalation of issues as appropriate.

Investment balances and cash flow are managed at a Group level through the Police and Crime Commissioner. Reserves balances ensure that Treasury Management activity can be conducted to make sure sufficient cash is available to meet operational obligations whilst also taking a longer term view to investments where appropriate, enabling greater returns to be made in support of the revenue budget, whilst also adhering to the CIPFA TM Code in prioritising the security of investment balances.

The Authority's financial forecast for 2021/22 has been reviewed alongside assumptions for 2022/23 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2023. The reserves balance coupled with the anticipated timing of cash flows and the liquidity profile of its investments means that that the Authority can meet its operational obligations over the period, with the option to sell longer term investments and make use of its borrowing headroom as a short term solution to any unforeseen liquidity pressures, although this would have an impact on the longer term financial sustainability of the Authority.

Surplus Properties

All surplus properties have been reviewed and revalued in accordance with the IFRS 13 accounting standard, which came into use on 1 April 2015. None of these properties have been determined as being held for investment purposes;

Commissioner's Interests

An assessment of the Commissioner's interests in companies and other entities has been carried out in accordance with the Code of Practice to determine whether any group accounting relationships exist. This review sought to determine whether there was any control over another entity as possibly demonstrated through ownership, such as shareholding in an entity or representation on an entity's board of directors. The PCC is involved in joint working relationships with a number of other police forces, Hampshire County Council and the Hampshire Fire and Rescue Service in the provision of operational police activity or, with the latter two bodies, support services. None of these working

Notes to the core financial statements

arrangements and collaborations was deemed to require the inclusion of such in the group accounts. Rather, the relevant transactions equating to the Commissioner's own expenditure in the partnership were included as appropriate. This position remained unchanged in 2020/21. Further information is disclosed in note 12.

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 2020/21 Statement of Accounts:-

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

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

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

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

The items in the Commissioner's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of net liability to pay pensions depends upon a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Chief Constable receives annual forecasts and regular reviews of all of its assets and liabilities from an independent actuary to ensure that the accounts contain realistic estimates of the overall impact of these pensions' liabilities.	The effects of the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumptions would result in a decrease in the Police Pension Schemes liabilities of 2.1% and a decrease in the Local Government Superannuation Scheme liabilities of 2.6%. However, the assumptions interact in complex ways. More details are provided in the IAS19 disclosures at note 19.

Notes to the core financial statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Valuations	The Commissioner requests valuations of PPE on a 5 year rolling programme, unless events indicate that a valuation is required ahead of the next planned valuations. Valuations are undertaken by qualified valuers within Hampshire County Council's Property department in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. For assets not included in the current year's valuation programme, the change in value is estimated using Building Cost Information Services (BCIS) indices. However, because valuations cannot be determined with complete certainty, actual results could be different from the assumptions and estimates. COVID-19 was declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020. During 2020/21 market activity has been reduced in many real estate sectors. Consequently, there is material uncertainty regarding the valuations.	A 1% change in the value of property would result in an increase/decrease of £2.3m. This does not impact the usable reserves available to the authority.

26 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 2021/22 financial statements in respect of accounting changes introduced in the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
 - The amendments clarify the definition of a business. The changes are not expected to be material, as the authority rarely acquires businesses.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 and
 - Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
 - Both of these reforms affect how some investments are valued, due to a change in the interest rates used. The authority's main activity is the provision of public services, rather than investing in the financial markets, so we do not expect that these changes will have a material impact on the authority.

Police Pension Fund Account

2019/20 £'000	Police Pension Fund Account Contributions receivable	2020/21 £'000
(30,434)	- from employer - normal - early retirements	(32,887)
(1,999)	· · · · · · · · · · · · · · · · · · ·	(1,352)
(13,279)	- from members	(14,219)
(436)	Transfers in - individual transfers in from other schemes	(1,010)
	Benefits payable	
82,618	- pensions	85,119
14,335 117	 commutations and lump sum retirement benefits lump sum death benefits 	15,913 10
117	- lump sum death benefits	10
	Payments to and on account of leavers	
16	- refunds of contributions	44
340	- individual transfers out to other schemes	70
51,278	Net amount payable for the year	51,688
(51,278)	Additional contribution from the Commissioner	(51,688)
2019/20	Net Assets Statement	2020/21
£'000		£'000
	Current Assets	
-	- contributions due from employer	-
-	- pensions paid to pensioners in advance	-
	Current Liabilities	
-	- unpaid pension benefits	-
-	 amount due to sponsoring department other current liabilities 	-
	other durient habilities	
		_

Notes to the Police Pension Fund Account

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 £3.02m in 2020/21. For officers who retire on the grounds of ill-health, the employer makes a contribution from the Comprehensive Income and Expenditure Account to the Police Pension Fund Account. This charge is the equivalent to two years' pensionable pay and is a one off credit to the account. All on-going payments are met by the Police Pension Fund.

Debtors and creditors of the Police Pension Fund Account are included within the main financial statements of the Commissioner as a result of the reimbursement of the top up grant and the cash being transferred between the Commissioner and Pension Fund bank accounts on a regular basis.

The Scheme Manager of the Police Pension Fund is the Chief Constable. The administration of the fund is carried out by the County Council as part of the 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 31% of pensionable salary and benefits in 2020/21. Whilst this contribution rate is unchanged from 2019/20, the rate had increased by 6.8% that year compared to 2018/19. The Chief Constable continues to receive a £2.99m grant to be used towards the increase in the contribution rate.

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).

Notes to the Police Pension Fund Account

The Police Pension Fund Account has been prepared in accordance with the extant Police Pensions Regulations and the accounting policies detailed in Note 24.

Note 19 shows further detail of the IAS19 entries and the pension schemes.

Annual Governance Statement for Police and Crime Commissioner

1. Scope of Responsibility

- 1.1 The Police and Crime Commissioner is responsible for ensuring that:
 - business is conducted in accordance with the law and to proper standards.
 - public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
 - they secure continuous improvements in the way in which functions are exercised, having regard to a combination of efficiency, effectiveness and economy.
 - there is a sound system of internal control which facilitates the effective exercise of the Police and Crime Commissioner's functions and which include arrangements for the management of risk.
- 1.2 This Statement explains how the Police and Crime Commissioner has complied with its Code of Corporate Governance and meets with the requirements of the Accounts and Audit (England) Regulations in relation to the publication of an Annual Governance Statement.
- 1.3 COVID-19 has had an enormous impact on public health, wellbeing and the day to day lives of all stakeholders during 2020/21. However there has not been a significant impact to the Police and Crime Commissioner either from a governance perspective or a financial management perspective. This was initially acknowledged in the 2019/20 statement of accounts. Although the statements were presented and all the content had been audited by the reporting deadline of September 2020, our external auditors required further submissions to evidence that the PCC was a going concern. Additional information continued to be provided between September 2020 and January 2021 that supported the view that COVID-19 had not had a significant impact on the financial health of the PCC or Constabulary. Unlike some Councils, the vast majority of funding for policing is received from Government Grant and Council Tax. There were no reductions to those amounts in 2020/21. There is no significant reliance on other income receivable, although the Home Office introduced a scheme whereby police organisations could reclaim 75% of any lost income. In most cases there was a significant reduction in the costs that would have had to be incurred to achieve that income (e.g. policing of public events); the overall levels of funding and income did not create an additional burden. Expenditure for technology, overtime, equipment and building related costs has been covered by additional grants from Government and PPE costs have been paid for from the national allocation given to Government Departments. Therefore, in 2020/21, a net underspend is reported.
- 1.4 There were no significant changes required from a governance perspective. The Joint Audit Committee is the only meeting in public convened by the PCC and these were conducted remotely and streamed live on the PCC website. The organisation has had access to remote working and video conferencing technology and this has been utilised to ensure formal decisions could continue to be made.

2. The purpose of Corporate Governance

- 2.1 The governance framework comprises the systems, processes, cultures and values by which the Office of the Police and Crime Commissioner is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Police and Crime Commissioner to monitor the achievements of the Police and Crime Plan and to consider whether they have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Police and Crime Commissioner's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ending 31 March 2021 and up to the date of approval of the statement of accounts.
- 2.4 The Police and Crime Commissioner has approved and adopted a Scheme of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. 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 Office of the Police and Crime Commissioner operates in an open and transparent way and the Police and Crime Commissioner sets the tone for the organisation by creating a climate and culture of openness, support, and respect.
- 3.1.2 The Police and Crime Commissioner is committed to the highest ethical standards and has adopted a governance framework to re-enforce this philosophy as well as procedures to investigate any issues should the need arise. The framework, policies and procedures are set out in the Police and Crime Commissioner's Scheme of Corporate Governance. The Scheme of Corporate Governance demonstrates a comprehensive commitment on the part of the Police and Crime Commissioner to integrity, ethical values and the rule of law.
- 3.1.3 The key governance legal powers and responsibilities within the Office of the Police and Crime Commissioner are set out in legislation and statutory guidance (especially the Police Reform and Social Responsibility Act 2011, Policing Protocol Order 2011, Revised Financial Management Code of Practice 2018 and Strategic Policing Requirement), the Scheme of Delegation and Consent, Financial Regulations and Contract Standing Orders. These are referenced in the Scheme of Corporate Governance.
- 3.1.4 To support the Chief Executive in the role of Monitoring Officer (MO), the Chief Executive has appointed a legally qualified Deputy MO. The Deputy MO is an external appointment, whose host employer is Hampshire County Council. The Deputy MO provides valuable additional oversight for the Chief Executive and the Police and Crime Commissioner on the Governance Framework.

3.2 Ensuring openness and comprehensive stakeholder engagement.

- 3.2.1 The Police and Crime Commissioner is required by law to produce a Police and Crime Plan. The Plan sets out the Police and Crime Commissioner's Vision, Priorities and Mission. The clear strategic aims of which are communicated on the Police and Crime Commissioner's website and through various communications. This provides an operating model for business planning.
- 3.2.2 The Police and Crime Commissioner has a clear governance framework for corporate decision making. The Police and Crime Commissioner's decisions have clear guidance and protocols on decision making and templates for decision reports. All decisions are published, albeit that consideration is given to redacting some elements where this is necessary and proportionate.
- 3.2.3 Public consultation is undertaken on an ongoing basis to inform decision making. Targeted consultation takes place for specific decisions such as the public consultation on the council tax precept. The Police and Crime Commissioner hosts public events and attends community events to inform and consult the public. The Police and Crime Commissioner is scrutinised by the Police and Crime Panel which consists of members from local authorities and independent members who also consult their local communities and offer feedback to the

Police and Crime Commissioner. Other consultation is undertaken such as via the Joint Audit Committee and specific focus groups facilitated by the Police and Crime Commissioner's staff.

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

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

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

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

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

- 3.5.1 The Police and Crime Commissioner places a significant value of the capability of leadership. Each individual has a Personal Development Review on a regular basis with their line manager to ensure that any skill gaps are addressed and to discuss opportunities for development.
- 3.5.2 The Chief Executive regularly reviews the structure of the workforce against the needs of the service in the context of its capacity and capability requirements. This then informs a range of strategies, for example; recruitment, retention and people development in order to provide effective leadership and deploy

- appropriate resources to meet the needs of services.
- 3.5.3 There is an emphasis on the need for high performance, of which resilience and continuous development play key parts, both of which factor in the regular discussions between managers and staff.
- 3.6 Managing risks and performance through robust internal control and strong public financial management.
- 3.6.1 The Police and Crime Commissioner operates a robust Risk Management Strategy, with reports to the Joint Audit Committee. The Joint Audit Committee has provided significant guidance and advice for the enhancement of the risk management arrangements.
- 3.6.2 The Internal Audit Plan provides the mechanism through which the Chief Executive and CFO agree in consultation with the Chief Internal Auditor the most appropriate use of internal audit resources.
- 3.6.3 The Internal Audit Plan was developed to operate at a strategic level providing a value adding, and proportionate, level of assurance aligned to the Police and Crime Commissioner's key risks and objectives. This includes a periodic review of the Police and Crime Commissioner's risk management processes.
- 3.6.4 The Audit Plan remains fluid to ensure Internal Audit's ability to react to the changing needs of the Police and Crime Commissioner.
- 3.6.5 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.
- 3.6.6 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 and Police and Crime Commissioner.
- 3.6.7 Specifically for IT and Information Management, which is provided in collaboration with and by Thames Valley Constabulary (TVP), the Joint Audit Committee have access to and receive regular audit reports from the TVP Internal Audit team, as well as an annual internal audit opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control. The JAC are also sighted on the proposed annual IT audit plan.
- 3.6.8 The outcomes and assurance levels provided by TVP on individual audits, together with the annual opinion, are taken into account by the Chief Internal Auditor in providing the opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control.
- 3.6.9 The Joint Audit Committee is well established and provides independent advice to the Police and Crime Commissioner and Chief Constable. Members of the Joint Audit Committee have no executive responsibility for the management of the organisation, thus ensuring that they are sufficiently independent to scrutinise and challenge matters brought to their attention. This year, they have been provided with an enhanced allowance and training budget, enabling them to attend internal meetings of both the Constabulary and the OPCC to observe decision making

- processes in action.
- 3.6.10 The Joint Audit Committee has a clear and agreed '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 Police and Crime Commissioner has a well-developed and effective scrutiny function via the Police and Crime Panel. The Police and Crime Panel publicly hold the Commissioner to account for performance and formally provide a role in scrutinising and commenting upon the Commissioner's precept proposals, including a power to veto the proposed precept.
- 3.6.12 A key part of the Commissioner's role is to hold the Chief Constable to account for both operational performance and financial management; the Commissioner ensures that this was achieved both in public via the regular COMPASS meetings, a forum in which the Commissioner will publicly hold the Chief Constable to account on particular issues, and in addition the Commissioner meets regularly in private with the Chief Constable to discuss performance, and each year provides a formal assessment of the Chief Constable's performance.
- 3.6.13 The Police and Crime Commissioner has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and value for money assessment. The Section 151 Officer is a member of the leadership team and all formal financial decision making has the benefit of the advice and review of the Chief Financial Officer or their representative.
- 3.6.14 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.
- 3.6.15 Financial management in key risk areas across the Police and Crime Commissioner focusses on activity and performance management alongside the budget management processes and the financial management framework is appropriately advised and supported by the Finance function.
- 3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.
- 3.7.1 The decision making guidance, protocols and templates referred to in the Scheme of Corporate Governance and the involvement of senior officers, legal officers and finance officers ensures that public reports are written in a clear and accessible way with sufficient information to enable members of the public to formulate informed opinions on the matters for decision.
- 3.7.2 The delivery framework provides a transparent cycle of reporting on core performance metrics. Performance information is published online and is easily accessible to staff, partners and the public.
- 3.7.3 The 'Internal Audit Charter' is presented annually for approval by the Joint Audit Committee. The Charter makes provision that where it is considered necessary to the proper discharge of the Internal Audit function, the Chief Internal Auditor has direct access to the Joint Audit Committee.
- 3.7.4 The ongoing work of internal audit is presented through a quarterly progress

- report to the Joint Audit Committee providing an overview of service performance; delivery against the plan; and progress made by the organisation in the implementation of management actions agreed to mitigate risks identified through internal audit work.
- 3.7.5 Representatives of External Audit routinely attend Joint Audit Committee meetings and present all External Audit reports. Any recommendations for corrective action detailed within External Audit reports are highlighted to the Joint Audit Committee who will track through to implementation. This is achieved through the clear and concise nature of the minutes to each meeting coupled with the inclusion of any overdue recommendations within the internal audit progress report.
- 3.7.6 The Internal Audit plan includes provision to review the Police and Crime Commissioner's approach to governance, risk and controls for partnership working. Such reviews are formally reported through the Joint Audit Committee with any significant issues highlighted accordingly.
- 3.7.7 Where appropriate Internal Audit will gain assurances from third parties to contribute to their overall assurance opinion.

4 Obtain assurances on the effectiveness of key controls

- 4.1 Key controls relating to risks, internal control (including financial management), and governance processes are identified by managers as part of the governance framework and recorded on risk registers. These are consolidated into the strategic risk register at a corporate level.
- 4.2 Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and also carries out tests to confirm the level of compliance. Together the results of each review enable an audit opinion on effectiveness to be provided to management, and any actions for improvement to be agreed.
- 4.3 External sources of assurance include the annual opinion and value for money conclusion by external auditors, any statutory inspections, and other external assessments e.g. by the Information Commissioners Office. These reports are subject to consideration by senior management and appropriate responses are agreed to any recommendations for improvements. The reports are normally approved in public and published.
- 4.4 In conjunction with specialist Internal Audit support, the Police and Crime Commissioner has also applied the CIPFA Counter Fraud self-assessment tool to identify potential opportunities for enhancement.
- 4.5 The financial year 2020/21 was also a shadow year for the implementation of the CIPFA Financial Management Code. The FM Code is a self-assessment of financial management within an organisation. The Code is written with Councils in mind and therefore we have been informed by CIPFA that police organisations will need to make their own common sense adjustments to the requirements of the Code to make it relevant for policing and that some sections will need to be disregarded. There is no guidance on the level of evidence that is required to support this assessment, but a desktop exercise performed drew the conclusion that the Police and Crime Commissioner is compliant with the principles of the FM

Code. It is currently unclear whether the FM Code will be implemented for all local authorities in 2021/22. It is also unclear whether any national arrangements will be put in place to attempt to produce any specific guidance for police organisations implementing the FM Code. Any developments will be reported to the Joint Audit Committee.

5 Evaluate assurances and identify gaps in control/assurance

- 5.1 The Police and Crime Commissioner has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify weaknesses in controls.
- 5.2 Each team within the Police and Crime Commissioner has assessed risk and reported significant risks via the governance framework for inclusion within the Strategic Risk Register. The Internal Audit plan and reports have assisted the assessment of risk in business areas that are higher risk.
- 5.3 The Police and Crime Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the officers within the office of the Police and Crime Commissioner who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- In providing the annual report, the Chief Internal Auditor takes account of the reports from the internal and external assurance providers which have also been reported to the Joint Audit Committee. This Annual Governance Statement sets out the Police and Crime Commissioner's arrangements for receiving reports and identifying weaknesses in internal control.
- 5.5 In line with the Internal Audit Charter, the key elements of the corporate governance framework are risk assessed and reviewed periodically by Internal Audit.

Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance

- 6.1 **Covid-19** the global pandemic presented a number of challenges to the delivery of the organisation's core functions. Of most significance was the postponement of the PCC elections (which were originally due to take place in May 2020) for 12 months. The primary document that outlines the objectives of the organisation, the Police and Crime Plan, was revised and extended to ensure it remained relevant and in date until beyond the end of the financial year and until such a time as the new PCC publishes a new Plan.
- The organisation's business continuity group, initially established to manage internal issues arising from consequences of Covid-19, evolved into a business recovery group to ensure that business as usual can continue as much as possible, but that future working arrangements opportunities were decided upon, implemented and adjusted according to Government restrictions at different stages of the year.

Annual Governance Statement

- 6.3 Governance processes continued but through an alternative delivery mechanism (utilising Microsoft Teams to facilitate remote working and remote meetings), and existing risk management processes were utilised to capture consequential issues and review the impact of existing risk. To enable the continued operation of the Joint Audit Committee, the PCC extended the remote working capability via Microsoft Teams to include members of the Joint Audit Committee, providing them with the necessary tools of business to enable them to continue to provide scrutiny and independent assessment of activities during this unprecedented time. Joint Audit Committee meetings will continue as planned remotely until such a time as in-person meetings can resume.
- 6.4 It is unclear whether any additional funding will continue to be receivable from Government to support the PCC and Chief Constable but there are no forecast issues with costs as a result of Covid-19.
- There is no cashflow issue for the PCC. Therefore, the overall financial position remains sustainable, despite the challenges.
- 6.6 There are no significant changes in governance or internal controls.
- 6.7 CIPFA FM Code the OPCC CFO will continue to review the requirements of the code, recognising that during 2020/21 the review of compliance with the code was undertaken as a high level desktop exercise; we will await further guidance from CIPFA as to the whether the FM code will be fully implemented and whether any Police specific guidance is forthcoming.

7 In response to the Action Plan identified in the 2019/20 Annual Governance Statement:

- 7.1 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored.
- 7.2 **Uplift Programme** a scrutiny panel was set up to ensure that resource requests to draw down funding from reserves to support the Police Officer Uplift programme were scrutinised by Assistant Chief Constable Lucy Hutson, the Constabulary CFO and the PCC CFO. Only following agreement by the panel are funds released to support service requests in support of Uplift, and as funds are drawn down from reserves the PCC CFO must sign off the requests.
- 7.3 **ICT Board** new arrangements were put in place from April 2020 to oversee and agree new expenditure on ICT. This is a Hampshire specific board, chaired by the PCC Chief Executive and attended by the PCC CFO, the Constabulary CFO, with colleagues from TVP in attendance (including the Interim Director of ICT (Transformation). The Board agrees the Hampshire position with regard to the commencement (or not) of IT projects, be they Hampshire specific or joint Hampshire/TVP projects and joint projects then go forward for sign off at the Joint ICT Board.
- 7.4 In addition, there is a separate Hampshire ICT Finance Board which meets to formally sign of the release of funds to agreed projects.
- 7.5 As part of the Internal Audit work during 2020/21, a review was undertaken of the arrangements in place for the management of ICT finance, and this has concluded with a Reasonable Assurance conclusion (currently draft)

Annual Governance Statement

8 Declaration:

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

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

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

Independent Auditor's Report
Left blank for independent auditor's report

Glossary

Agency Services

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

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 property, plant and equipment assets.

Capital Expenditure

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

Capital Receipts

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

Chief Financial Officer (CFO)

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

Collection Fund Adjustment Account

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

Credit Arrangements

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

Creditors

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

Current service costs

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

Glossary

Debtors

Individuals or organisations who owe the Commissioner money.

Depreciation

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

Expected credit loss

An estimate of the losses an authority expects it will incur from financial instruments.

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.

Non-current assets

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

Government Grants

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

Minimum Revenue Provision (MRP)

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

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.

Glossary

Precept

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

Revaluation Reserve

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

Revenue Contributions to Capital Outlay (RCCO)

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

Revenue Expenditure

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

Reserves

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





Chief Constable for Hampshire Draft Statement of Accounts 2020/21

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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 2021. 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 2020/21. This narrative provides a brief explanation and overview of the financial performance and activities during 2020/21.

The Chief Constable

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

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

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

The Chief Constable has established a joint audit committee with the Commissioner. Its purpose is to provide independent 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 Office of the PCC and Hampshire Constabulary.

Narrative Statement

- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC and the Chief Constable in addressing riskrelated 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

Statement of Accounts

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

Narrative Statement

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 2020/21 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

Due to the disruption caused by Covid-19, the statutory dates for publishing the accounts were changed this year. The deadline for publishing the draft accounts was moved to 31 July 2021. The deadline for publishing the audited accounts has been moved to 30 September 2021.

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).

Narrative Statement

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 2020, the Commissioner approved funding for the net revenue budget for 2020/21. The net revenue budget for the year was £363m for the Group, an increase of £25m on the previous year.

Pensions

The Commissioner'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, including Police. The actuary has modelled the assumed remedy with reference to developments in the Employment Tribunals of other public service schemes.

Overall, the net pension liability has increased by £786m from £3,594m at 31 March 2020 to £4,380m at 31 March 2021. The Commissioner's assessed share of the value of the plan assets of the Local Government Superannuation scheme showed an increase of £88m while the assessed present value of the Commissioner's liabilities on all pension schemes increased by £874m.

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 Commissioner's and the Group's financial position remains sound.

Although the PCC is responsible for all assets and liabilities, pension liabilities are disclosed in the Chief Constable's Balance Sheet, as the majority of staff are employed by the Chief Constable. While a small number of staff work directly for the Commissioner, the proportionate share of pension liabilities would not be material and so these are included in the total liability on the Chief Constables' Balance Sheet and the Group Balance Sheet, as the PCC has ultimate responsibility for them.

Narrative Statement

Reserves

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

All reserves are held by the Commissioner with two exceptions; the accumulated absences account and the pensions reserve. Both of these reserves are unusable (i.e. not cashbacked). The balance on the accumulated absences account at 31 March 2021 was £4.400m (£4.340m at 31 March 2020) and the balance on the pensions reserve was £4,380m (£3,598m at 31 March 2020).

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 2021 was £4.400m (£4.340m as at 31 March 2020).

Uncertain Future Events

The United Kingdom exited the European Union on 31 January 2020. Transitional arrangements remain in place but the event has led to continued short term increased political and economic uncertainty, further impacted by the Covid 19 crisis which has been the main focus of government. The eventual position on EU exit (including whether the UK exits the EU with or without a trade deal) post 31 December 2020 does have the potential to impact the PCC's and Group's finances going forward and the estimates and assumptions which impact on the accounts and the Medium Term Financial Strategy. 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.

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.

Narrative Statement

Hampshire Constabulary and Thames Valley Police have also created a bilateral partnership. The Commissioner has entered into a collaboration agreement with Thames Valley in order to create a joint Information & Communications Technology (ICT) and Information Management department, with a shared Assistant Chief Officer having direct responsibility for the provision of ICT and information management assurance for both Forces.

A Joint Operations Unit has also been created using another collaboration agreement with Thames Valley Police allowing strategic operations, roads policing, firearms and dogs units, to be delivered in collaboration between the two forces across departmental and geographical boundaries (although not a collaborated function, the Hampshire Constabulary Marine Unit is also managed through the Joint Operations Unit). A collaboration agreement was signed in 2016/17 for Contact Management, and the new contact management solution went live in Hampshire in January 2020 and is scheduled to go live in TVP in 2020/21.

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 2021.

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.

Strategic risk registers are maintained by both the Commissioner and the Chief Constable on separate risk registers and are reported to each meeting of the Joint Audit Committee. Papers for the Joint Audit Committee can be accessed using the link below:

www.hampshire-pcc.gov.uk/transparency/scrutiny/joint-audit-committee

In February 2020 Her Majesty's Inspector of Constabularies and Fire and Rescue Services (HMICFRS) reported their Police Efficiency Effectiveness and Legitimacy (PEEL) assessment of the extent to which Hampshire Constabulary keeps people safe and reduces crime. The full report is available on line:

www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/peel-assessment-2018-19-hampshire.pdf

The outcome was that the HMICFRS graded the Constabulary 'good' overall and in all subsections in effectiveness, efficiency and legitimacy. The following observations were made by Her Majesty's Inspectorate:

"I am pleased with Hampshire Constabulary's overall performance, and the force continues to improve despite being one of the lowest funded forces in England and Wales.

"The force has successfully addressed many of those areas where we identified it could do better in our previous inspections. We have seen improvements in how it investigates and records crime, protects vulnerable people and treats its staff and the public. In other areas, work is in progress."

"I am particularly pleased to see the work that the force does to protect victims of domestic abuse. It is making good use of a range of options to both support victims and to protect them by preventing offending behaviour by perpetrators".

"I strongly commend Hampshire Constabulary for sustaining its positive performance over the past year".

The Constabulary monitors operational performance through the Force Performance Group. Five key metrics are used that cover confidence and satisfaction, commission rates, outcomes and wellbeing.

Further information on performance can be found on the Chief Constable's website at

www.hampshire.police.uk/police-forces/hampshire-constabulary/areas/sd/stats-and-data/

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 £4,380m at 31 March 2021 which has resulted in an overall negative balance of £4,384m. However, finance is only required for the police pensions when the amounts are actually paid.

Revenue Expenditure

In 2020/21, the reported outturn position was net expenditure of £356m on policing services for the people of Hampshire and the Isle of Wight, for the costs of the Office of the Police and Crime Commissioner and for commissioning services in accordance with the Police and Crime Plan objectives.

The table below contains an analysis of the income and expenditure incurred by the Commissioner and the Group in the format of the management accounting figures as prepared for scrutiny by the PCC and senior management in the Constabulary throughout the year and updated with the final outturn figures.

The summary below shows net contributions to reserves of £17.9m. 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 increased by £24.62m at 31 March 2021.

Outturn 2020/21	Budget	Actuals	Variance
	£'000	£'000	£'000
Funding	(362,651)	(362,651)	-
Expenditure owned by the PCC			
Office of the PCC	2,520	2,404	(116)
Commissioning	2,576	2,478	(98)
Estates	18,872	16,980	(1,892)
Crime Prevention	0	2	2
Capital Financing	2,807	2,743	(64)
Interest on balances	(500)	(771)	(271)
Contributions to/(from) reserves	17,855	17,855	0
Net expenditure owned by the PCC	44,130	41,691	(2,439)
Police Service			
Expenditure:			
Employees	264,305	259,539	(4,766)
Indirect Employee Costs	6,027	7,199	1,172
Premises	1,155	1,294	139
Transport	6,075	5,584	(491)
Supplies & Services	19,874	18,944	(930)
Third Party Payments	76,959	75,681	(1,278)
Support Services	2,770	2,732	(38)
Total Expenditure on Police Services	377,165	370,973	(6,192)
Income:			
Fees & Charges	(7,861)	(5,944)	1,917
Grants & Contributions	(48,190)	(48,228)	(38)
Internal Income	(2,593)	(2,518)	75
Total Income on Police Services	(58,644)	(56,690)	1,954
Net Expenditure on Police Services	318,521	314,283	(4,238)
Net total expenditure	362,651	355,974	(6,677)
Net total funding/expenditure		(6,677)	(6,677)

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	Adjustments between accounting and funding basis	Adjustments for other items to match CIES presentation	Net cost of services in the CIES
	£'000	£'000	£'000	£'000
Expenditure owned by the PCC				
Office of the PCC	2,404	-	-	2,404
Commissioning	2,478	-	-	2,478
Estates	16,980	12,182	-	29,162
Crime Prevention	2	-	-	2
Capital Financing	2,743	-	(2,743)	-
Interest on balances	(771)	-	771	-
Contributions to/from reserves	17,855	-	(17,855)	-
Net expenditure owned by the PCC	41,691	12,182	(19,827)	34,046
Hampshire Constabulary Expenditure:				
Employees	259,539	37,609	-	297,148
Indirect Employee Costs	7,199	-	-	7,199
Premises	1,294	-	-	1,294
Transport	5,584	-	-	5,584
Supplies & Services	18,944	-	-	18,944
Third Party Payments	75,681	-	(554)	75,127
Support Services	2,732	-	-	2,732
Internal Income	-	-	(2,518)	(2,518)
Total Expenditure on Police Services	370,973	37,609	(3,072)	405,510
Income:				
Fees & Charges	(5,944)		6	(5,938)
Grants & Contributions	(48,228)			(48,228)
Internal Income	(2,518)		2,518	-
Total Income on Police Services	(56,690)	-	2,524	(54,166)
Net Operational Policing Services	314,283	37,609	(548)	351,344
Other items not allocated to services	-	1,385	(2,472)	(1,087)
Net cost of Policing Services	355,974	51,176	(22,847)	384,303
Other (income)/expenditure	-	75,611	(357,750)	(282,139)
(Surplus)/deficit on the provision of services	355,974	126,787	(380,597)	102,164

This table shows that there was a deficit of £102.2m on the provision of services for 2020/21 in the statutory financial statements for the group as a whole (£148m deficit in 2019/20). 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 2020/21 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 2021/22, Capital Programme and Medium Term Financial Strategy

The revenue and capital budget for 2021/22 and Medium Term Financial Strategy were approved by the Police and Crime Commissioner in February 2021 and published on the PCC's website.

The budget for 2021/22 includes a precept rise of £15 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 £387.6m was set for 2021/22. However, whilst the MTFS shows a balanced budget position for 2022/23, the position for 2023/24 and 2024/25 is that all other things being equal, further savings would be required in those years to balance the budget.

The capital programme for 2021/22 includes £17.0m of planned expenditure. Of this amount £14.7m relates to new estate and £2.3m relates to replacement vehicles. This is funded by £11.1m of in-year capital receipts, £0.3m from capital grant and £5.6m from revenue contributions.

Going concern

CIPFA's Bulletin 09 'Closure of the 2020/21 Financial Statements' sets out that the provisions in the Code on the going concern accounting requirements reflect the economic and statutory environment in which Constabularies and Police and Crime Commissoners operate. These provisions confirm that neither the Constabulary nor the PCC has the ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements (i.e management deciding to liquidate the entity or cease trading).

As the Constabulary cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for the Constabulary's statements to be prepared on anything other than a going concern basis. Paragraph 3.4.2.23 of the Code therefore confirms as a matter of fact that local authority (incl PCC and Constabulary) accounts must be prepared on a going concern basis.

The CFO's management assessment has concluded that there are no proposals to alter the current legal framework for the provision or funding of policing services, and that the Going Concern basis therefore remains appropriate in line with the Code.

Whilst there is no statutory change to this position, it is the responsibility of the CFO to keep the financial position under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate. Ongoing financial sustainability of both the PCC and the Constabulary has therefore been reviewed and considered below.

Financial sustainability

The CFO for the Chief Constable has worked with the PCC CFO and is content that, based on this joint review of financial sustainability and the conclusions set out in the PCC's Section 25 report, there are no concerns as to the financial sustainability of the Constabulary. Further information is set out below.

Across the country, the negative impact of Covid-19 over the past year on the finances of organisations, both public and private, has been well documented. In the public sector the significant pressures experienced have led to many organisations raising concerns as to their financial stability and sustainability, and a number of Local Authorities have issued Section 114 notices, with others mooted to be close to requiring Section 114 notices to be issued.

However, given the above context it is important to note that whilst policing has been impacted by Covid-19, the financial impact thus far for Policing has been limited compared with many other public sector bodies, and this is the case for the Hampshire PCC and Hampshire Constabulary, who have delivered a combined year end underspend of £6.7m for the 2020/21 financial year.

Nevertheless, as part of the assessment of the 2021/22 budget and the MTFS through until 2024/25, the PCC CFO has considered a whole range issues which could impact on financial sustainability, and these are detailed in his Section 25 report (appendix I to the 2021/22 Budget report):

https://democracy.hants.gov.uk/documents/g6572/Public reports pack 29th-Jan-2021 10.00 Hampshire Police and Crime Panel Statutory Joint Committe.pdf?T=10

The issues considered within the Section 25 report were:

- robustness of estimates in the budget
- risks in the budget 2021/22 and the MTFS
- adequacy of reserves
- reliability / accuracy of budget estimates
- cash flow
- the position beyond 2021/22

In terms of the risk assessment within the Section 25 report, the PCC CFO commented that:

My assessment is that it would be unlikely that all risks would arise in any one year, and that individually the risks can be managed. It would take a significant number of these risks to arise at the same time to be unmanageable through the available reserves in the short to medium term.

These identified risks are mitigated, to a certain extent, because the PCC:

maintains an appropriate level of reserves and balances;

Narrative Statement

- has made prudent assumptions as to the level of future grant income, Uplift funding and precept increases which should limit the actual impact
- will proactively manage and monitor all aspects of budget performance during the year'

In conclusion, the PCC CFO set out in his Section 25 statement that:

'Given the details outlined above, provided that the PCC considers the above factors which form part of the budget and MTFS and agrees the budget and MTFS as proposed, including the level of earmarked reserves and balances, a positive opinion can be given under Section 25 on the robustness of the estimates and level of reserves for 2021/22'.

Cash Flow

Within the section 25 statement, the PCC CFO also reviewed the Cash Flow position and concluded that:

'I have reviewed, together with the Chief Constable's CFO, the cash flow forecast for the period through until end of March 2022. The cash flow position remains very positive, and I have no concerns as to the cash position'.

The cash flow position has subsequently been reviewed through until the end of March 2023 by the respective CFOs, and this shows that the cash position is healthy; the forward cash position therefore remains very positive and there are no concerns as to the cash position.

The PCC has borrowing headroom against the Capital Financing Requirement in the sum of £24.7m, so can support the cash position if necessary, through external borrowing.

Reserves

The PCC has healthy useable reserves (excl ACRO) of £91m, including a Grant Equalisation Reserve and a Council Tax Reserve, which can be used to support the budget position in the short to medium term should it become clear that ongoing savings are required to deliver a balanced budget, and such savings will take a period of time to deliver beyond the budget year in question.

In the Section 25 statement, the CFO concluded that:

- 'the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates'
- 'the overall level of reserves is appropriate given the known financial pressures and risks faced by the PCC'

Medium Term Position

For the position beyond 2021/22, the PCC CFO set out in the Section 25 statement that:

'Given the announcement of a one-year Spending Round for 2021/22, the PCC is still in the position of not knowing what the funding position is beyond a one-year planning horizon.

At this stage, in response to this position, the budget report for 2021/22 and the MTFS have been based on prudent funding assumptions, which should mean the PCC is well placed to respond to and manage changes to funding.

The MTFS is necessarily based on prudent assumptions which do show budget shortfalls across the 3 years post 2021/22. However, whilst there are risks within the MTFS these have been mitigated as far as possible and it would take a significant change in the funding regime to create a scenario which the PCC and Chief Constable could not manage over the course of the MTFS through either planned budget reduction and/or draws from reserves'.

Whilst the current and forecast medium term financial position remains stable, the PCC and Constabulary CFOs will continue to evaluate any evolving financial impacts to the sector in general and to Hampshire in particular, be they Covid related or otherwise.

The financial position and the impact on financial sustainability will be kept under ongoing review going forward, particularly as further information on the forthcoming Spending Review, Police funding settlement and council tax precept levels is announced.

Treasury Management Strategy

The Capital and Investment Strategy and Treasury Management Strategy are both approved annually by the Police and Crime Commissioner and published on the website. These documents contain a more detailed explanation of the economic outlook and the agreed prudential indicators. The authorised limit for external debt was £91.1m for 2020/21 and is £90.0m for 2021/22. Debt (£30m) did not exceed the Capital Financing Requirement of £54.67m at 31 March 2021.

Environment

The Constabulary will need to continue to operate within a challenging environment. This includes political uncertainty caused by EU exit 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: 0370 779 7883, e-mail: budget@hants.gov.uk

Statement of Responsibilities

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 2020/21 give a true and fair view of the financial position of the Chief Constable at 31 March 2021 and the income and expenditure for the year then ended.

Signed: Richard Croucher CPFA

Date: 30 July 2021

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 2019		-	-	-	3,798,027	3,798,027	
Movements during 2019/20							
Total Comprehensive Income and Expenditure	123,714	-	-	123,714	(323,506)	(199,792)	
Adjustments between accounting basis & funding basis under regulations	(123,714)	-	-	(123,714)	123,714	-	2
(Increase)/Decrease in year	0	-	-	0	(199,792)	(199,792)	
Balance at 31 March 2020	0	-	-	0	3,598,235	3,598,235	
Movements during 2020/21							
Total Comprehensive Income and Expenditure	120,507	-	-	120,507	665,454	785,961	
Adjustments between accounting basis & funding basis under regulations	(120,507)	-	-	(120,507)	120,507	-	2
(Increase)/Decrease in year		-	-	-	785,961	785,961	
Balance at 31 March 2021	0	-	-	0	4,384,196	4,384,196	

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 2020 £'000		31 March 2021 £'000	Note
(4,340) (4,340)	Short term creditors Current Liabilities	(4,400) (4,400)	
(3,593,895) (3,593,895)	Net liability related to pension schemes Long Term Liabilities	(4,379,796) (4,379,796)	13
(3,598,235)	Net Liabilities	(4,384,196)	
- 3,598,235	Financed by: Usable reserves Unusable reserves	- 4,384,196	3
3,598,235	Total Reserves	4,384,196	

Signed: Richard Croucher CPFA (Chief Finance Officer)

Date: 30 July 2021

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.

2019/20 £'000		2020/21 £'000	Note
123,714	Net (surplus) or deficit on the provision of services	120,507	CIES
(123,714)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(120,507)	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	=	

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.

	2019/20				2020/21		
Gross expenditure	Gross Income	Net expenditure		Gross expenditure	Gross Income	Net expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
384,918	(53,204)	331,714	Operational policing services	405,510	(54,166)	351,344	
22,611	(19,287)	3,324	Other items not allocated to services	19,882	(20,969)	(1,087)	
407,529	(72,491)	335,038	Cost of Policing Services	425,392	(75,135)	350,257	10
			Other income and expenditure:-				
51,278	(51,278)	-	Other operating income and expenditure	51,688	(51,688)	-	4
89,990	_	89,990	Financing and investment income and expenditure	81,513		81,513	5
09,990	_	09,990	Taxation and non-specific grant	01,515	_	01,010	3
-	-	-	income	-	-	-	
141,268	(51,278)	89,990	Total other (income)/expenditure	133,201	(51,688)	81,513	
		425,028	(Surplus) or Deficit on the Provision of Services before funding			431,770	
		(301,314)	Intra-group funding			(311,263)	
		123,714	(Surplus) or Deficit on the Provision of Services			120,507	
		(323,506)	Remeasurement of the net defined pension benefit liability/(asset)			665,454	
		(323,506)	Other Comprehensive (Income)/Expenditure			665,454	
		(199,792)	Total Comprehensive (Income)/Expenditure			785,961	

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1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) 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.

Net Expenditure chargeable to the General Fund Balance	2019/20 Adjustments between accounting and funding basis	Net expenditure in the CIES		Net Expenditure chargeable to the General Fund Balance	2020/21 Adjustments between accounting and funding basis (see note 2)	Net expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
300,391	31,323	331,714	Operational policing services	313,735	37,609	351,344
923	2,401	3,324	Other items not allocated to services	(2,472)	1,385	(1,087)
301,314	33,724	335,038	Net cost of Policing Services	311,263	38,994	350,257
-	89,990	89,990	Other income and expenditure	-	81,513	81,513
301,314	123,714	425,028	(Surplus) or deficit on the provision of services	311,263	120,507	431,770
(301,314)	-	(301,314)	Intra-group funding	(311,263)	-	(311,263)
0	123,714	123,714	Net (Surplus)/deficit on the provision of services	-	120,507	120,507
-			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

2020/21	Adjustments for capital purposes	Net change for the pensions adjustments (note a)	Other adjustments (note b)	Total Adjustments	
Adjustments between accounting and funding basis analysis:-	£'000	£'000	£'000	£'000	
Operational policing services		37,549	60	37,609	
Other items not allocated to services		1,385		1,385	
Net cost of services	-	38,934	60	38,994	
Other income and expenditure from the funding analysis		81,513		81,513	
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	-	120,447	60	120,507	
Note a) Adjustments for pensions:					
Current service cost of funded local government					
pensions		86,836		86,836	
Past service cost of pensions		1,385		1,385	
Interest on net pension liability		81,513		81,513	
Total transferred to Pension Reserve		169,734		169,734	
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(49,287)		(49,287)	
Note a) Total		120,447		120,447	
Note b) Other adjustments: Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account			60	60	
Amortisation of premiums and discounts on financia 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			60	60	
Total adjustments (note i) transfer from capital grants unapplied reserve					
Total adjustments between accounting and funding basis under statute					

Notes to the Core Financial Statements

2019/20	Adjustments for capital purposes	Net change for the pensions adjustments (note a)	Other adjustments (note b)	Total Adjustments
Adjustments between accounting and funding basis analysis:-	£'000	£'000	£'000	£'000
Operational policing services	-	31,180	143	31,323
Other items not allocated to services	-	2,401	-	2,401
Net cost of services	-	33,581	143	33,724
Other income and expenditure from the funding analysis	-	89,990	-	89,990
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	-	123,571	143	123,714
Note a) Adjustments for pensions: Current service cost of funded local government				
pensions Past service cost of funded local government		83,827		83,827
pensions		2,401		2,401
Interest on net pension liability Total transferred to Pension Reserve		89,990 176,218		89,990 176,218
Employer's contributions payable to the pension		170,210		170,210
fund transferred from the Pension Reserve		(52,647)		(52,647)
Note a) Total		123,571		123,571

Note b) Other adjustments: Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account	143	143
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	143	143
Total adjustments		123,714
(note i) transfer from capital grants unapplied reserve		-
Total adjustments between accounting and funding basis under statute		123,714

3 Unusable Reserves

	31 March 2011 2020 £'000	Movement £'000	31 March 2011 2021 £'000	Note
Pensions Reserve Accumulated Absences Account	3,593,895 4,340	785,901 60	4,379,796 4,400	3a 3b
	3,598,235	785,961	4,384,196	

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.

2019/20 £'000		2020/21 £'000
3,793,830	Balance at start of year	3,593,895
(300,639) (51,030)	Actuarial losses/(gains) on pensions assets and liabilities Government contributions to Police Officer schemes	791,967 (52,406)
28,163	Return on plan assets	(74,107)
176,218	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	169,734
(52,647)	Employer's pension contributions and direct payments to pensioners payable in the year	(49,287)
3,593,895	Balance at end of year	4,379,796

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

2019/20		2020/21
£'000		£'000
(51,278)	Home Office Police Pension Fund Top-up Grant	(51,688)
51,278	Transfer of Home Office Grant to the Police Pension Fund	51,688
-		_

5 Financing and investment income and expenditure

2019/20 £'000 89,990	Pensions interest cost and expected return on pension assets	2020/21 £'000 81,513
89,990		81,513

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

Notes to the Core Financial Statements

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.

2019/20 £'000		2020/21 £'000
	Credited to Taxation and Non-Specific Grant Income	
-	Council Tax Precept	-
-	Formula funding	-
-	Police Grant	-
-	Council tax legacy grant	-
-	Government Grant to Finance Capital Expenditure	-
	Other capital contributions	-
	Total	-
0040400		0000/04
2019/20		2020/21
£'000	Grants Credited to Services Contributions to National Wildlife Crime Unit	£'000
(301)		(311)
, ,	Counter-Terrorism Policing Grant	(2,509)
,	Cybercrime Grant	(=,000)
(2,861)	•	-
(150)	Learning development for police officers providing input in schools	-
(185)	Multi Agency Stalking Intervention Programme Police Pension Grant (now credited to taxation and non-specific	-
(2,988)	grants)	-
(1,260)	Police Surge Funding Grant	(830)
(747)	Uplift Enablers Grant	(2,179)
-	Uplift Enablers Grant / Covid Support Grant	(2,179)
(880)	Violence Reduction Units	-
-	Operation Magenta Grant	(5,145)
-	Conductive Electronic Device Grant	(41)
-	Operation Cobb Grant	(42)
-	EU Exit Preparation Grant (ACRO)	(1,054)
-	Sexual Exploitation in the Aid Sector Grant (ACRO)	(93)
-	ESMCP Grant	(340)
-	Covid Grant	(1,504)
-	Covid Enforcement Grant	(778)
(29)	Miscellaneous grants	(11)
(12,362)	Total	(17,016)

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.

	2019/20	2020/21
Remuneration Band	Number of employees	Number of employees
£50,000 - £54,999	300	352
£55,000 - £59,999	197	214
£60,000 - £64,999	76	92
£65,000 - £69,999	14	22
£70,000 - £74,999	12	15
£75,000 - £79,999	7	7
£80,000 - £84,999	9	7
£85,000 - £89,999	10	9
£90,000 - £94,999	3	3
£95,000 - £99,999	1	4
£100,000 - £104,999	2	2
£105,000 - £109,999	1	-
£110,000 - £114,999	1	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	1
£135,000 - £139,999	-	-
£190,000 - £194,999	<u>-</u> _	
Totals	633	728

^{*}Note - This does not include the named officers/posts on page 30

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 2020/21 and comparative information for 2019/20 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.

Salary, fees and allowances allowances and allowances and allowances allowances and allowances and allowances and allowances and allowances and allowances and allowances are allowances and allowances and allowances are allowances are allowances and allowances are allowances are allowances are allowances and allowances are allowances a		Expenses Allowance	Compensation for loss of employment	Benefits in Kind	Other payments (Police officers only)	Employer's Pension contributions	Total Remuneration including pensions contributions	7 2
££		£	£	£	£	£	£	
Constabulary								•
Chief Constable - 01/04/2020 - 194,381 31/03/2021 Olivia Pinkney	-	671	-	671	-	58,634	254,356	
Deputy Chief Constable - 01/04/2020 - 31/03/2021 Assistant Chief Constable -	-	1,260	-	7,906	-	43,977	202,862	
Local Policing - 01/04/2020 - 64,266 04/10/2020	-	289	-	3,555	-	18,501	86,611	
Assistant Chief Constable - Operations - 01/04/2020 - 119,109 31/03/2021	-	-	-	7,431	-	36,583	163,123	
Assistant Chief Constable - Operations - 01/04/2020 - 31,017 04/07/2020	-	-	-	-	-	9,402	40,419	
Assistant Chief Constable - Crime, Criminal Justice and Intelligence - 01/04/2020 - 31/03/2021	-	-	-	3,828	-	33,744	150,919	
Assistant Chief Constable - Local Policing and Public Protection - 01/06/2020 - 31/03/2021	-	-	-	3,681	-	28,825	127,557	
Assistant Chief Constable - Corporate Insights - 04/09/2020 60,906 - 31/03/2021	-	-	-	1,190	-	19,024	81,120	
Assistant Chief Constable - 114,591 01/04/2020 - 31/3/2021	-	-	-	-	-	33,867	148,459	
942,386	-	2,219	-	28,262	-	282,558	1,255,425	

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 £122,383, which includes all employer oncosts.

Note

2019/20 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 - 1/4/2019 - 31/3/2020 Olivia Pinkney	189,685	-	1,353	-	2,125	-	57,178	250,341	1
Deputy Chief Constable - 1/4/2019 - 31/3/2020	140,654	-	-	-	5,671	-	42,905	189,230	
Assistant Chief Constable - Local Policing - 1/4/2019 - 31/3/2020	119,634	-	1,077	-	6,976	-	35,690	163,377	
Assistant Chief Constable - Crime, Criminal Justice and Intelligence - 1/4/2019 - 31/3/2020	116,131	-	-	-	2,711	-	35,690	154,532	
Assistant Chief Constable - Operations - 1/4/2019 - 31/3/2020	117,770	-	-	-	1,561	-	35,690	155,021	
Assistant Chief Constable - 12/8/2019 - 31/3/2020	68,763	-	-	-	-	-	20,305	89,068	
	752,637	-	2,430	-	19,044	-	227,458	1,001,569	
									•

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 £117,003 (This figure includes all employer on costs).

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		depar	of other tures eed	exit pa	ımber of Total cost of e ckages packages in ea st band band		s in each
	2019/2 0	2020/2 1	2019/2 0	2020/2 1	2019/2 0	2020/2 1	2019/20	2020/21
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	4	-	-	-	4	-	37	-
£20,001 - £40,000	-	-	1	-	1	-	20	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000		-	-	-	-	-	-	-
Totals	4	-	1	-	5	-	57	-

In addition to the payments made to staff leaving the organisation, the Chief Constable also made payments to the Local Government Superannuation Scheme which it bears as the employer for the early retirement of eligible staff who are made redundant. No charges were necessary to the Comprehensive Income and Expenditure Statement to cover the actual or expected payments in 2020/21 (£85k in 2019/20).

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:-

2019/20 £'000		2020/21 £'000
	Chief Constable:	
14	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	-
14		14

10 Nature of expenses

As disclosed in the note to the CIES, during 2020/21 the service segments used by the PCC and Constabulary were updated and the new segments are presented. The prior year figures disclosed in the nature of expenses note have therefore also been updated to reconcile to the new CIES presentation. The Cost of Services includes the following items of income and expenditure:

2019/20 Expenditure in the CIES			2020/21 Expenditure in the CIES
£'000		Note	£'000
302,278	Employee Benefit Expenses	а	318,255
105,251	Other Service Expenses	b	107,137
407,529	Total Expenditure		425,392
(48,736)	Grants, contributions and reimbursements		(57,318)
(23,755)	Fees, charges and other service income		(17,817)
(72,491)	Total Income		(75,135)
335,038	Net Cost of Services		350,257

- 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

2019/20 £'000		2020/21 £'000
\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	Operational policing services Other items not allocated to services	(5,938) (11,879)
(23,755)	Total income from external customers analysed by service	(17,817)

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 £37.3m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£32.6m in 2019/20). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £12.6m in 2020/21 (£17.1m in 2019/20).

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 2020/21 (none in 2019/20).

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:-

			PCC
			share
			of
		Lead/	costs
Activity	Partners	Host	£m
Joint working for support services	Hampshire County Council (HCC), Hampshire Fire and Rescue		
	Services (HFRS)	HCC	
Joint ICT/Information Management			
Department	Thames Valley Police (TVP)	TVP	20.2
South East Organised Regional	South East Region Forces (TVP,		
Organised Crime Unit (SEROCU)	Surrey, Sussex)	TVP	3.8
Joint Operations Unit	Thames Valley Police (TVP)	TVP	25.7

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:

	Unfunde Pension		LGPS (Police Staff)	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Comprehensive Income and Expenditure Statement	2 000	2 000	2 000	2 000
Cost of Services				
Current service				
- cost	58,037	61,017	23,703	23,520
- Past service costs	2,181	1,383	220	2
- (Gain)/loss from settlements	-	-	-	-
Financing and Investment Income and Expenditure				
Net interest expense Total Charge to the Surplus or Deficit on the Provision of	84,533	74,958	3,991	4,357
Services	144,751	137,358	27,914	27,879
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising	ng:			
Return on plan assets (excluding the amount included				
- in the net interest expense)	-	-	28,163	(74,107)
- Government contributions to Police Officer schemes	(51,030)	(52,406)		
 Actuarial (Gains)/Losses arising:- from changes in financial assumptions 	(425 004)	CEC 227	(40.005)	1EC 0E7
- from changes in demographic assumptions	(135,881) (41,031)	656,337	(19,025) (11,822)	156,957 -
- from changes in actuarial experience	(145,908)	(35,546)	19,206	(4,963)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(229,099)	705,743	44,436	105,766
Movement in Reserves Statement				
Reverse charge to Provision of Services	(144,751)	(137,358)	(27,914)	(27,879)
Actual Amount charged against the General Fund Balance for pensions in the year			-	
Employer's contributions to the scheme	32,607	34,262	17,114	12,146
Benefits paid direct to beneficiaries		-	-	-
Charge on General Fund	32,607	34,262	17,114	12,146

[table continues on the next page]

	Injury Pensions (police officers)		All schemes - Summary	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service	2.007	2 200	02 027	00.000
- cost - Past service cost	2,087	2,299	83,827 2,401	86,836 1,385
- (Gain)/loss from settlements	-	-	-,	-
Financing and Investment Income and Expenditure			-	_
Net interest expense	1,466	2,198	89,990	81,513
Total Charge to the Surplus or Deficit on the Provision of	·	ŕ	ŕ	·
Services	3,553	4,497	176,218	169,734
•	•	ŕ	·	·
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising	ng:			
- Return on plan assets	-	-	28,163	(74,107)
- Government contributions to Police Officer schemes			(51,030)	(52,406)
 Actuarial (Gains)/Losses arising:- from changes in financial assumptions 	(2,234)	20,069	(157,140)	833,363
- from changes in demographic assumptions	410	-	(52,443)	-
- from changes in actuarial experience	35,646	(887)	(91,056)	(41,396)
Total post-employment benefit charged to the	37,375	23,679	(147,288)	835,188
Comprehensive Income and Expenditure Statement				
Movement in Reserves Statement				
Reverse charge to Provision of Services	(3,553)	(4,497)	(176,218)	(169,734)
Actual Amount charged against the General Fund Balance for pensions in the year				
Employer's contributions payable to the scheme	-	-	49,721	46,408
Benefits paid direct to beneficiaries	2,926	2,879	2,926	2,879
Charge on General Fund	2,926	2,879	52,647	49,287

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 2021.

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:-

	Police Pension Schemes		Injury Pensions (police officers)		
Value at year ending	31 March 2020	31 March 2021	31 March 2020	31 March 2021	
	£000	£000	£000	£000	
Present value of the defined benefit obligation	3,301,424	3,972,905	96,999	117,799	
Fair value of plan assets	-	-	-	-	
Net liability arising from the defined benefit obligation	3,301,424	3,972,905	96,999	117,799	
	Local Gov Scho		Total		
Value at year ending	31 March 2020	31 March 2021	31 March 2020	31 March 2021	
	£000	£000	£000	£000	
Present value of the defined benefit obligation	517,772	699,444	3,916,195	4,790,148	
Fair value of plan assets	(322,300)	(410,352)	(322,300)	(410,352)	
Net liability arising from the defined benefit obligation	195,472	289,092	3,593,895	4,379,796	

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

	Unfunded Police Pension Schemes		Local Govt Pension Scheme	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening fair value of assets	-	-	330,990	322,000
Interest income	-	-	8,415	7,000
Remeasurement gains and (losses):-				
 the return on plan assets (excluding the amount included in the net interest expense) 	51,027	52,406	(28,163)	74,000
- other	-	-	-	-
Employer contributions	32,607	34,262	17,081	12,000
Contributions by scheme participants	13,263	14,173	4,331	5,000
Settlements	-	-	-	-
Benefits Paid	(96,897)	(100,841)	(10,354)	(10,000)
Closing fair value of assets	-	-	322,300	410,000

Injury Pensions (police officers)

	2019/20 £000	2020/21 £000
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	2,926	2,879
Contributions by scheme participants	-	-
Settlements	-	-
Benefits Paid	(2,926)	(2,879)
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	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening Balance - 1 April	(3,563,130)	(3,301,424)	(499,140)	(517,772)
Current Service Cost	(58,037)	(61,017)	(23,703)	(23,520)
Interest Cost	(84,533)	(74,958)	(12,406)	(11,846)
Contributions from scheme participants Remeasurement (gains) and losses: Actuarial gains and (losses) arising:-	(13,263)	(14,173)	(4,331)	(4,564)
 from changes in actuarial experience from changes in demographic assumptions 	135,884 41,031	(656,337)	19,025 11,822	(156,957)
- from changes in financial assumptions	145,908	35,546	(19,206)	4,963
Liabilities extinguished on settlements	-	-	-	-
Benefits Paid	96,897	100,841	10,387	10,254
Past service costs	(2,181)	(1,383)	(220)	(2)
Closing balance - 31 March	(3,301,424)	(3,972,905)	(517,772)	(699,444)
	Injury Pensions (police		To	tal

	Injury Pensions (police officers)		Total	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening Balance - 1 April	(62,550)	(96,999)	(4,124,820)	(3,916,195)
Current Service Cost	(2,087)	(2,299)	(83,827)	(86,836)
Interest Cost	(1,466)	(2,198)	(98,405)	(89,002)
Contributions from scheme participants	-	-	(17,594)	(18,737)
Remeasurement (gains) and losses: Actuarial gains and (losses) arising:-				
- from changes in actuarial experience	2,234	(20,069)	157,143	(833,363)
 from changes in demographic assumptions 	-	-	52,853	-
- from changes in financial assumptions	(35,646)	887	91,056	41,396
Liabilities extinguished on settlements	-	-	-	-
Benefits Paid	2,926	2,879	110,210	113,974
Past service costs		-	(2,401)	(1,385)
Closing balance - 31 March	(96,589)	(117,799)	(3,915,785)	(4,790,148)

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.

Notes to the Core Financial Statements

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. The last triennial valuation was March 2019:
- 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 regular contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2022 are £12.9m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £84.66m. This figure includes both the Chief Constable's contribution and the Top-Up Grant from the Home Office. In addition, the Chief Constable expects to pay £1.2m 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 2021.

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 2021 and the projected service cost for the year ending 31 March 2022 is set out below:-

Baseline:-

Police Schemes

Present Value of total obligation (excluding injury benefits) @ 31 March 2021 = £3,301.42M Projected Service cost 2021/22 = £57.07M

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31 March 2021 = £517.46M Projected Service cost 2021/22 = £22.90M

•	LGPS + 0.1% p.a 0.1% p.a.		Police Schemes + 0.1% p.a 0.1% p.a.	
A.P. saturant to Programme and	+ 0.1 /6 p.a.	- 0.1 /6 p.a.	+ 0.1 /6 μ.a.	- 0.1 /6 p.a.
Adjustment to discount rate * Present value of total obligations (£M)	680.96	718.01	3,892.56	4,057.39
* % change in present value of total obligations	-2.6%	2.7%	-2.0%	2.1%
Projected service cost (£M)	34.78	37.56	85.45	91.58
* % change in projected service cost	-3.8%	3.9%	-3.4%	3.5%
Rate of general increase in salaries				
* Present value of total obligations (£M)	701.23	697.04	3,985.96	3,960.01
* % change in present value of total obligations	0.3%	-0.3%	0.3%	-0.3%
* Projected service cost (£M)	36.15	36.15	88.51	88.44
* % change in projected service cost	0.0%	0.0%	0.0%	0.0%
Rate of increase to pensions in payment an	d deferred p	ensions		
* Present value of total obligations (£M)	715.92	683.06	4,044.17	3,905.62
* % change in present value of total obligations	2.4%	-2.3%	1.8%	-1.7%
* Projected service cost (£M)	37.56	34.78	91.55	85.49
* % change in projected service cost	3.9%	-3.8%	3.5%	-4.2%
Adjustment to mortality age rating assumpt	ion			
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	723.61	674.67	4,115.93	3,829.88
* % change in present value of total obligations	3.5%	-3.5%	3.6%	-3.6%
* Projected service cost (£M)	37.60	34.74	92.21	84.75
* % change in projected service cost	4.0%	-3.9%	4.2%	-4.2%

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:

31 March 2020		31 March 2021 Quoted	31 March 2021 Unquoted	31 March 2021
<u></u> %		<u></u>	%	Total %
52.7	Equities	49.4	7.6	57.0
21.8	Government bonds	17.3	-	17.3
7.3	Property	0.8	5.3	6.1
0.0	Corporate bonds	0.0	-	0.0
2.0	Cash	1.4	-	1.4
16.2	Other (hedge funds, currency holdings, futures, private equities)	15.9	2.3	18.2
100.0		84.8	15.2	100.0

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 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 102 claims lodged against her with the Central London Employment Tribunal. The claims are in respect of unlawful age discrimination arising from the transitional protection afforded to some people but not others when the Home Office made changes to the Police Pension Schemes in 2015 (known as McCloud Sargeant). This is a national issue.

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

Notes to the Core Financial Statements

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 2020).

15 Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30th July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

16 Notes to the cash flow statement

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

2019/20 £'000		2020/21 £'000	Note
123,714	Net (surplus) or deficit on the provision of services	120,507	CIES
(123,714)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(120,507)	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	-	
<u>-</u>	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

2019/20 £'000		2020/21 £'000
(123,714)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(120,507)
(123,571)	Analysis:- Pensions	(120,447)
(143)	(Increase)/Decrease in Creditors	(60)
(123,714)		(120,507)

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 (2019). 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 Going concern basis of preparation

Local authorities cannot be created or dissolved without statutory prescription, therefore within CIPFA's Accounting Code of Practice there is a presumption that the Chief Constable's accounts will be prepared on a going concern basis for as long as police services will continue to operate. Notwithstanding the statutory basis for going concern, the Chief Financial Officer has separately assessed the underlying financial sustainability of the organisation and this is outlined in note 18.

17.3 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.

Notes to the Core Financial Statements

- 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.

17.4 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.

17.5 VAT

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

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 applying the accounting policies, the Chief Constable has to make certain judgements about complex transactions or those involving uncertainty about future events.

18.1 Financial sustainability

The Chief Financial Officer has a statutory obligation to keep the financial position of the Authority under review and to ensure that budgets set are realistic and deliverable, and that reserves are adequate.

The Authority regularly reviews and updates its Medium Term Financial Strategy, incorporating known factors that will have a positive or negative impact upon its financial strategy and making realistic assumptions to allow for the inevitable risk and uncertainty that accompanies any financial forecast. This is underpinned by the Authority's well established reserves policy and approach to identifying and delivering required savings from the budget, with regular monitoring through monthly financial resilience reporting. The medium term strategy and current assumptions on funding, priorities and pressures informs the annual budget setting process, with outcomes monitored throughout each financial year taking a risk based approach with the escalation of issues as appropriate.

Investment balances and cash flow are managed at a Group level through the Police and Crime Commissioner. Reserves balances ensure that Treasury Management activity can be conducted to make sure sufficient cash is available to meet operational obligations whilst also taking a longer term view to investments where appropriate, enabling greater returns to be made in support of the revenue budget, whilst also adhering to the CIPFA TM Code in prioritising the security of investment balances.

The Authority's financial forecast for 2021/22 has been reviewed alongside assumptions for 2022/23 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2023. The reserves balance coupled with the anticipated timing of cash flows and the liquidity profile of its investments means that that the Authority can meet its operational obligations over the period, with the option to sell longer term investments and make use of its borrowing headroom as a short term solution to any unforeseen liquidity pressures, although this would have an impact on the longer term financial sustainability of the Authority.

18.2 Other critical judgements

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 2020/21 Statement of Accounts:-

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

Notes to the Core Financial Statements

	Accounting determination		
Consideration	PCC	CC	Reasoning
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 2021 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	Differ from Assumptions 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 2.1% and a decrease in the Local Government Pension Scheme liabilities of 2.6%.
	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.	However, the assumptions interact in complex ways. More details are provided in the IAS19 disclosures at note 13.

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 2021/22 financial statements in respect of accounting changes introduced in the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
 - The amendments clarify the definition of a business. The changes are not expected to be material, as the authority rarely acquires businesses.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 and

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

 Both of these reforms affect how some investments are valued, due to a change in the interest rates used. The authority's main activity is the provision of public services, rather than investing in the financial markets, so we do not expect that these changes will have a material impact on the authority.

2019/20 £'000	Police Pension Fund Account Contributions receivable	2020/21 £'000
(30,434)	- from employer - normal	(32,887)
(1,999)	early retirementsill-health capital equivalent charges	(1.252)
(13,279)	- from members	(1,352) (14,219)
(100)	Transfers in	// a / a /
(436)	- individual transfers in from other schemes	(1,010)
	Benefits payable	
82,618	- pensions	85,119
14,335 117	- commutations and lump sum retirement benefits	15,913 10
117	- lump sum death benefits	10
	Payments to and on account of leavers	
16	- refunds of contributions	44
340	- individual transfers out to other schemes	70
51,278	Net amount payable for the year	51,688
(51,278)	Additional contribution from the Commissioner	(51,688)
	- -	-
2019/20 £'000	Net Assets Statement	2020/21 £'000
	Current Assets	
-	- contributions due from employer	-
-	 pensions paid to pensioners in advance Current Liabilities 	-
-	- unpaid pension benefits	-
-	 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 £3.0m in 2020/21. For officers who retire on the grounds of ill-health, the employer makes a contribution from the Comprehensive Income and Expenditure Account to the Police Pension Fund Account. This charge is the equivalent to two years' pensionable pay and is a one off credit to the account. All on-going payments are met by the Police Pension Fund.

Debtors and creditors of the Police Pension Fund Account are included within the main financial statements of the Commissioner as a result of the reimbursement of the top up grant and the cash being transferred between the Commissioner and Pension Fund bank accounts on a regular basis.

The Scheme Manager of the Police Pension Fund is the Chief Constable. The administration of the fund is carried out by the County Council as part of the 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% 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. The last triennial valuation was March 2019;
- 2006 Scheme 11.00%-12.75%
- 2015 Scheme 12.44%-13.78%

The employer made a contribution of 31% of pensionable salary and benefits in 2020/21. The Chief Constable received a £2.99m grant to be used towards the increase in the contribution rate.

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

COVID-19

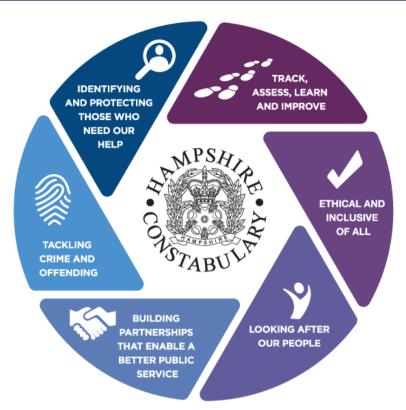
- 1.3 COVID-19 has had an enormous impact on public health, wellbeing and the day to day lives of all stakeholders during 2020/21. However there has not been a significant impact to Hampshire Constabulary either from a governance perspective or a financial management perspective. This is acknowledged in the 2019/20 statement of accounts. Although the statements were presented and all the content had been audited by the reporting deadline of September 2020, our external auditors required further submissions to evidence that the Constabulary was a going concern. Additional information continued to be provided between September 2020 and January 2021 that supported the view that COVID-19 had not had a significant impact on the financial health of the PCC or Constabulary. Unlike some councils, the vast majority of funding for policing is received from Government Grant and Council Tax. There were no reductions to those amounts in 2020/21. There is no significant reliance on other income receivable and for those cases the Home Office introduced a scheme whereby police organisations could reclaim 75% of any lost income. In most cases there was a significant reduction in the costs that would have had to be incurred to achieve that income (e.g. policing of public events), the overall levels of funding and income did not create an additional burden. Expenditure for technology, overtime, equipment and building related costs has been covered by additional grants from Government and PPE costs have been paid for from the national allocation given to Government Departments. Therefore, in 2020/21, a net underspend is reported.
- 1.4 There were no significant changes required from a governance perspective. The Constabulary does not have public meetings as a Council would and so there was no requirement to update any governance documents. The Constabulary has had access to Teams functionality since the beginning of 2020/21 so there has been a greater use of remote working and Teams functionality for meetings. This has not resulted in any governance issues.

Operationally, the Constabulary has benefited from its investment in wellbeing for personnel and from a geographical perspective the Constabulary has been fortunate to not have been as adversely affected by COVID-19 as some other forces. Due to the cancellation of non-essential training and having one of the lowest sickness rates in the country, the Constabulary has not had any significant issues in covering shifts. The Force did see a reduction in overall crime at the initial onset of lockdown but resources were targeted to focus on COVID-19 compliance and specific crime types that experienced a rise, such as domestic violence.

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 2021 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'. 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 CIPFA/SOLACE 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 The Ethics Committee advises the Chief Constable on items that require ethical consideration and promotes the Code of Ethics within the Constabulary.
- 3.1.4 The Constabulary has an Environmental Strategy that promotes sustainability. Environmental factors are considered in force policies and procedures, for example, air travel.
- 3.1.5 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 Consent and 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 meetings that record key decisions and actions. Financial authorisations are recorded in the finance system and often supported by emails. 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. Social media provides further opportunities to engage and survey members of the 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 Group 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. The Joint ICT Governance Board provides greater insight to ICT forward planning and the associated risks.
- 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. This year, the Committee has been provided with an enhanced allowance and training budget, enabling members to attend internal meetings of both the Constabulary and the OPCC to observe decision making processes in action.
- 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. The terms have been reviewed this year to extend the maximum tenure of the Chair, recognising that the current tenure length would have a negative impact on the efficient operation of the Committee.
- 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.
- The financial year 2020/21 is also a shadow year for the implementation of the CIPFA Financial Management Code. The FM Code is a self-assessment of financial management within an organisation. The Code is written with Councils in mind and therefore we have been informed by CIPFA that police organisations will need to make their own common sense adjustments to the requirements of the Code to make it relevant for policing and that some sections will need to be disregarded. There is no guidance on the level of evidence that is required to support this assessment, but a desktop exercise performed drew the conclusion that the Constabulary is compliant with the principles of the FM Code. It is currently unclear whether the FM Code will be implemented for all local authorities in 2021/22. It is also unclear whether any national arrangements will be put in place to attempt to produce any specific guidance for police organisations implementing the FM Code. Any developments will be reported to the Joint Audit Committee. #

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.
- 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.
- 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.

Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance

- COVID-19 presents issues for the Constabulary to manage and new powers for 6.1 policing. A Gold Group is in place to manage internal issues to allow the Constabulary to continue with business as usual. This includes managing human resources, providing PPE and testing. There are no identified weaknesses but the scale of the issue will create risks and issues that will require dynamic decision making. Operationally, measures have been put in place to ensure that business can be conducted as usual, adjusted for COVID-19 requirements such as PPE and social distancing. The SIRO has reviewed and signed off changes to ICT that allow greater remote working but maintain the expected levels of control for police information. There has been no adverse impact on policing services as staffing levels have remained high and overall demand is down so the operational position is sustainable. It is unclear how much funding will continue to be receivable from Government but there are no forecast issues with costs as a result of COVID-19. There is no cashflow issue for the Force. Therefore, the overall financial position remains sustainable, despite the challenges. There are no significant changes in governance or internal controls. Op Accessible is reviewing the future working arrangements for the Constabulary to include remote working and the management of social distancing.
- The Government's Uplift programme together with the Police and Crime Commissioner's support provides additional officers and staff to the Constabulary. There is a challenge in recruiting the numbers of new recruits required on top of replacing leavers, especially in terms of recruiting a workforce that is representative of the population served. The Police Education Qualification Framework (PEQF) is a significant undertaking that will allow the Constabulary to recruit larger numbers of officers, using higher education institutions. The rapid recruitment of additional personnel will facilitate service improvement. Summer resourcing remains an

- annual risk. The Constabulary faces increases in demand in the summer which is more challenging to respond to with the resources available. 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 in place.
- 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.
- 6.4 Hampshire Constabulary went live with the new Contact Management Platform solution in January 2020. The new software and the way in which it is used is a key tool for service delivery, especially for emergency 999 calls. CMP needs to be embedded and the business benefits delivered in order to ensure continuous improvement.

7 In response to the Action Plan identified in the 2019/20 Annual Governance Statement:

- 7.1 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored.
- 7.2 Operation Mix has ensured that the Constbaulary has implemented safe working arrangements for its staff and provided policing services during the last year that are consistent with the prevailing COVID operational policing requirements at the time. There was no adverse impact on the financial position or governance arrangements as a result of COVID-19.
- 7.3 The summer resourcing plans were largely successful for 2020. The COVID restrictions in place created a change in the normal crime profile but the contact management additional investment in place did cope with the demand for Summer 2020. This will be continued to be reviewed for Summer 2021 as the timing of COVID-19 relaxations could result in significant activity in Summer 2021.
- 7.4 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. National progress remains slow, so the Constabulary is putting in place its own arrangements to improve medium term demand forecasting.

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.

Annual Governance Statement

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

Signed: Signed:

Chief Constable Chief Finance Officer

Date: Date:

Independent	Auditors	Report
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Agency Services

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

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.

Glossary

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.

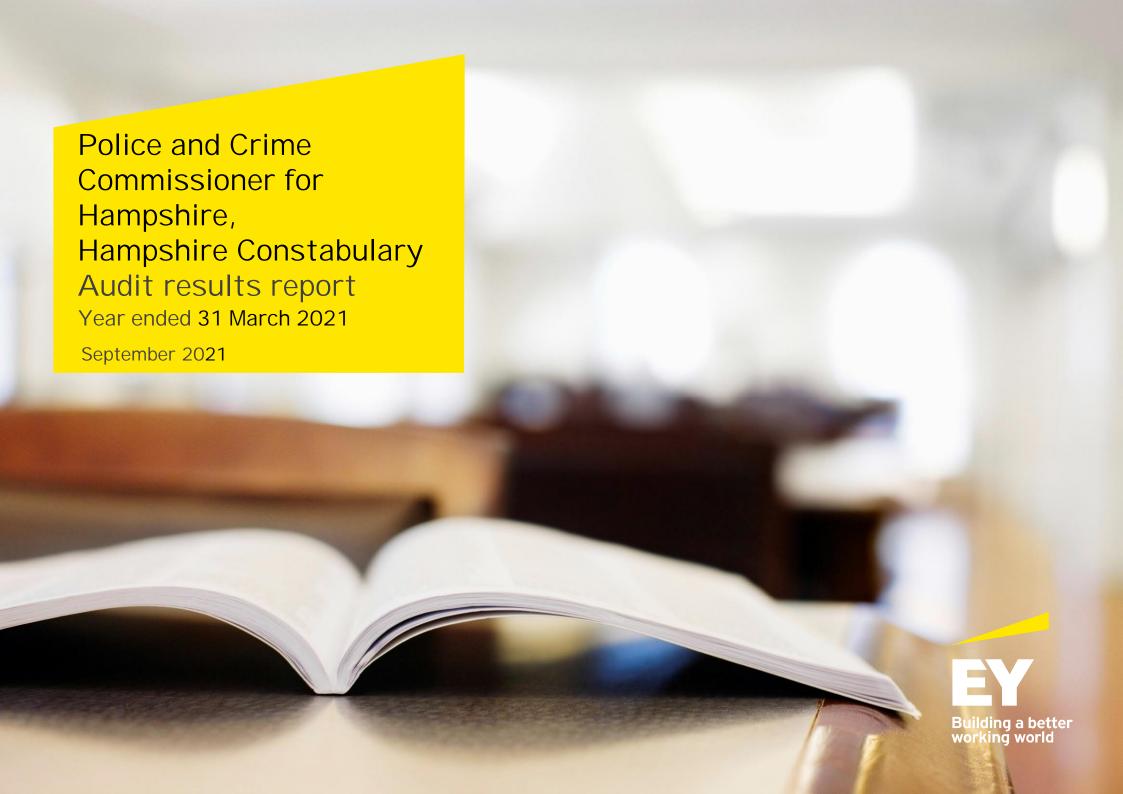
Revenue Expenditure

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).









September 2021

Dear Joint Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of The Police and Crime Commissioner for Hampshire and Hampshire Constabulary for 2020/21.

We have substantially completed our audit of The Police and Crime Commissioner for Hampshire (PCC) and Hampshire Constabulary (CC) for the year ended 31 March 2021.

The audit is designed to express an opinion on the 2021 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements. We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Joint Audit Committee, other members of the PCC and CC, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit Committee meeting on 28 September 2021.

Yours faithfully

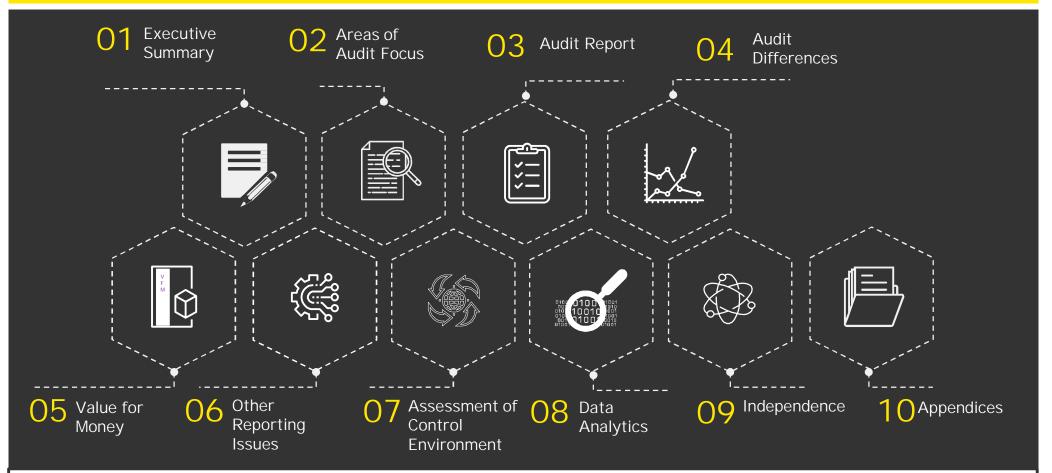
Levin Sato.

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Audit Committee and management of the PCC and CC in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit Committee and management of the PCC and CC those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Audit Committee and management of the PCC and CC for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





Scope update

In our audit planning report presented at the June Joint Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes in materiality

In our Audit Planning Report, we communicated that our audit procedures would be performed using a group materiality of £9.6m, with performance materiality, at 75% of overall materiality, of £7.2m, and a threshold for reporting misstatements (nominal amount) of £0.48m. This was based on prior year's final materiality. This was re-assessed at the year end based on the 2020/21 Accounts. Audit procedures have been performed using a group materiality of £9.8m, with performance materiality, at 75% of overall materiality, of £7.4m, and a threshold for reporting misstatements (nominal amount) of £0.49m.

The basis of our assessment has remained consistent with prior years at 1.8% of gross expenditure on services.

Information Produced by the Entity (IPE): As a result of Covid-19, we identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited;
- Agree IPE to scanned documents or other system screenshots; and
- Gained our own access to the accounting software to enable us re-run reports ourselves

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.



Status of the audit

We have substantially completed our audit of HPCC and CC's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Groups' financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise. A list of outstanding items can be seen at appendix C.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Accounts which could influence our final audit opinion.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the PCC and CC has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the PCC and CC a commentary against specified reporting criteria (see below) on the arrangements the PCC and CC has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability

 How the PCC/CC plans and manages its resources to ensure it can continue to deliver its services;
- Governance
 How the PCC/CC ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: How the PCC/CC uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit - Value for Money

In the Audit Plan, we reported that we were yet to finalise our value for money (VFM) risk assessment. We completed this work and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary within 3 months of issuing our opinion on the accounts, as part of issuing the Auditor's Annual Report.



Audit differences

We identified 3 unadjusted audit differences in the draft financial statements which management has chosen not to adjust due to materiality. The aggregated impact of unadjusted audit differences are:

Dr Current Assets £852k

Dr OCI £1,113k

Cr Non Current Assets £1,113k

Cr CIES £852k

We agree with management's assessment that the net impact is not material.

We also note that there have been a number of disclosure errors which have been adjusted for by management.

Further detail on these misstatements can be found in Section 4.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the PCC and CC. We have no matters to report as a result of this work.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool and update the guidance that is available for preparers. Based on the last available update the data collection tool and guidance was not expected to be available until Autumn 2021. Therefore the 2020-21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020-21 will necessarily follow any changes HMT make to the DCT and process.

We have no other matters to report.



Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of PCC and CC's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Audit findings and conclusions: Misstatements due to fraud or error

• We have no findings to report to the Joint Audit Committee

Audit findings and conclusions: Inappropriate capitalisation of revenue expenditure

• We have no findings to report to the Joint Audit Committee.

Audit findings and conclusions: PPE valuation

• We have noted an audit difference in respect of indexation of land and buildings not revalued in the year which was not corrected by management. The proposed misstatement decreases the value of assets by £1,113k (see page 25).

Audit findings and conclusions: IAS 19 Pension Accounting

- We are awaiting the final results of the work performed by the Pension Fund Auditor.
- We have engaged our specialists EY Pensions to assist in our conclusions over the completeness and accuracy of the model used by the actuaries in determining the obligation attributable to the Authority, in order to satisfy the requirements of the revised ISA. This work is still ongoing.
- Our procedures to date have not noted any issues to be brought to the attention of the Joint Audit Committee, and we will provide a verbal update at the Joint Audit Committee meeting.

Audit findings and conclusions: Going Concern

- We are awaiting final confirmation from management re. the disclosure layout of Going Concern
- We have no other findings to report to the Joint Audit Committee

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Audit Committee.



Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Section 10 for our update on Independence.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Autumn 2021. Therefore the 2020-21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020-21 will necessarily follow any changes HMT make to the DCT and process.

We will report any matters arising to the Joint Audit Committee, and certify the completion of the audit after these procedures are completed.





Significant risk

Misstatements due to fraud or error

What is the risk?

There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

The risk of management override at the HPCC/CC is mainly through the possibility that management could override controls and manipulate in-year financial transactions that have an impact on the General Fund's medium- to longer-term projected financial position.

The risk is focused in non-routine transactions as they are not protected by system controls and the robust segregation of duties in routine transactions. These non-routine and estimation transactions are also more subjective and therefore more susceptible to management override. We are specific that at the authorities, this risk only manifests itself in any estimates and judgements that impact the General Fund.

What did we do?

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

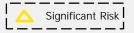
What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

Our journal testing did not identify any journal entries without a valid business purpose.

We did not identify any other transactions during our audit which appeared unusual or outside the PCC and CC's normal course of business.





Significant risk

Inappropriate capitalisation of revenue expenditure (Risk of fraud in revenue and expenditure recognition)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

What judgements are we focused on?

There is a risk that management will inappropriately capitalize revenue expenditure to improve the financial position of the general fund. Capitalized revenue expenditure can be funded through borrowing with only minimal minimum revenue provision ("MRP") charges hitting the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

Due to the environment the Authority operates in there could be incentive to improve the general fund balance.

As such we have focussed on significant additions to PPE and managements judgement as to what they recognise as capital and what they recognise as revenue spend.

We have extended our testing of items capitalized in the year by raising our combined risk assessment. This means we will identify a larger sample of key items, as our testing threshold will be lowered, and select a large representative same through the use of our audit risk tables.

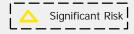
For significant additions (including capitalized labour (staff costs), borrowing costs and other acceptable costs) we examined invoices, capital expenditure authorizations, leases and other data that supported these additions and ensured that the items are capital in nature, and did not include revenue items.

We have designed additional journal tests to identify high risk journals that may be an indication of management override. We reviewed journals where management have capitalized expenditure outside the normal process. Specifically; Where management have posted to additions from outside the capital codes, and where management have manually posted to the capital codes from another expenditure code.

What are our conclusions?

Our testing has not identified any material misstatements from inappropriate capitalisation of revenue expenditure.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the PCC or CC's financial position.







/aluation methods applied

Valuation of Land and Buildings

Land and buildings is one of the most significant balances in the PCC's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

We have:

- Considered the competence, capability and objectivity of the organisation's valuer;
- Considered the scope of the valuer's work;
- Ensured L&B assets have been revalued within a 5 year rolling programme as required by the Code;
- Ensured IP has been annually revalued as required by the Code:
- Considered if there are any specific changes to assets that should have been communicated to the valuer;
- Sample tested key inputs used by the valuer when producing valuations;
- Considered the results of the valuer's work:
- Challenged the assumptions used by the valuer by reference to external evidence;
- Tested journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements:
- Tested a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and
- Reviewed assets that are not subject to valuation in 20/21 to confirm the remaining asset base is not materially misstated.

Conclusion: We noted a difference in our analysis of assets not revalued in the year that was above our nominal amount therefore we have recorded as a misstatement. The difference mainly arises due to management's assumption in the movement of land values. Management's assumption is that land has not moved in value however this does not agree to third party evidence (movement in indices). Management have chosen not to adjust due to materiality. (see Section 4)

In all other respects there are no findings to report.





estimates.

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Constabulary must also do similar in respect of the Police Pension Fund. The PCC and CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheets of the PCC and CC. At 31 March 2021 this totalled £4.4 bn. The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuary to the County Council and also the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value

We have:

- · Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hampshire Constabulary (note this has not yet concluded);
- Assessed the work of the LGPS Pension Fund actuary (AoN Hewitt) and the Police Pension actuary (also AoN Hewitt) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team: and
- Reviewed and tested the accounting entries and disclosures made within the PCC and CC's financial statements in relation to IAS19.

One issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will provide the Committee with a verbal update on progress at the 28 September 2021 meeting.

Conclusion: We are yet to conclude on this work and will provide the Joint Audit Committee with an update at the 28 September meeting. We have noted disclosure errors in the draft financial statements where Management incorrectly rounded the accounts to the closest million for both Unfunded Police Pension Schemes and Local Govt Pension Scheme. This has been discussed with management and agreed that this will be adjusted in the final version of the accounts.



Going Concern

There is a presumption that the Authority will continue as a going concern for the foreseeable future. However, the Authority is required to carry out a going concern assessment that is proportionate to the risks it faces. There is a need for the Authority to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Authority is then required to ensure that its going concern (or basis of preparation) disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

We consider the unpredictability of the current environment to give rise to a risk that the Authority will not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19.

There are also additional procedures we will need to perform to comply with the new International Standard of Auditing in relation to Going Concern which is applicable for this year end (ISA 570),

What did we do?

Procedures we are performing:

- · Obtaining Management's going concern assessment and reviewing for any evidence of bias and consistency with the accounts;
- Reviewing the financial modelling and forecasts prepared by the PCC and CC. We considered and tested key assumptions, focusing on the reasonableness of the liquidity forecasts up to a date of 12 months after the signing date of the accounts and opinion. This assessment therefore needs to extend beyond the 2021/22 financial year, and into 2022/23;
- Ensuring that an appropriate going concern disclosure has been made within the financial statements;
- Reviewing the PCC and CC's approach to identifying and disclosing events after the balance sheet date; and
- Considering the impact on our audit report and comply with EY consultation requirements.

Conclusion:

We have reviewed the cashflow forecasts prepared by the PCC and CC and are satisfied with the reasonableness of the assumptions which covers the period to 31 March 2022.

We are currently agreeing with management the final format of the disclosure for the accounts.



Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR HAMPSHIRE Opinion

We have audited the financial statements of the Police and Crime Commissioner for Hampshire for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Hampshire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Hampshire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Hampshire and Group Balance Sheet;
- Police and Crime Commissioner for Hampshire and Group Cash Flow Statement;
- Police and Crime Commissioner for Hampshire Pension Fund Account Statements; and
- related notes 1 to 26

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 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Police and Crime Commissioner for Hampshire as at 31 March 2021 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 2020/21.

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 Police and Crime Commissioner for Hampshire and Group 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) AGNO1t, 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

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the police and crime commissioner's ability to continue as a going concern for a period to March 2023 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the police and crime commissioner's ability to continue as a going concern.

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 contained within the Statement of Accounts..

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.

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 course of 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 themselves. 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.



Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the 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:
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

Responsibility of the Director of Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page [x], 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner'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 Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities 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 Authority's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations as amended in 2018 and 2020,



Our opinion on the financial statements

- The Local Audit and Accountability Act 2014,
- The Accounts and Audit Regulations 2015,
- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,
- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

In addition, the Police and Crime Commissioner has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how the Police and Crime Commissioner is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Police and Crime Commissioner's committee minutes, through enquiry of employees to confirm the Police and Crime Commissioner's policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Police and Crime Commissioner's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance by, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the the Police and Crime Commissioner's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the PCC had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 PCC 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 Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Draft audit report

Our opinion on the financial statements

Delay in certification of completion of the audit

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



Our opinion on the financial statements

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 2021 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 and the related notes 1 to 20; and
- Chief Constable of Hampshire Police Pension Fund Account.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Chief Constable of Hampshire as at 31 March 2021 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 2020/21.

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) AGNO1, 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

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the chief constable's ability to continue as a going concern for a period to March 2023 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the chief constable's ability to continue as a going concern.

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 Financial Officer is responsible for the other information contained within the Statement of Accounts.

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.

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 course of 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 themselves. 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.



Draft audit report

Our opinion on the financial statements

Matters on which we report by exception

We report if:

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

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or

we are not satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 [x], 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014,
- The Accounts and Audit Regulations 2015,



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Our opinion on the financial statements

- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,
- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

In addition, the Chief Constable has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how the Chief Constable is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through reading committee minutes, through enquiry of employees to confirm the Chief Constable's policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified management override of controls to be our fraud risk.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Chief Constable had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria 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 2021.

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.

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.

Delay in certification of completion of the audit

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'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.



Draft audit report

Our opinion on the financial statements

Use of our report

This report is made solely to the Chief Constable of Hampshire, as a body, 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £0.49m which have been corrected by management that were identified during the course of our audit:

• we have noted disclosure errors in the draft financial statements where Management incorrectly rounded the accounts to the closest million for both Unfunded Police Pension Schemes and Local Govt Pension Scheme. This has been discussed with management and agreed that this will be adjusted in the final Accounts.

There were also a number of disclosure misstatements that were identified by EY and updated by management.



Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Joint Audit Committee provided within the Letter of Representation:

Uncorrected misstatements 31 March 2021	Effect on the current period:	B	Balance Sheet (Decrease)/Increase		
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors	£′000	£′000	£′000	£′000	£′000
Known differences:					
 Council Tax Income (timing difference - receipt of returns data from billing authorities) 	(852)	852			
Judgemental difference:					
 PPE Valuations (assets not revalued in year, indexation) 	1,113		(1,113)		
Balance sheet effect of uncorrected misstatements		852	(1,113)		
Income effect of uncorrected misstatements	739				



Value for money

The Hampshire Police and Crime Commissioner/Chief Constable for Hampshire responsibilities for value for money (VFM)

The Police and Crime Commissioner and the Chief Constable for Hampshire are both required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Police and Crime Commissioner and Chief Constable for Hampshire are required to bring together commentary on their governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Police and Crime Commissioner and Chief Constable for Hampshire tailor the content to reflect their own individual circumstances, consistent with the requirements set out in the CiPFA Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

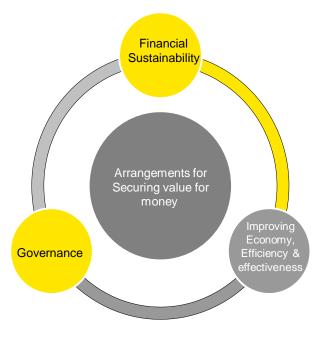
Throughout our audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

No significant risks were identified through our risk assessment.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary within 3 months of giving our opinion on the accounts, as part of issuing the Auditor's Annual Report.





Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet been able to perform the procedures required by the NAO on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020-21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Autumn 2021. Therefore the 2020-21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020-21 will necessarily follow any changes HMT make to the DCT and process

We will report any matters arising to the Joint Audit Committee.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Cher reporting issues

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the PCC and CC's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations:
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no significant findings to communicate.





Assessment of Control Environment

Financial controls

It is the responsibility of the PCC and CC to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the PCC and CC has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a substantive approach (with some reliance on the ISAE 3402 report on the IBC), we have therefore not tested the operation of any controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.





Use of Data Analytics in the Audit

Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21 our use of these analysers in the PCC and CC's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

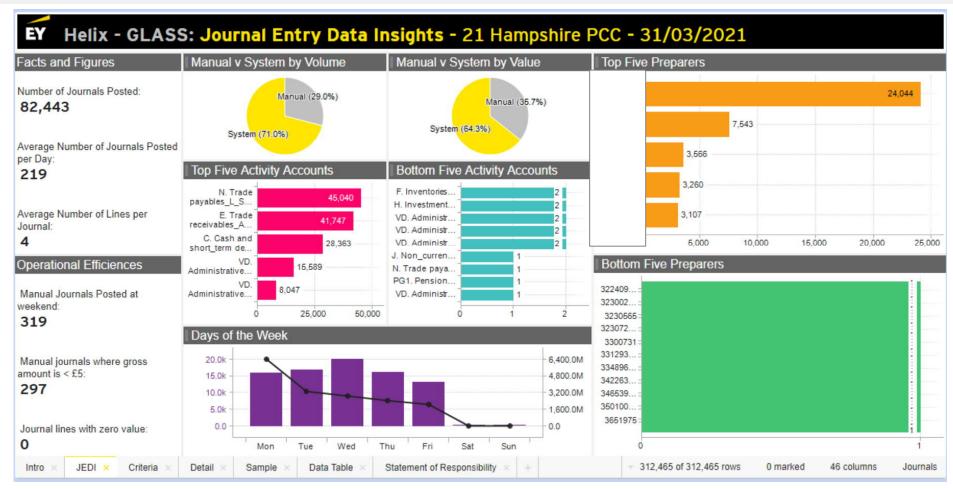




Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2020/21. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.



Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – 31 March 2021

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.





Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated June 2021.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Joint Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Joint Audit Committee on 28 September 2021.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2021.

	Planned fee 2020/21	Final Fee 2019/20*
	£	£
Base Audit Fee - code work - PCC	31,751	31,751
Base Audit Fee - code work - CC	14,438	14,438
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk	23,532	23,582
Scale fee variation - Covid-19 and Going Concern considerations, addressing risks on PPE valuations & IAS 19 work , and new Value for Money requirements	TBC	13,798
Total audit	TBC	83,569

2020/21 Fees:

We are not yet able to provide a final fee for the 2020/21 audit. This is for two reasons:

- The audit is not fully complete, as noted in the list of outstanding procedures set out in the appendices of this report.
- We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to do to meet regulatory requirements.

The areas in which we have completed additional work and as such we will be proposing a fee variation to the base scale fee are:

- Revised ISAs in respect of Estimates and Going Concern as noted in the Audit Plan presented in June 2021
- Additional procedures in relation to COVID-19 and new value for money requirements
- Use of experts in relation to Pensions to satisfy revised ISA requirements.

Once we have completed the audit will we assess the final fee, discuss with management and provide an update to the Joint Audit Committee.

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PSAA

^{*} the variation to 19/20 scale fee is still subject to approval by



Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

During the financial year EY have undertaken non-code work on National Strategic Workforce Planning. This work was contracted through Hampshire Police but ultimately delivered to the National Policing Chiefs' Council. This is covered by paragraph 51 (bullet 7) of the NAO guidance AGNO1 on non-audit services applies as we are providing "services to the parent undertaking of a local public body where the parent undertaking is a government department (for example the Department of Health) or a relevant national body (for example NHS England) and where such services are inconsequential to, and remote from, the decision-making of the local audited body". We communicated this to the PSAA.

Therefore, we have concluded are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

EY UK Transparency Report 2020 | EY UK





Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change	
Trade receivables	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	No change	
Tangible Fixed Assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change	
Trade payables	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	No change	
Cash, borrowings and investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change	
Pension Liability	Substantively tested all relevant assertions. We engaged EY Pensions to assist with reviewing actuary model.	Substantively tested all relevant assertions	We engaged our pensions specialists due to the requirements of ISA540 (revised)	



Required communications with the Joint Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Joint audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report dated June 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report dated June 2021
Significant findings from the audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	This Audit results report



		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	This Audit results report No conditions or events were identified, either individually or together to raise any doubt about the PCC and CC's ability to continue for the 12 months from the date of our report
Misstatements	 Uncorrected misstatements and their effect on our audit opinion The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Material misstatements corrected by management 	This Audit results report
Subsequent events	• Enquiry of the joint audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Attending Joint Audit Committee - 28 September 2021
Fraud	 Enquiries of the joint audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority Any fraud that we have identified or information we have obtained that indicates that a fraud may exist Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to Joint Audit Committee responsibility. 	Formal enquiry letter sent and response received from Chair of Audit Committee. and This Audit results report



		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the Authority	This Audit results report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: Relationships between EY, the company and senior management, its affiliates and its connected parties Services provided by EY that may reasonably bear on the auditors' objectivity and independence Related safeguards Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	Audit planning report dated June 2021 and This Audit results report



		Our Reporting to you
Required communications	What is reported?	When and where
	 Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy Details of any contingent fee arrangements for non-audit services Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard The joint audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	 Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or noncompliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	Significant deficiencies in internal controls identified during the audit.	This Audit results report



		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	Written representations we are requesting from management and/or those charged with governance	This Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Audit results report
Auditors report	 Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	This Audit results report
Fee Reporting	 Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report dated June 2021 and This Audit results report

Appendix C

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Investments	Investment confirmations for 1 investment balance held by the PCC remains outstanding	Management and EY
Payables, Payroll	Substantive testing to be finalised and reviewed	EY
Property, Plant & Equipment Valuations	EY specialist report outstanding in relation to testing of EUV asset and assumptions used in valuations	EY
IAS 19 Pension Liability	EY Pensions report in relation to completeness and accuracy of model used by actuary in determining Authority obligation. Pension Fund auditor final report outstanding	EY
Workpaper finalisation	Finalisation of workpapers to be completed	EY
Management representation letter	Receipt of signed management representation letter	Management and Joint Audit committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
WGA	Receipt of Instruction in relation to WGA	EY
Check of Final Account i.e. post any adjustments made, including GC disclosure note	Receipt and review of Final Accounts	EY and Management
Senior Manager and Associate Partner Final Review	Final Review of Audit Procedures	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 3.



PCC Management Representation Letter – to be finalised on completion of all outstanding audit procedures

Ernst & Young LLP

Grosvenor House,

Grosvenor Square,

Southampton SO15 2BE,

United Kingdom

This letter of representations is provided in connection with your audit of the consolidated and PCC financial statements of Hampshire Police and Crime Commissioner ("the Group and PCC" for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and PCC financial statements give a true and fair view of the Group and PCC financial position of Hampshire Police and Crime Commissioner as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our consolidated and PCC financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

- 2. We acknowledge, as members of management of the Group and PCC, our responsibility for the fair presentation of the consolidated and PCC financial statements. We believe the consolidated and PCC financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and PCC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated and PCC financial statements.
- 3. The significant accounting policies adopted in the preparation of the Group and PCC financial statements are appropriately described in the Group and PCC financial statements.
- 4. As members of management of the Group and PCC, we believe that the Group and PCC have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls
- 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and [council] financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].

B. Non-compliance with law and regulations, including fraud

- 1. We acknowledge that we are responsible for determining that the Group and PCC's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3. We have disclosed to you the results of our assessment of the risk that the consolidated and PCC financial statements may be materially misstated as a result of fraud. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or PCC (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:



PCC Management Representation Letter

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or PCC financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or PCC's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other noncompliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

- 1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit: and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and PCC financial statements, including those related to the COVID-19 pandemic
- 3. We have made available to you all minutes of the meetings of the Hampshire Police and Crime Commissioner Group and Joint Audit Committees held through the period to the most recent meeting on the following date: [list date].
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's and Group related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions for no

- consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and PCC financial statements.
- 5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 7. From the date of our last management representation letter (19 February 2021) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

- All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 20 to the consolidated and PCC financial statements all guarantees that we have given to third parties.

E. Going Concern

Note [X] to the consolidated and PCC financial statements discloses all the matters of which we are aware that are relevant to the Group and PCC's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.



PCC Management Representation Letter

F. Subsequent Events

 There have been no events, including events related to the COVID-19 pandemic, subsequent to period end, which require adjustment of or disclosure in the consolidated and PCC financial statements or notes thereto.

G. Other information

- We acknowledge our responsibility for the preparation of the other information.
 The other information comprises the Narrative Report and the Annual Governance Statement.
- 2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and in generating the IAS19 pension liability and disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

- 1. We confirm that the significant judgments made in making the valuation of land and buildings, and the IAS19 pension liability have taken into account all relevant information of which we are aware.
- 2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
- 3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

- 4. We confirm that the disclosures made in the consolidated and PCC financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
- 6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and PCC financial statements, including due to the COVID-19 pandemic.

J. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Signed on behalf of Hampshire Police and Crime Commissioner Group I confirm that this letter has been discussed and agreed by the Audit Committee Signed:

Position: Chief Finance Officer

Date:

Position: Police and Crime Commissioner

Date:



Chief Constable Management Representation Letter – to be finalised on completion of all outstanding audit procedures

Ernst & Young LLP

Grosvenor House,

Grosvenor Square,

Southampton SO15 2BE,

This letter of representations is provided in connection with your audit of the financial statements of the Chief Constable for Hampshire for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority's financial position for the Chief Constable for Hampshire as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

- We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
- 2. We acknowledge, as members of management of the Constabulary, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Constabulary in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

- 3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
- 4. As members of management of the Constabulary, we believe that the Constabulary has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
- 5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].
- B. Non-compliance with law and regulations, including fraud
- 1. We acknowledge that we are responsible to determine that the Constabulary's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
- 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Constabulary (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Constabulary's financial statements:



Chief Constable Management Representation Letter

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Constabulary's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other noncompliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.
- C. Information Provided and Completeness of Information and Transactions
- 1. We have provided you with:
- Access to all information of which we are aware that is relevant to the preparation
 of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
- 3. We have made available to you all minutes of the meetings of the Constabulary's Joint Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: [list date].
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Constabulary's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the yearend. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21

- 6. We have disclosed to you, and the Constabulary has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 7. From the date of our last management representation letter (21 February 2021) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

- 1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. Going Concern

Note [X] to the financial statements discloses all the matters of which we are aware that are relevant to the Constabulary's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1.Other than described in Note [X] to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.



Chief Constable Management Representation Letter

FWe confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

- 1. We agree with the findings of the specialists that we engaged to evaluate the IAS19 actuarial valuation of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
- I. Retirement benefits
- On the basis of the process established by us and having made appropriate
 enquiries, we are satisfied that the actuarial assumptions underlying the scheme
 liabilities are consistent with our knowledge of the business. All significant
 retirement benefits and all settlements and curtailments have been identified and
 properly accounted for.

Yours faithfully,		
Chief Financial Officer	_	
Chief Constable	-	

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ED None

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- NOT PROTECTIVELY MARKED -

Police and Crime Commissioner for Hampshire and Hampshire Constabulary

Item:

Joint Audit Committee

28 September 2021

Internal Audit progress report 2021/22

Report of the Chief Internal Auditor

1. Purpose

1.1 The purpose of this paper is to provide the Joint Audit Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

2. Recommendations

2.1 That the Joint Audit Committee considers and makes recommendations as appropriate on the progress of internal audit work for the 2021/22 internal audit plan.

3. Background

- 3.1 Under the Accounts and Audit (England) Regulations 2015, the Office of the Police and Crime Commissioner and Hampshire Constabulary are responsible for:
 - establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- 3.2 Internal audit plays a vital role in advising the Police and Crime Commissioner and Chief Constable that these arrangements are in place and operating effectively.
- 3.3 In accordance with the Public Sector Internal Audit Standards and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Joint Audit Committee, summarising internal audit's performance relative to the agreed plan.

Karen Shaw

Chief Internal Auditor

For further information please contact Karen Shaw, Chief internal Auditor, on 07784265138 or e-mail karen.shaw@hants.gov.uk

APPENDICES

Appendix A - Internal Audit progress report 2021/22. Summary of the activities of internal audit for the 2021/22 internal audit plan.

Internal Audit Progress Report 2021/22

September 2021

Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary





Southern Internal Audit Partnership

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations' operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

The Police and Crime Commissioner and Chief Constable are responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Police and Crime Commissioner and Chief Constable that these arrangements are in place and operating effectively.

The Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations' objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards) and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to Senior Management and the Board, summarising:

- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

^{*} Some reports listed within this progress report (pre-2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 1.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due*	Complete*	C	Overdue	
								M	Н
Firearms Licencing	18.10.19	CFO (HC)	Adequate	2 (0)	0 (0)	1 (0)		1	
OPCC Safeguarding	08.09.20	CFO (OPCC)	Reasonable	8 (0)	1(0)	5 (0)		2	
Allowances	02.02.21	CFO (HC)	Limited	17 (6)	0 (0)	15 (5)		1	1
Remote Working**	15.03.21	CFO (HC)	Reasonable	2 (0)	0 (0)	2 (0)			
Police Degree Apprenticeship Consortium Contract Management**	20.05.21	CFO (HC)	Reasonable	4 (4)	0 (0)	4 (4)			
Management of ICT Finance**	21.06.21	CFO (PCC) CFO (HC)	Reasonable	4 (1)	0 (0)	4 (1)			
Constabulary Complaints Management	24.06.21	Head of PSD	Reasonable	8 (0)	1(0)	5 (0)		2	
Remote Working - Equipment	17.08.21	DCC	Limited	5 (3)	5 (3)				
APD Telematics	16.09.21	CFO (HC)	N/A	1 (0)	1 (0)				
Future Demand	16.09.21	DCC	Substantial	3 (3)	3 (3)				
Total				54 (17)	11 (6)	36 (10)	0	6	1

^{*}Total number of actions (total number of high priority actions)

^{**} All actions completed since our last report.

5. Planning & Resourcing

The internal audit plan for 2021-22 was presented to the Joint Audit Committee in February 2021.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary. Progress against the plan is detailed within section 7.

6. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2020/21 Carry Forward								
Constabulary Complaints Management	Head of PSD	✓	✓	✓	✓	24.06.21	Reasonable	
Health and Safety	DCC	✓	✓	✓	✓			Draft issued 22.07.21
Contact Management Platform – Governance and Performance	ACC	✓	✓	✓	✓	15.06.21	Substantial	
Management of ICT Finance	CFO (PCC) CFO (HC)	✓	✓	✓	✓	21.06.21	Reasonable	
Shared Services Audit Plan 2020/21 -								
carry forward								
Casual Staff	Shared Services	✓	✓	✓	✓	12.07.21	Reasonable	
Good Work Plan	Shared Services	✓	✓	✓	✓	15.07.21	Reasonable	
2021/22 Audit Plan								
	C EX							
PCC Election Transition	(OPCC)							Q4
PCC - responding to national review of	C EX							ТВА
responsibilities	(OPCC)							. 57.
PCC – Public Consultation	C EX (OPCC)	✓	✓					Q2
	DCC							
Insurance Arrangements	C EX (OPCC)	✓	✓	✓	✓			Q1 Draft issued 24.08.21
OPCC Commissioning – Follow Up	C EX (OPCC)							Q4
Business Continuity	DCC							Q4

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
	CFO (HC)		Outilile		Report	кероп	Ориноп	
Contract Management	C EX	✓	✓	✓				Q2
Contract Wanagement	(OPCC)							QΣ
Future Demand	DCC	✓	✓	✓	✓	16.09.21	Substantial	Q1
Uplift Programme	DCC							Q4
Contact Management Platform	ACC							TBA
								Q2 – Close of audit
Crime Recording Data Quality	DCC	✓	✓	✓				14.09.21
Remote Working - Equipment	DCC	✓	✓	✓	✓	17.08.21	Limited	Q1
APD Telematics	CFO (HC)	√	✓	✓	✓	16.09.21	NI/A	Q1 This is a consultancy
APD Telematics	CFO (HC)	•	•		•	16.09.21	N/A	piece of work
Pronto Digital Application	DCC	✓	✓	✓				Q2
Nationalities Office	DCC							Q3
Uniform Stores	DCC							Q3
ACRO COVID Fixed Penalty Notices	DCC	✓	✓	✓	✓	24.06.21	Substantial	Q1
Allowances - follow Up	CFO (HC)							Q3
NFI	CFO (HC)			✓				
Shared Services Audit Plan 2021/22								
Dogwitter out (Consess Fostors)	Shared	✓	√	✓				01
Recruitment (Success Factors)	Services			•				Q1
Dragurament (Canaral)	Shared	✓	✓	✓	√	06.09.21	Substantial	01
Procurement (General)	Services	•	V	V	V	00.05.21	Substantial	Q1
Cleaning Contract Management	Shared	✓	✓	√				Q1
Cleaning Contract Management	Services	•	•	Y				Q1
Pay Review and Award Process	Shared							Q4
ray Review and Award Flocess	Services							<u> </u>
Procurement Cards	Shared	✓	✓	✓				Q2
1 Tocal cilicilit cards	Services	•	•	·				Q2
PCI DSS	Shared							Q2
1 0. 555	Services							<u> </u>
Pre-Employment Checks	Shared							Q3/4

Audit Review	Sponsor	Scoping	Audit	Fieldwork	Draft	Final	Assurance	Comment	
			Outline		Report	Report	Opinion		
	Services								
TVP Collaboration audits 2021/22 *									
SERIP – ESMCP									
programme governance (Shared regional review with Sussex, Hampshire and TVP)	register reference STR164). Planned for O3								
ICT Service Desk Operations (Incident /		✓	✓					Testing to start late	
Problem Management)								November	
ICT Cyber Security (Resilience)		✓	✓					Testing to start late	
								September	
ICT Financial Management		✓	✓					Testing to start early	
								September	

^{*}Data received from Thames Valley Police Internal Auditors.

Audit Sponsors					
DCC	Deputy Chief Constable				
ACC	Assistant Chief Constable				
CFO (HC)	Chief Finance Officer (Hampshire Constabulary)				
C EX (OPCC)	Chief Executive (Office of the Police and Crime Commissioner)				
CFO (OPCC)	Chief Finance Officer (Office of the Police and Crime Commissioner)				

7. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2021/22				
Removed from the plan	Reason			
There have been no variations to date				
Added to the plan	Reason			
There have been no variations to date				

Annex 1

Assurance opinions and definitions used by SIAP prior to adoption of the CIPFA standard definitions (Prior to 2020/21)

As from April 2020 CIPFA guidance recommends a standard set of assurance opinions and supporting definitions for internal audit service providers across the public sector.

To ensure SIAP continue to conform to the best practice principles, the standard definitions were adopted for our 2020/21 work and moving forwards.

There remain some residual reviews detailed within Section 4 of this report, issued prior to the 1 April 2020, that refer to SIAPs former assurance ratings which are detail below.

Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system	n
	objectives have been identified.	

Adequate Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.

Limited Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.

No Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

Annex 2

Key to TVP a	assurance ratings
Substantial	The system of internal control is strong and risks are being effectively managed. Some minor action may be required to improve controls.
Reasonable	The system of internal control is good and the majority of risks are being effectively managed. Some action is required to improve controls.
Limited	The system of internal control is limited and the majority of risks are not being effectively managed. Actions are required to improve controls.
Minimal	The system of internal control is weak and risks are not being effectively managed. Significant action is required to improve controls.





Briefing on the ICO audit outcome

1. Introduction

The Information Commissioner's Office (ICO) is the independent regulator for data protection legislation and they are empowered by law to carry out compliance audits. They usually audit 6-8 police forces each year.

Given the importance of good data governance in regard to operational effectiveness, keeping people safe and public confidence, the two Chief Constables agreed to a voluntary audit which took place simultaneously in Hampshire and TVP w/b 8 February 2021.

Over 300 documents were provided in evidence and c70 officers and staff across the two Forces were interviewed via Microsoft Teams (an onsite audit was ruled out due to Covid-19 restrictions).

This paper outlines the outcome and next steps.

2. Audit scope

The following areas of scope were agreed with the ICO:

Area	ICO risk definition	Policing context examples
Governance and Accountability	Without robust governance and accountability processes for evaluating the effectiveness of information governance policies and procedures there is a risk that personal data may not be processed in compliance with the legislation, resulting in regulatory action and/or reputational damage.	In addition to potential distress to the victim and impact on CJ outcomes, several forces have received substantial fines after losing case material due to be being unable to demonstrate that appropriate processes are in place, are understood, and followed correctly.
		Need to ensure Force data is protected and used appropriately when shared with, or processed by, third parties, e.g. service providers, staff associations, Victim Support to avoid challenge or criticism.
Information Risk Management	Without effective processes in place to identify, assess and manage personal data related risks and facilitate a "privacy by design" approach, the organisation may fail	Consideration is given to how Force data and systems are accessed, managed and protected so that risks can be identified and managed appropriately.

	to identify the business impact of information risk and meet individuals' expectations of privacy. This may result in regulatory action, reputational damage to the organisation and damage or distress to the individuals who are the subject of the data.	The MPS were criticised for racial discrimination and data protection breaches when they were unable to demonstrate that due consideration had been paid to individual privacy rights when developing the gangs database.
Personal Data Breach Management	Failure to manage and address personal data breaches and to inform the ICO and individuals (where appropriate) may result in harm to the individuals, resulting in regulatory action in addition to loss of valuable data and reputational damage.	Breaches involving inappropriate disclosure of suspect, victim or witness data need prompt action to assess and mitigate risk of harm, e.g. recent example where court summons for a registered sex offender was sent to a neighbouring address.

3. Audit findings

3.1 Overall assessment

Across the three audit scope areas, a total of 83 risk controls were assessed (please see *Appendix A* for the full list of required controls). The overall outcome was as follows:

Scope	No. controls	% controls graded High assurance	Overall level of assurance*	No. recommendations
Governance & Accountability	41	5 (12%)	Limited	36 [3 rejected]
Information Risk Management	28	18 (64%)	Reasonable	10
Personal Data Breach Management	14	2 (14%)	Reasonable	12

^{*} The ICO audit assurance definitions can be found at Appendix B.

The overall level of assurance for each of the three areas of scope was as expected. The Forces did particularly well under **Information Risk Management** due to strategic risk management and Data Protection Impact Assessment processes being well embedded. As a result, the recommendations in this scope area largely relate to improving process documentation and review.

The ICO do not disclose the assessment 'score' for each individual control but indicated that from the lack of recommendations for certain areas, it has been deduced that overall, **25 (30%)** of the risk controls were assessed as **High Assurance**. The four-monthly information risk review process carried out by Data Guardians and the Joint Information Management Unit (JIMU) on behalf of Information Asset Owners was also highlighted in the report as good practice.

The **Limited Assurance** assessment for **Governance and Accountability** was disappointing but not a surprise. It is the broadest scope area and some of the ICO's

required controls are difficult and/or costly to achieve to a high standard, e.g. carrying out regular compliance audits both internally and for third party suppliers; having a full audit capability on all systems processing data for policing purposes. Assessment against other Forces' audit outcomes had also indicated that Limited Assurance was likely.

3.2 Audit recommendations

The auditors make recommendations for any control that does not meet the requirements for High Assurance. As a result, a total of 58 recommendations were made to Hampshire and TVP, with 55 accepted. The breakdown is as follows:

	Urgent	High	Medium	Low	Rejected	Total
Governance &	0	25	7	1	3	36
Accountability						
Information Risk	0	8	2	0	0	10
Management						
Personal Data Breach	3*	9	0	0	0	12
Management						
Total	3	42	9	1	3	58

^{*} The three recommendations marked urgent were due to the ICO auditor misunderstanding processes. However, as the Head of Information Management actually had to carry out actions to prove there were not any issues, the ICO insisted they remained as recommendations and classed as urgent.

Broad themes, with a high level analysis of the degree of challenge, were as follows:

	Complexity	Effort
Enhancements to policy and guidance, to documentation of procedures, and roles and responsibilities	Low	Low
Enhancements to documentation of how and where personal data is processed, and records of consent	Low	Low
More nuanced privacy and data subject rights information (particularly for victims, witnesses and suspects) and more proactivity in making this available	Low	Low
More nuanced data protection training by role, regular refresher training (every one to two years) and more communications and awareness raising	Low	Medium
Firming up of procurement processes for data processors	Medium	Medium
Compliance monitoring – both internally and third parties processing our data	Medium	High
More robustness around data minimisation and retention	High	High
Ensuring Part 3 (Law Enforcement) requirements of the Data Protection Act 2018 are met, especially logging (audit) requirements.	High	High

4. Benchmarking against other Forces

The table overleaf summarises the audit outcomes for all Forces audited in the last twelve months. Different permutations of scope areas prevent detailed comparisons. However, the following points can be noted:

- no Force had any areas assessed as either High or Very Limited Assurance
- all Forces had at least one area of Limited Assurance
- only one Force achieved Reasonable Assurance for Governance and Accountability
- Hampshire and TVP had the lowest number of recommendations.

	Governance and Accountability	Information Risk Management	Personal data breach management	Requests for information	Records management	Training	Total no. recommendations
Northants	Limited				Limited	Limited	93
Beds, Herts and Cambs*	Limited				Reasonable		69
Devon & Cornwall and Dorset	Limited		Reasonable	Limited			67
West Mercia	Reasonable			Reasonable		Limited	63
Northumbria	Limited	Reasonable				Reasonable	60
Hampshire and TVP	Limited	Reasonable	Reasonable				58

5. Next steps

5.1 Action plan (complete)

As part of the audit, the two Forces were required to produce an action plan. Whilst there was some overlap and repetition across the recommendations, there was also a need to break some of them down into more manageable tasks, particularly given that the majority were graded as high priority. The result is an action plan with 88 actions which will be led by the Head of information Management over the next twelve months. As of the end of August 2021, 47% of tasks were completed and 36% were partially completed.

5.2 Stakeholder engagement (in progress)

Leads in enabling departments were involved in the audit and are engaged with the action plan. The key findings will be shared with Information Asset Owners and Data Guardians. This paper is being presented to Hampshire Force Executive, TVP Chief Constable's Management Team, the Joint Information Management Board and the two JIACs.

5.3 Monitoring of progress

Progress will be formally monitored by the Joint Information Management Board and a progress status update will also be included in the JIMU performance pack presented to the DCCs' Collaboration Board and the Collaboration Governance Board.

5.4 ICO follow up

The ICO will follow up progress on the action plan in two stages and could consider formal enforcement measures if meaningful progress has not been made.

w/b 14 June 2021	Interim follow up (to confirm high priority actions are in hand)
w/b 10 January 2022	Formal follow up

6. Resource implications

In drawing up the action plan, a pragmatic and realistic approach has been taken, focusing on legislative requirements rather than 'nice to haves', and minimising the resource commitment where possible.

A large proportion of the actions can delivered by the Joint Information Management Unit alone (including 25 actions that can be incorporated in work already planned or underway). However, some assistance will be required across both Forces, not only from the enabling departments but also from Information Asset Owners and Data Guardians (particularly with providing updated documentation and risk assessments) and from operational colleagues to ensure that required process changes are practical and sustainable.

The ICO's expectations on the regular provision of data protection training and awareness to anyone who has access to Force data will also have an impact across the two organisations.

It should also be noted that a few of the actions are 'discovery' pieces on the more complex recommendation areas which may trigger a bid for resources once completed.

7. Conclusion

A considerable amount of work went into preparing for the audit and there is more to come. However, the outcome has confirmed that the two Forces have a firm foundation to build on, and successful delivery of the action plan will further demonstrate our commitment to managing personal data in a responsible way.

Marion Peulevé Head of Information Management April 2021 (Updated 10 September 2021)

Appendix A – ICO control measures assessed for Hampshire Constabulary and Thames Valley Police

Domain	Control			
Management	There is a management framework, including a delegated			
structures	process of accountability and responsibility from the board			
	down, to support the data protection / information governance,			
	records management and information security management			
	agendas.			
	There is a Data Protection Officer in place with designated			
	responsibility for data protection compliance.			
	The DPO role has operational independence and appropriate			
	reporting mechanisms are in place to senior management.			
	Operational roles and responsibilities have been assigned to			
	support the day to day management of all aspects of information			
	governance.			
	There is an Information Management Steering Group,			
	Committee, or equivalent, in place, which is responsible for			
	providing the general oversight for information governance and			
	data protection compliance activity within the organisation.			
	There are operational meetings where data protection, records			
	management and information security matters are discussed.			
Policies and	Management support and direction for data protection			
procedures	compliance is set out in a framework of policies and procedures.			
procedures	Where the organisation is required by s.35 & 42 of the DPA			
	2018 to have an Appropriate Policy Document (APD) in place,			
	the document is sufficient to fulfil the requirement.			
	Policies and procedures are approved by senior management			
	and subject to routine review to ensure they remain fit-for-			
	purpose.			
	Policies and procedures are readily available to staff and are			
	communicated through various channels to maintain staff			
	awareness.			
Training	There is an overarching Information Governance training			
Training	programme in place for all staff.			
	Induction training is in place and delivered in a timely manner to			
	all staff including temporary and agency staff etc.			
	Refresher training is in place and delivered in a timely manner to			
	all staff including temporary and agency staff etc.			
	There is provision of more specific DP training for specialised			
	roles (such as the DPO, SIRO, IAOs) or particular functions e.g.			
	records management teams, SAR teams, information security			
	teams etc.			
Data protection	The organisation keeps logs for automated processing systems			
compliance &	likely to involve human interaction to input or access personal			
assurance	data in order to meet the requirements of DPA 2018 s.62.			
assurance	The organisation has considered a programme of external audit			
	with a view to enhancing the control environment in place			
	around data handling and information assurance.			
	There is a programme of risk- based internal audit in place			
	covering information governance / data protection.			
	Legisling information governance / data protection.			

Domain	Control				
The organisation monitors its own compliance with data					
	protection policies and procedures.				
	There are data protection Key Performance Indicators (KPI) in				
	place.				
	Performance to Information Governance KPIs is reported and				
	reviewed regularly.				
Processor	Appropriate written contracts are in place with every processor				
contracts	acting on behalf of the organisation which set out the details of the processing.				
	Written contracts include all the terms or clauses required under the DPA 2018.				
	The organisation has sought sufficient guarantees that a				
	potential processor will implement appropriate technical and				
	organisational measures to ensure their processing will meet				
	DPA 2018 requirements and protect data subjects' rights.				
	The organisation takes accountability for ensuring all processors				
	comply with the terms of the written contract(s).				
Record(s) of	The organisation has a process to ensure all processing				
processing	activates are documented accurately and effectively.				
activities	There is an internal record of all processing activities undertaken				
	by the organisation.				
	The information documented within the internal record of all				
	processing activities is in line with the requirements set out in				
	DPA 2018 s.61 & 42.				
Lawful basis	The organisation has a process to determine the most				
	appropriate lawful basis for processing personal data, including				
	any sensitive processing and outcomes are identified, defined				
	and documented.				
	Consent mechanisms used meet the requirements on being				
	specific, granular, clear, prominent, opt-in, documented and				
	easily withdrawn.				
	There are records of when and how consent was obtained from individuals.				
	Consents are regularly reviewed to check that the relationship,				
	the processing and the purposes have not changed and there				
	are processes in place to refresh consent at appropriate intervals.				
	There are systems in place to verify individuals' ages and to				
	obtain and record parental or guardian consent where required.				
Transparency	For its Law enforcement processing, the organisations privacy				
	information or notices comply with the requirements of DPA				
	2018 s.44.				
	Any restriction applied to the provision of privacy information				
	complies with DPA 2018 requirements.				
	The organisation actively publishes / communicates privacy				
	information to keep their service users or customers informed on				
	how their data is collected, processed and/or shared.				
	Privacy information is concise, transparent, intelligible and uses				
	clear and plain language.				

Domain	Control
	Existing privacy information is regularly reviewed and, where
	necessary, updated appropriately.
	If the organisation uses automated processing to make
	decisions about people or to profile them, they provide
	appropriate privacy information explaining the purposes for
	doing so.
	Fair processing policies and privacy information are understood by all staff and there is periodic training provided to front line staff whose role includes the collection of personal data on a regular basis.
Data protection	The organisation takes a data protection by design and default
by design &	approach to ensure that they only process the data that is
default	necessary to achieve their specific purpose.
	There is a culture of 'privacy awareness' and policies and
	procedures are developed with data protection in mind.
DPIA Consideration	Existing policies, processes and procedures include references to DPIA requirements
Consideration	The organisation understands the types of processing that
	requires a DPIA, and uses a screening checklist to identify the
	need for a DPIA, where necessary.
DPIA	The organisation has created and documented a comprehensive
Governance	DPIA process / policy
	Responsibility for completion of DPIAs is appropriately assigned
DPIA	There is a process of internal consultation on the completion of
Consultation	the DPIA
	There is a process of external consultation on the completion of the DPIA
DPIA documentation	The information contained within DPIAs complies with the requirements under the GDPR
	A formal report summaries the results of the DPIA
DPIA Outcomes	The DPIA report is properly circulated to interested parties
	Processing is not undertaken until a DPIA has been completed
	and the mitigating controls have been implemented
	DPIAs are incorporated into the project plan/project risk register
	Where the project or change is likely to result in high risk
	processing and where risks cannot be mitigated, there is a
	process in place to refer a DPIA and supporting evidences to the
	ICO for review.
DPIA Review	The organisation keeps DPIAs under a process of review
	The organisation audits and reviews their implemented DPIA
	controls
Information Risk	There is an effective approach to risk management across the
Management	organisation
Framework	The organisation has appointed a senior member of staff with
	overall responsibility for information risk management
	Senior staff across the organisation have been designated
	responsibility for the management / ownership of information
	assets Staff with an acific information vials management raise (or SIDO)
	Staff with specific information risk management roles (eg SIRO
	and IAOs) have been trained in the risk management process

Domain	Control			
	Staff with specific information risk management roles (eg SIRO			
	and IAOs) are fulfilling the roles assigned to them in the risk			
	management process			
	Information risk management processes following data breaches			
	have been formalised and agreed by senior management			
	Information risks are identified and managed through an			
	appropriate risk register			
	There is a clear and effective organisational structure to the			
	identification and management of information risks			
Information	There are information audits across the organisation or within			
Asset Records	particular business areas to identify the data processed and how			
	it flows into, through and out of the organisation (data flow			
	mapping - GDPR).			
	Information Asset Registers (IAR) are in place and identify,			
	record, and manage all information assets			
Information	Procedures are in place detailing the processes involved and the			
Asset Risk	responsibilities for logging and risk assessing information			
Assessment	assets.			
	Information assets are comprehensively logged and undergo			
	periodic risk assessment			
	Mitigation measures are applied to information assets based on			
	the results of risk assessment			
	The results of risk assessment of information assets are reports			
	to senior management			
Accountability	The organisation has allocated responsibility for assessing,			
- · · · · ·	recording and reporting data breaches in a structured hierarchy.			
Policies and	The organisation has policies and procedures in place to			
Procedures	structure its approach to personal data breaches and to provide			
Training	guidance to staff in the event of an incident.			
Training	Staff with responsibility for processing personal data are able to			
	recognise and escalate personal data breaches.			
	Decision makers are equipped to make informed decisions over personal data breaches.			
Third Dorty				
Third Party	Arrangements are in place with joint data controllers in the event			
Agreements	of a personal data breach. Contracts in place between the data controller and any			
	processors working on their behalf reflect the processor's			
	obligations in the event of a personal data breach.			
Event	Measures are in place to detect personal data breaches.			
identification,	Measures are in place to detect personal data breaches. Measures are in place to assess the severity of personal data			
assessment and	breaches.			
logging	Mechanisms are in place to record personal data breaches.			
.~99"'9	An effective and documented logging strategy is in place.			
Reporting	Procedures are in place to report personal data breaches to the			
Processes	ICO where appropriate.			
. 1000000	Procedures are in place to notify individuals of a personal data			
	breach where appropriate.			
Feedback and	Procedures are in place to investigate security incidents.			
Lessons	Processes are in place to facilitate organisational learning.			
Learned				

Appendix B – ICO audit assessment levels

Internal audit opinion	Definitions	
High assurance	There is a high level of assurance that processes and procedures are in place and are delivering data protection compliance. The audit has identified only limited scope for improvement in existing arrangements and as such it is not anticipated that significant further action is required to reduce the risk of non-compliance with data protection legislation.	
Reasonable assurance	There is a reasonable level of assurance that processes and procedures are in place and are delivering data protection compliance. The audit has identified some scope for improvement in existing arrangements to reduce the risk of nor compliance with data protection legislation.	
Limited assurance	There is a limited level of assurance that processes and procedures are in place and are delivering data protection compliance. The audit has identified considerable scope for improvement in existing arrangements to reduce the risk of non compliance with data protection legislation.	
Very limited assurance	ere is a very limited level of assurance that processes and cedures are in place and are delivering data protection appliance. The audit has identified a substantial risk that the ective of data protection compliance will not be achieved. In the ection is required to improve the control prironment.	



Police and Crime Commissioner for Hampshire and Item: 9a. Hampshire Constabulary

Joint Audit Committee

28 September 2021

OPCC Policy and Procedures - update

Report of the Head of Standards and Compliance, Office of the Police and Crime Commissioner

1. Purpose

1.1 The purpose of this paper is to provide the Joint Audit Committee with its annual overview of the policy and procedures owned and managed by the Police and Crime Commissioner's office.

2. Recommendations

2.1 That the Joint Audit Committee considers this update.

3. Current policies and procedures

- 3.1 The OPCC Policy, Procedure and Processes database currently lists 66 entries. This is an increase of three on the previous year, due in part to new legislation and internal housekeeping.
- 3.2 Of the 63 entries, 35 relate to employment/HR practices, which are separate to those of Hampshire Constabulary and Hampshire County Council.

4. Monitoring and ownership

- 4.1 There are multiple policy owners across the organisation who are responsible for ensuring they remain current, reflecting recent legislation and changes in business practice. The overall responsibility for ensuring all policies are up-to-date rests with the Head of Standards and Compliance.
- 4.2 The owner of the employment/HR policies/procedures is the HR Policy and Reward team within the Hampshire Shared Service Partnership, the provider of HR services to the OPCC. The Head of Standards and Compliance is the strategic liaison with this team.

5. Policy reviews overdue/due

- 5.1 The maximum review period for individual policies vary for a number of reasons, including the frequency the policies are used, recommended review periods set by external bodies, and anticipated changes in legislation that may impact on their content.
- 5.2 All HR policies no longer have a fixed review and update period, but are reviewed as and when new employment legislation or case law is introduced, or as a result of learning from an individual case.
- 5.3 A number of policies were reviewed and adapted in March/April 2020 as a result of the Covid-19 pandemic and how working from home affected the business processes of the organisation. As the organisation is now in a hybrid phase of working, they are being kept under review to ensure they remain flexible and supportive to the organisation.
- 5.4 A new policy introduced in the past year relates to the organisation's compliance with new website accessibility legislation. This has resulted in significant work taking place on our website to ensure our services and content can be used and understood by the widest possible audience.
- 5.4 Two policies previously marked as overdue and were rescheduled because of the election, the PCC Code of Conduct and PCC Expenses Scheme, have both been reviewed without change. This is because there has been no change to the national guidelines on which they are based.
- 5.5 In the coming year, a number of policies will be reviewed to ensure the governance arrangements for the organisation are up-to-date and support the approach of the new Police and Crime Commissioner.

For further information please contact Richard Andrews, Head of Standards and Compliance, on (01962) 871595 or e-mail richard.andrews.44680@hampshire.police.uk.

APPENDICES

None

- NOT PROTECTIVELY MARKED -

Hampshire Constabulary

Item: 9b

Joint Audit Committee

September 2021

Force Policy and Procedures - Annual Report

Report of the Deputy Chief Constable

1. Purpose

1.1. The purpose of this paper is to provide the Joint Audit Committee with an updated overview of the policy and procedures owned and managed by Hampshire Constabulary.

2. Recommendations

2.1. That the Joint Audit Committee considers this update.

3. Current Force Policy and Procedures

3.1 Currently, Hampshire Constabulary Force Policy and Procedure (FPP) library contains 268 FPPs. As previously noted to the Joint Audit Committee, this figure has been considerably reduced from over 700 FPPs a few years ago, under the "Reducing Unnecessary Bureaucracy" scheme. The current number of FPPs has decreased (by 4) in the last 12 months, in line with changing areas of business and national guidance related to those areas of business.

- NOT PROTECTIVELY MARKED -

4. Monitoring and Ownership

- **4.1.** The programme of monitoring policies and associated changes sits in the remit of the Organisational Learning Team. The responsibility for ownership and reviewing individual policies sits with the relevant policy owner. Monthly monitoring reports are sent out to all Heads of Departments.
- **4.2.** This monthly monitoring report lists all of the department's FPPs, those that are currently overdue and those approaching review within the next 3 months. The responsibility for 'review allocation' falls to the Head of Department.

5. FPP Reviews Overdue/Due

- **5.1.** There are currently 20 overdue FPPs (7% of the total), of which the majority are in the process of being updated or rewritten, or being processed ready for publication by the OLT (see appendix 1). Those not being worked on currently are awaiting the return of key personnel from leave and periods of sickness, in order to progress them, or have been risk assessed for updating and progression against other priorities.
- **5.2.** There has continued to be a reduction in both the number and proportion of overdue FPPs from 20% overdue in 2020 to 7% in 2021.
- 5.3 The COVID-19 pandemic has had an impact on the Constabulary's FPPs. In some cases, the reviews may have been delayed due to relevant Heads of Department and Subject Matter Experts being committed with other priority matters and in other cases, the pandemic has brought out far more by way of operational guidance.

6. FPP Review:

6.1. Hampshire Constabulary have recently undertaken a review of their FPPs and a number of recommendations have been made which aims to improve the effectiveness of their FPPs. Over the next 12-18 months all FPPs will be reviewed and revised to ensure they are: current and up-to-date; key responsibilities are clearly understood; all guidance is linked

- NOT PROTECTIVELY MARKED -

Appendix 1

Overdue FPPs

Owner	Title	EIA	FPP Business owner
Investigations	29601 - Investigating Questioned Deaths in Healthcare Settings	Low	DCS Scott Mackechnie
	29600 - Procedure - Investigating Questioned Deaths in Healthcare Settings	Low	
	05800 - Policy - Work Related Incidents Involving Serious Injury (Industrial Accidents) & Work Related Deaths	Low	
	01501 - Procedure - Coroners And Sudden Deaths	High	
	05801 - Procedure - Work Related Incidents Involving Serious Injury (Industrial Accidents) & Work Related Deaths	Low	
	05101 - Procedure - FLO - Use in Major Crime	High	
	05105 - Procedure - Family Liaison - DVI and Mass Disaster	High	
	02400 - Policy - Responding to and Investigating Domestic Abuse	High	C/Supt Dave Powell
Local Policing	32500 - Policy - Threats to Life	High	
	32501 - Procedure - Threats to Life	High	
	02402 - Procedure - Responding to and Investigating Domestic Abuse	High	
	07003 - Procedure - Licensed Premises - Juvenile Test Purchases	High	
	07001 - Procedure - Licensing & Alcohol Harm Reduction (Licensing Act 2003)	High	
	07000 - Policy - Licensing & Alcohol Harm Reduction	High	
	07002 - Procedure - Gambling	High	
Contact Management	01405 - Procedure - Force Action Plans	High	C/Supt Paul Bartolomeo
Management of Risk	29100 - Policy - Business Continuity Planning	Low	Ace Dann
	32401 - Risk Management Procedure	Low	



Hampshire Police and Crime Commissioner and Hampshire Constabulary

Independent Joint Audit Committee

Statement of Purpose and Terms of Reference

Statement of Purpose

- 1.1 Our Joint Audit Committee (the Committee) is a key component of Hampshire Police and Crime Commissioner's and Hampshire Constabulary's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of the Committee is to provide independent advice and recommendation to The Police and Crime Commissioner (PCC) and the Chief Constable (CC) on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the Committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of the Office of the Police and Crime Commissioner (OPCC) and Hampshire Constabulary's (HC) governance, risk management and control frameworks, their financial reporting and annual governance processes, and internal audit and external audit.

Terms of Reference

1.3 These terms of reference summarise the core functions of the Committee in relation to the OPCC and to the HC and describe the protocols in place to enable it to operate independently, robustly and effectively.

Governance, risk and control

- **1.4** The Committee will, in relation to the PCC and the CC.
 - 1.4.1 Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
 - 1.4.2 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.
 - 1.4.3 Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
 - 1.4.4 Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC and the HC.

- 1.4.5 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.
- 1.4.6 Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions
- 1.4.7 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.
- 1.5 And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Internal Audit

- **1.6** The Committee will:
 - 1.6.1 Annually review the internal audit charter and resources.
 - 1.6.2 Review the internal audit plan (and the internal audit budget and resource plan and any proposed revisions to the internal audit plan.
 - 1.6.3 Oversee the appointment of and consider the adequacy of the performance of the internal audit service and its independence, objectivity, and professionalism.
 - 1.6.4 Consider the head of internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements.
 - 1.6.5 Consider summaries of internal audit reports and such reports in full as the Committee may request from the PCC and the CC including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions.
 - 1.6.6 Consider a report on the effectiveness of internal audit to support the AGS, as required by the Accounts and Audit Regulations.
 - 1.6.7 Consider and determine whether there are inappropriate resource or scope limitations in relation to the internal audit function.
 - 1.6.8 Oversee the relationship of internal audit with other assurance providers and with external audit and any inspectorates.
 - 1.6.9 In connection with the above make advice and representations to those charged with governance as it may consider appropriate.

External audit

1.7 The Committee will:

- 1.7.1 Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
- 1.7.2 Consider the external auditor's annual management letter, relevant reports, and the report to those charged with governance.
- 1.7.3 Consider specific reports as agreed with the external auditor.
- 1.7.4 Advise and recommended on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- 1.7.5 Express its opinion on the selection and rotation of the external auditor.
- 1.7.6 Express its opinion as to whether the external audit team has the required seniority expertise and experience.
- **1.8** And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Financial reporting

1.9 The Committee will:

- 1.9.1 Review the annual statement of accounts. Specifically, to consider, taking into account the advice of the external auditor, whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the PCC and/or the CC.
- 1.9.2 Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.
- 1.9.3 Review and consider the reports from the PCC's Chief Finance Officer on the treasury management function, including the treasury management strategy, half-yearly report and annual report.
- **1.10** And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

Partnership Governance

1.11 The Committee will:

- 1.11.1 Consider the assurance available as to whether partnership arrangements entered into by the PCC or the CC are satisfactorily established and operating effectively (while recognising the independence of the CC in relation to operational policing matters).
- 1.11.2 Seek assurance that the PCC and the CC have appropriate arrangements to identify and manage risks, ensure good governance and obtain assurance on compliance.
- 1.11.3 Where new partnership arrangements are being developed, obtain assurance over governance matters at the project stage and seek clarity over the Committee's role and responsibilities including with regard to the Audit Committee of the partner organisation.
 - 1.11.4 Consider the adequacy of the coverage of assurances underpinning the AGS in relation to partnership working.
- 1.11.5 Consider developing partnership arrangements with the audit committees of partner organisations and make recommendations to the Police and Crime Commissioner and Chief Constable thereon.

Accountability arrangements

1.12 The Committee will:

- 1.12.1 On a timely basis report direct to the PCC and the CC with its advice and recommendations in relation to any mattes that it considers relevant to governance, risk management and financial management.
- 1.12.2 Report directly to the PCC and the CC on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- 1.12.3 Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the PCC and the CC on an annual basis.
- 1.12.4 Provide an annual report by the Committee to the PCC and to the CC including a summary of its principal conclusions and advice given from its work during the year.

Operating Principles

- **1.13** The following do not fall within the scope of the Committee:
 - Constabulary performance
 - Constabulary operational risks
 - HMIC reports with an operational theme / basis e.g. "A Review of the August Disorders" "Intelligence on Criminality Associated with Protest"
 - The management of the internal audit function
 - Any reviews carried out by the Police and Crime Panel
- **1.14** The Committee's methods of working are as follow:
 - Advises the PCC and CC according to good governance principles
 - Adopts appropriate risk management arrangements
 - Provides robust and constructive challenge
 - Takes account of the principles of Corporate Social Responsibility (CSR).
 These include financial and economic stewardship (including Value for Money), people and communities, (including Diversity, Equality and Human Rights), and environmental sustainability and health & safety.
- 1.15 In the course of its work the Committee may forge links (direct or indirect) with the following, in no particular order and not limited to:
 - Chief Financial Officers / section 151 Officers
 - Monitoring Officers
 - Equality & Human Rights Commission
 - Government Equalities Office
 - Head of Internal Audit
 - External Auditors
 - Her Majesty's Inspector of Constabulary
 - The Police and Crime Panel for Hampshire
 - Regional Committees
 - Community Safety Partnerships
 - The audit committees of partner organisations
 - The IPCC.
- 1.16 In addition to the quorum of members required at 1.25, meetings of the Committee must be attended by at least one of the statutory officers and by a duly appointed minute taker.
- 1.17 Meetings of the Committee will include, as regular attendees, the CFOs of the PCC and of the HC, the Chief Executive, the head of internal audit and the appointed external auditor. The foregoing should be able to access the Committee, or the Chair, directly and privately as required. The Committee has the right to meet privately and separately with the head of internal audit and the external auditor, and other individuals by request.
- **1.18** The PCC and the CC will endeavour to attend at least one of the meetings of the Committee each year.

- 1.19 The Committee may call to its meetings any officers or agencies of the PCC or of the CC (while recognising the independence of the Chief Constable in relation to operational policing matters) as it requires, subject to prior consultation with the Deputy Chief Constable or Chief Executive.
- 1.20 Other officers may attend Committee meetings where nominated by the Chief Executive or the Deputy Chief Constable for discussion of particular items. Subject to this and the preceding paragraphs, it is for the Committee to determine who attends meetings of the Committee.
- 1.21 The Committee has the right of access to other committees, functions, risk management boards and other strategic groups (while recognising the independence of the CC in relation to operational policing matters) as it requires, subject to the arrangements for this being discussed in advance with the Deputy Chief Constable or Chief Executive.
- 1.22 The Committee will have access to reports from any inspection agencies (other than reports relating to operational matters of the Chief Constable) and will monitor the response of the PCC and the CC to these reports.
- 1.23 In addition to aspects of the Committee agenda determined by statutory requirements the Committee will manage the agenda of the Committee in consultation with the Chief Executive according to its assurance needs to fulfil its terms of reference.
- 1.24 The Committee will comprise 3-5 people, independent of both Hampshire Constabulary and the Office of the Police and Crime Commissioner. The quorum is 3 members. Subject to the PCC and the CC varying initial terms of appointment where necessary to ensure that retirements and appointments are suitably staggered, members shall be appointed for an initial term of four years and may be re-appointed for a further term of four years.
- **1.25** Appointment of Chair & Vice-Chair will be as follows:
 - Chair and Vice- Chair to be appointed annually by the members of the JAC voting by simple majority.
 - Chair may be re-appointed but to serve no more than 2 consecutive years as Chair.
 - If 2 years served as Chair there must be a break of at least 2 years before the person can be appointed as a chair again.
- 1.26 There will be 4 formal committee meetings scheduled per year (additional formal meetings may be required) A draft schedule of meetings is proposed for March, June, September and December. There will also be scheduled induction, training and development sessions. Further meetings will be convened as requested by the Chair of the Committee.
- **1.27** The agenda, reports and minutes of formal meetings will be made publicly available on the OPCC and HC websites.

- **1.28** All members of the Committee will be required to sign a confidentiality statement before being given access to restricted or confidential information.
- **1.29** All members of the Committee will abide by the code of conduct of the PCC, which sets out the desire to uphold office in line with the intentions of the Policing Protocol Order 2011 and abide by the 'Nolan Principles'.

PROTOCOL

- **1.30** The Committee and in particular the Chair will be provided with confidential clerking secretarial and administrative support.
- **1.31** Chair's briefings will take place sufficiently in advance of each meeting to enable the Chair and Vice Chair to prepare for meetings and to report to the other members of the Committee. Dates and times for Chair's briefings will be agreed with the Chair.
- **1.32** The dates and times of meetings of the Committee will be agreed as far in advance as reasonably possible in consultation with the Chair.
- 1.33 The Chief Financial Officers will ensure that where information or reports become available which are directly relevant to the duties of the Committee these will be brought to the attention of the Committee at the next relevant meeting or, where of particular importance or urgency, promptly upon their becoming available.
- 1.34 The Committee will be supported in the training and development of its members by training sessions (on topics agreed in consultation with the Chair) being provided before each meeting and by the Clerk to the Committee and the Chief Financial Officers looking out for and drawing to the attention of the Chair of the Committee opportunities for training and development which they become aware.
- 1.35 A reasonable budget for training and development of the members of the Committee and for supporting the Committee in its activities pursuant to these Terms of Reference will be agreed each year between the Chair of the Committee and the Chief Finance Officers which once agreed will be under the direction of the Chair.
- **1.36** Should the Joint Audit Committee, acting reasonably, require access to legal advice, this will be provided through the PCC's Monitoring Officer.
- 1.37 The members of the Committee are covered under the joint OPCC/Constabulary Public Liability Insurance, so long as Members act in accordance with their remit and act in good faith.