



# Hampshire Police and Crime Commissioner

## Statement of Accounts 2021/22

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# Narrative Statement

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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 2022. 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 2021/22*. This narrative provides a brief explanation and overview of the financial performance and activities during 2021/22.

The Statement of Accounts aims to provide information so that members of the public, including electors and residents of Hampshire and the Isle of Wight, 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 2021/22.

## 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 Covid 19 pandemic, the PCC elections scheduled for May 2020 were postponed until May 2021. Following the elections in May 2021, the PCC changed, with Donna Jones being elected the new PCC. The accounts for the period ended 31 March 2022 therefore cover the end of the term of office of the previous PCC, Michael Lane, and 11 months of the new term of office of the current PCC, Donna Jones.

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.

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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 2021/22 was £388m, of which £47m million was under the PCC's direct control.

### **INTRODUCTION TO HAMPSHIRE AND THE ISLE OF WIGHT**

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 and IOW 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 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 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



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- Collaborating for an efficient and effective Criminal Justice System for Hampshire and the Isle of Wight with partners such as the Youth Offending Team, Crown Prosecution Service and Prison Service etc.
- Commissioning of victim support and perpetrator programmes from partners (including the third sector) to support crime protection

The Commissioner is ultimately accountable to the electorate via the ballot box. As set out above, a new PCC, Donna Jones, has been in post since May 2021.

A Police and Crime Panel (PCP) was 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.

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

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

The Police and Crime Plan sets out the Commissioner's vision and priorities for policing and community safety across Hampshire and the Isle of Wight and is available in both summary and full version on her website at [www.morepolicesaferstreets.com](http://www.morepolicesaferstreets.com) . The vision of the Commissioner is for Hampshire and the Isle of Wight to be two of the safest places to live, work and visit in the country.

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### THE PCC AND GROUP'S FINANCIAL PERFORMANCE

#### Revenue Budget 2021/22

In February 2021, the previous Commissioner, Michael Lane, approved funding for the net revenue budget for 2021/22. The net revenue budget for the year was £388m for the Group, an increase of £21m 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 2021/22, the reported outturn position for the Group was net expenditure of £381m 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 £5.8m (1.5% underspend), which has been transferred to the Inflation reserve. The largest single contribution to this position was an underspend in employee costs in the Constabulary, predominantly relating to changes in the profile of police officer recruitment, linked to COVID and the availability of estate for training new recruits. This underspend was forecast well in advance, enabling £2.5m to be set aside as a contribution to the 2022/23 budget (approved by the PCC as part of the 2022/23 MTFs) and a further £2.4m has been requested to be drawn down in 2022/23 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 2021/22, in the format of the management accounting figures prepared for scrutiny by the PCC and shows a net underspend for the year of £0.6m:

| Outturn 2021/22                         | Budget<br>£'000 | Actuals<br>£'000 | Variance<br>£'000 |
|---|-----------------|------------------|-------------------|
| <b>Expenditure owned by the PCC</b>     |                 |                  |                   |
| Office of the PCC                       | 2,822           | 2,818            | (4)               |
| Commissioning                           | 2,536           | 2,422            | (114)             |
| Estates                                 | 19,312          | 19,307           | (5)               |
| Crime Prevention                        | 125             | 68               | (57)              |
| Capital Financing                       | 3,400           | 3,400            | 0                 |
| Interest on balances                    | (340)           | (767)            | (427)             |
| Contributions to/(from) reserves        | 12,577          | 12,577           | 0                 |
| <b>Net expenditure owned by the PCC</b> | <b>40,432</b>   | <b>39,825</b>    | <b>(607)</b>      |

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### Group Level (PCC and Chief Constable)

The table below provides a high-level comparison between the approved budget for 2021/22 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 £5.8m.

| Outturn 2021/22                               | Budget<br>£'000  | Actuals<br>£'000 | Variance<br>£'000 |
|---|------------------|------------------|-------------------|
| <b>Funding</b>                                | <b>(386,810)</b> | <b>(386,810)</b> | <b>0</b>          |
| <b>Expenditure owned by the PCC</b>           |                  |                  |                   |
| Office of the PCC                             | 2,822            | 2,818            | (4)               |
| Commissioning                                 | 2,536            | 2,422            | (114)             |
| Estates                                       | 19,312           | 19,307           | (5)               |
| Crime Prevention                              | 125              | 68               | (57)              |
| Capital Financing                             | 3,400            | 3,400            | 0                 |
| Interest on balances                          | (340)            | (767)            | (427)             |
| Contributions to/(from) reserves              | 12,577           | 12,577           | 0                 |
| <b>Net expenditure owned by the PCC</b>       | <b>40,432</b>    | <b>39,825</b>    | <b>(607)</b>      |
| <b>Police Service</b>                         |                  |                  |                   |
| <b>Expenditure:</b>                           |                  |                  |                   |
| Employees                                     | 284,668          | 280,955          | (3,713)           |
| Indirect Employee Costs                       | 5,442            | 7,301            | 1,859             |
| Premises                                      | 1,936            | 1,867            | (69)              |
| Transport                                     | 6,222            | 6,555            | 333               |
| Supplies & Services                           | 21,759           | 19,593           | (2,166)           |
| Third Party Payments                          | 81,142           | 81,391           | 249               |
| Support Services                              | 3,414            | 3,449            | 35                |
| <b>Total Expenditure on Police Services</b>   | <b>404,582</b>   | <b>401,111</b>   | <b>(3,471)</b>    |
| <b>Income:</b>                                |                  |                  |                   |
| External Income (incl Grants & Contributions) | (55,026)         | (56,737)         | (1,711)           |
| Internal Income                               | (3,178)          | (3,194)          | (16)              |
| <b>Total Income on Police Services</b>        | <b>(58,204)</b>  | <b>(59,931)</b>  | <b>(1,727)</b>    |
| <b>Net Expenditure on Police Services</b>     | <b>346,378</b>   | <b>341,180</b>   | <b>(5,199)</b>    |
| <b>Net total expenditure</b>                  | <b>386,810</b>   | <b>381,005</b>   | <b>(5,805)</b>    |
| <b>Net total funding/expenditure</b>          | <b>(0)</b>       | <b>(5,805)</b>   | <b>(5,805)</b>    |

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### 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 £17.0m for 2021/22, including costs for the final phase of the Estates Change Programme (ECP).

Total expenditure in 2021/22 was £6.3m. Of this, £3.5m was spent on buildings and £2.8m 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 2021/22.

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

| <b>2020/21</b> |                                      | <b>2021/22</b> |
|----------------|--------------------------------------|----------------|
| <b>£m</b>      |                                      | <b>£m</b>      |
|                | <b>Expenditure:</b>                  |                |
| 6.6            | Land & Buildings                     | 3.5            |
| 3.4            | Vehicles (Including Boats) and Plant | 2.8            |
| 0.0            | IT & Operational Equipment           | 0.0            |
| <b>10.0</b>    | <b>Total</b>                         | <b>6.3</b>     |
|                | <b>Funded by:</b>                    |                |
| 0.3            | Government Grant                     | 0.3            |
| 0.0            | Capital Contributions                | 0.0            |
| 7.3            | Capital Receipts                     | 3.3            |
| 0.0            | Donated Assets                       | 0.0            |
| 2.4            | Revenue Contributions                | 2.7            |
| 0.0            | Borrowing (incl. Internal)           | 0.0            |
| <b>10.0</b>    | <b>Total</b>                         | <b>6.3</b>     |

### 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 £88.6m for 2021/22. Debt (£29.7m) did not exceed the Capital Financing Requirement of £56.41m as at 31 March 2022.

### 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 2021/22 the Commissioner financed capital expenditure incurred during the year through the use of capital grant, capital receipts and earmarked reserves and did not take out any new long-term loans. Some of the existing borrowing at the start of the financial year was repaid using resources set aside for such purposes.

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As a result, at the year end the Commissioner had a total of £29.7m of outstanding PWLB loans at actual interest rates ranging between 3.85% and 6.0% and a weighted average overall rate of 4.30% (all debt outstanding is legacy debt which pre-dates the establishment of PCCs). Of the total outstanding debt, no principal was repayable in 2021/22, leaving £29.7m as long-term borrowing shown on the balance sheet.

In addition, the PCC has internally borrowed to the sum of £26.7m.

### 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 2021/22.

Cash balances reached an average of £99.3m during the year and interest and dividends of £0.526m was generated from treasury management activity, which was a decrease compared with the £0.531m achieved in 2020/21, with the average yield decreasing from around 0.67% to 0.53%. At 31 March 2022 the investment holding stood at £99.9m.

In efforts to bring inflation down the Bank of England's Monetary Policy Committee (MPC) increased the base rate of interest from 0.10% to 0.25% in December 2021, with further increases to 0.50% in February 2022, 0.75% in March and 1.00% in May. By comparison to historical rates of interest the base rate of interest is still at an incredibly 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 decreased by £248m from £4,380m at 31 March 2021 to £4,132m at 31 March 2022. The Commissioner's assessed share of the value of the plan assets of the Local Government Superannuation scheme showed an increase of £37m while the assessed present value of the Commissioner's liabilities on all pension schemes decreased by £211m.

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

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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 cash-backed). The balance on the accumulated absences account at 31 March 2022 was £4.9m (£4.4m at 31 March 2021) and the balance on the pensions reserve was £4,132m (£4,380m at 31 March 2021).

### Useable Reserves

Total useable reserves were £118m as at 31 March 2022, split as follows:

| <b>Useable Reserve</b> | <b>£m</b>    |
|------------------------|--------------|
| General Fund Reserve   | 13.2         |
| Earmarked Reserves     | 93.6         |
| <b>Useable by PCC</b>  | <b>106.8</b> |
| ACRO Reserves          | 11.4         |
| <b>Total Reserves</b>  | <b>118.2</b> |

However, it is important to note that of these usable reserves, £11.4m belongs to the ACRO Criminal Records Office and associated activities, partly as a surety (£3.3m) but mainly to support its on-going activity (£8.1m); these reserves are not available for use by the PCC.

The General Fund reserve balance has remained stable since 31 March 2021.

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 2022/23 budget setting process shows how reserves will be used to support investment over the medium-term.



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

Across the country, the negative impact of Covid-19 over the past 2 years 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 £5.8m for the 2021/22 financial year.

Nevertheless, as part of the assessment of the 2022/23 budget and the MTFs through until 2025/26, the PCC CFO has considered a whole range of issues which could impact on financial sustainability, and these are detailed in his Section 25 report (appendix I to the 2022/23 Budget report): [Hampshire PCC 2022/23 Budget and MTFs](#)



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The issues considered within the Section 25 report were:

- robustness of estimates in the budget
- risks in the 2022/23 budget and the MTFs
- adequacy of reserves
- reliability / accuracy of budget estimates
- cash flow
- the position beyond 2022/23

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 precept increases*
- *will proactively manage and monitor all aspects of budget performance during the year together with the CFO and Chief Executive*

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 2022/23'.*

### 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 2023. The cash flow position remains very positive, and I have no concerns as to the cash position.*

*The minimum forecast cash balance over the next financial year (excluding cash investments with an investment term duration greater than 1 day) is £27.3m, with the maximum balance forecast to be £113m.*

*In practice, through effective treasury management throughout the year, surplus cash will be invested until required, ensuring that the PCC keeps sufficient but not excessive cash available to meet the PCC's day to day spending needs, while managing the risks involved (in line with the CIPFA code and the treasury management strategy). On that basis actual short term cash balances may be less than forecast as surplus cash will be invested in periods longer than 1 day duration.'*

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The cash flow position has subsequently been reviewed through until the end of March 2024, 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 £26.7m, so can support the cash position if necessary, through external borrowing.

### Reserves

The PCC has healthy useable reserves (excl ACRO) of £107m, 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:

- i) the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates
- ii) the level of Earmarked reserves and their purpose are necessary and appropriate
- iii) the overall level of reserves is appropriate given the known financial pressures and risks faced by the PCC

## Outlook – Medium-Term Financial Strategy

### Budget 2022/23

#### Revenue

The revenue and capital budget for 2022/23 and Medium-Term Financial Strategy were approved by the Police and Crime Commissioner in January 2022 and published on the PCC's website.

The revenue budget for 2022/23 at the Group level is £411m, as shown in the table below.

| Budget 2022/23                             | £'000            |
|--|------------------|
| <b>Funding</b>                             |                  |
| Government Grant                           | (242,483)        |
| Council Tax Precept                        | (167,389)        |
| Collection Fund Surplus                    | (1,517)          |
| <b>Total Funding</b>                       | <b>(411,389)</b> |
| <b>Expenditure</b>                         |                  |
| PCC Controlled Budget                      | 53,478           |
| Hampshire Constabulary Budget              | 357,911          |
| <b>Net total expenditure for PCC Group</b> | <b>411,389</b>   |
| <b>Net Revenue Position</b>                | <b>0</b>         |

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The amount of funding raised through Council Tax is based on the precept increase agreed by the PCC, which for 2022/23 was for a precept increase of £10 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). Hampshire's additional allocation in year 2 (2021/22) was an additional 153 officers (of which 7 will be allocated to regional policing).

Further funding has been received for year 3 (2022/23), and the revenue budget therefore includes provision for a further uplift in police officer numbers in Hampshire of 207 (of which 11 will be posts allocated to regional policing) during the course of 2022/23. This will take the number of new police officers in Hampshire Constabulary funded through the government Uplift programme to 498.

In addition to this, as part of setting the 2022/23 budget, the PCC has funded a further increase in officer numbers so that the total uplift in police officer numbers in Hampshire Constabulary will be 600 by April 2023.

### Capital

The approved capital programme for 2022/23 includes £9.6m of planned expenditure. Of this amount £7.2m relates to the built estate and £2.4m relates to replacement vehicles. This is funded by capital receipts and revenue contributions.

## **Medium-Term Financial Strategy**

The Medium-Term Financial Strategy (MTFS) for the period 2022/23 – 2025/26 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 2023/24 onwards. Following the Spending Review the MTFS assumes that Hampshire will receive its proportionate share of the increase in total Police Grant funding over the next three years.

Based on these prudent assumptions, the current MTFS does currently show a cumulative shortfall in the budget in later years, as follows: 2023/24 £9.8m, 2024/25 £12.9m, 2025/26 £22.2m.

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 of 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.

### Medium-Term Position Beyond 2022/23

For the position beyond 2022/23, the CFO set out in the Section 25 statement that:

## Narrative Statement

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*'Given the announcement of only a firm one-year settlement 2022/23, the PCC is still in the position of not knowing what the actual grant funding position is beyond a one-year planning horizon.*

*At this stage, in response to this position, the MTFS has been based on prudent funding assumptions, which should mean the PCC is well placed to respond to and manage changes to funding.*

*As set out earlier, the MTFS is necessarily based on prudent assumptions which do show budget shortfalls across the 3 years post 2022/23. 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.

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:

[www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/peel-assessment-2018-19-hampshire.pdf](http://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".*

## Narrative Statement

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

The Constabulary is due for a new inspection visit shortly, The Constabulary monitors operational performance through the Force Performance Group.

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

<http://www.hampshire.police.uk/police-forces/hampshire-constabulary/areas/sd/stats-and-data/>

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](http://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](http://www.hampshire-pcc.gov.uk/performance)

and

[www.hampshire.police.uk/police-forces/hampshire-constabulary/areas/sd/stats-and-data/](http://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 Digital Service, 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 work of the National Police Chiefs Council. A South East Region Integrated Processes (SERIP) team exists to co-ordinate collaboration within the region.

Hampshire Constabulary and Thames Valley Police have 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 (JOU) exists 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 also exists for Contact Management senior leadership and the contact management platform.

The Forensic Collision Investigation Unit is a collaborated function that has been moved out of the JOU and into Scientific Services Department due to new accreditation requirements. The Constabulary is also part of the Forensic Collision Investigation Network national collaboration that holds the overarching accreditation for all police forces in England and Wales.

## Narrative Statement

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Bluelight Commercial has been created to provide national procurement solutions within the police service. Hampshire Constabulary also purchases most uniform through the National Uniform Management Service (NUMS).

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 previous PCC determined not to submit a business case to change the current governance arrangements at the that time. It is noted that the Home Office concluded a further consultation in July 2022 on the governance arrangements for Fire and Rescue Services (FRSs), which included the option of the transfer of FRSs to PCCs.

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 2022.



## Narrative Statement

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### 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 her 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 2021/22 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

## Narrative Statement

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July 2022. The deadline for publishing the audited accounts has been moved to 30 November 2022.

### 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).



## **Narrative Statement**

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### **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 the United Kingdom 2021/22 is the way in which the Commissioner and the Chief Constable CFOs 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 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), 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 2022 was £4.902m (£4.400m as at 31 March 2021).

### **Uncertain Future Events**

The United Kingdom exited the European Union on 31 January 2020; there remains continued short-term increased political and economic uncertainty, further impacted by the Covid 19 crisis which has been the main focus of government. Furthermore, the war in Ukraine has impacted on the supply of some raw materials, goods and services resulting in higher than expected inflation. 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.

### **Further information**

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

Telephone: 0370 779 1556, e-mail: [budget@hants.gov.uk](mailto:budget@hants.gov.uk)

## Statement of Responsibilities

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### 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 2021/22 give a true and fair view of the financial position of the Commissioner and the group at 31 March 2022 and its income and expenditure for the year then ended

Signed:



Andrew Lowe, CPFA  
Date: 22 February 2023

#### Approval of the Accounts by the Police and Crime Commissioner

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by me on 22<sup>nd</sup> February 2023

Signed:



Donna Jones  
Date: 22 February 2023

## 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 | Total Group Reserves | Note |
|--|----------------------|--------------------------|----------------------------------|-----------------------|-------------------|----------------------|------|
|  | £'000                | £'000                    | £'000                            | £'000                 | £'000             | £'000                |      |
| <b>Balance at 31 March 2020</b>  | <b>(76,759)</b>      | -                        | -                                | <b>(76,759)</b>       | <b>3,384,243</b>  | <b>3,307,484</b>     |      |
| <b>Movements during 2020/21</b>  |                      |                          |                                  |                       |                   |                      |      |
| 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    |
| <b>(Increase)/Decrease in year</b>                                     | <b>(24,624)</b>      | -                        | -                                | <b>(24,624)</b>       | <b>819,380</b>    | <b>794,756</b>       |      |
| <b>Balance at 31 March 2021</b>  | <b>(101,383)</b>     | -                        | -                                | <b>(101,383)</b>      | <b>4,203,623</b>  | <b>4,102,240</b>     |      |
| <b>Movements during 2021/22</b>  |                      |                          |                                  |                       |                   |                      |      |
| Total Comprehensive Income and Expenditure                             | 158,137              | -                        | -                                | 158,137               | (444,311)         | (286,174)            |      |
| Adjustments between accounting basis & funding basis under regulations | (174,968)            | -                        | -                                | (174,968)             | 174,968           | -                    | 2    |
| <b>(Increase)/Decrease in year</b>                                     | <b>(16,831)</b>      | -                        | -                                | <b>(16,831)</b>       | <b>(269,343)</b>  | <b>(286,174)</b>     |      |
| <b>Balance at 31 March 2022</b>  | <b>(118,214)</b>     | -                        | -                                | <b>(118,214)</b>      | <b>3,934,280</b>  | <b>3,816,066</b>     |      |

## Movement in Reserves Statement - PCC

|  | General<br>Fund<br>Balance | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Total Usable<br>Reserves | Unusable<br>Reserves | Total<br>Reserves | Note |
|--|----------------------------|--------------------------------|--------------------------------|--------------------------|----------------------|-------------------|------|
|  | £'000                      | £'000                          | £'000                          | £'000                    | £'000                | £'000             |      |
| <b>Balance at 31 March 2020</b>  | <b>(76,759)</b>            | -                              | -                              | <b>(76,759)</b>          | <b>(213,992)</b>     | <b>(290,751)</b>  |      |
| <b>Movements during 2020/21</b>  |                            |                                |                                |                          |                      |                   |      |
| 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    |
| <b>(Increase)/Decrease in year</b>                                     | <b>(24,624)</b>            | -                              | -                              | <b>(24,624)</b>          | <b>33,420</b>        | <b>8,795</b>      |      |
| <b>Balance at 31 March 2021</b>  | <b>(101,383)</b>           | -                              | -                              | <b>(101,383)</b>         | <b>(180,572)</b>     | <b>(281,956)</b>  |      |
| <b>Movements during 2021/22</b>  |                            |                                |                                |                          |                      |                   |      |
| Total Comprehensive Income and Expenditure                             | (17,343)                   | -                              | -                              | (17,343)                 | (21,414)             | (38,757)          |      |
| Adjustments between accounting basis & funding basis under regulations | 512                        | -                              | -                              | 512                      | (512)                | -                 | 2    |
| <b>(Increase)/Decrease in year</b>                                     | <b>(16,831)</b>            | -                              | -                              | <b>(16,831)</b>          | <b>(21,926)</b>      | <b>(38,757)</b>   |      |
| <b>Balance at 31 March 2022</b>  | <b>(118,214)</b>           | -                              | -                              | <b>(118,214)</b>         | <b>(202,498)</b>     | <b>(320,713)</b>  |      |

## Balance Sheet – Group

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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 2021<br>£'000 |  | 31 March 2022<br>£'000 |
|------------------------|--|------------------------|
| 238,642                | Property, plant and equipment            | 254,101                |
| 11,170                 | Long term investments                    | 12,954                 |
| 289                    | Long term debtors                        | 208                    |
| <b>250,101</b>         | <b>Long Term Assets</b>                  | <b>267,263</b>         |
| 53,785                 | Short term investments                   | 54,144                 |
| -                      | Assets held for sale                     | -                      |
| 821                    | Inventories                              | 821                    |
| 28,832                 | Short term debtors                       | 35,455                 |
| 7,849                  | Cash and cash equivalents                | 36,787                 |
| <b>91,287</b>          | <b>Current Assets</b>                    | <b>127,207</b>         |
| (425)                  | Short term borrowing                     | (173)                  |
| -                      | Grants received in advance - revenue     | -                      |
| (753)                  | Other short-term liabilities             | (790)                  |
| (30,165)               | Short term creditors                     | (45,915)               |
| (150)                  | Provisions                               | (232)                  |
| <b>(31,493)</b>        | <b>Current Liabilities</b>               | <b>(47,110)</b>        |
| <b>59,794</b>          | <b>Net Current Assets</b>                | <b>80,097</b>          |
| (29,700)               | Long term borrowing                      | (29,700)               |
| (2,639)                | Other long term liabilities              | (1,849)                |
| (4,379,796)            | Net liability related to pension schemes | (4,131,877)            |
| <b>(4,412,135)</b>     | <b>Long Term Liabilities</b>             | <b>(4,163,426)</b>     |
| <b>(4,102,240)</b>     | <b>Net Liabilities</b>                   | <b>(3,816,066)</b>     |
|                        | <b>Financed by:</b>                      |                        |
| (101,383)              | Usable reserves                          | (118,214)              |
| 4,203,623              | Unusable reserves                        | 3,934,280              |
| <b>4,102,240</b>       | <b>Total Reserves</b>                    | <b>3,816,066</b>       |

Signed:



Andrew Lowe, CPFA (Chief Finance Officer)

Date: 22 February 2023

## Balance Sheet – PCC

| 31 March 2021    |                                 | 31 March 2022    |
|------------------|---------------------------------|------------------|
| £'000            |                                 | £'000            |
| 238,642          | Property, plant and equipment   | 254,101          |
| 11,170           | Long term investments           | 12,954           |
| 289              | Long term debtors               | 208              |
| <b>250,101</b>   | <b>Long Term Assets</b>         | <b>267,263</b>   |
| 53,785           | Short term investments          | 54,144           |
| -                | Assets held for sale            | -                |
| 821              | Inventories                     | 821              |
| 28,832           | Short term debtors              | 35,455           |
| 7,849            | Cash and cash equivalents       | 36,787           |
| <b>91,287</b>    | <b>Current Assets</b>           | <b>127,207</b>   |
| (425)            | Short term borrowing            | (173)            |
| (753)            | Other short-term liabilities    | (790)            |
| (25,765)         | Short term creditors            | (41,013)         |
| (150)            | Provisions                      | (232)            |
| <b>(27,093)</b>  | <b>Current Liabilities</b>      | <b>(42,208)</b>  |
| <b>64,194</b>    | <b>Net Current Assets</b>       | <b>84,999</b>    |
| (29,700)         | Long term borrowing             | (29,700)         |
| (2,639)          | Other long term liabilities     | (1,849)          |
| <b>(32,339)</b>  | <b>Long Term Liabilities</b>    | <b>(31,549)</b>  |
| <b>281,956</b>   | <b>Net Assets/(Liabilities)</b> | <b>320,713</b>   |
|                  | <b>Financed by:</b>             |                  |
| (101,383)        | Usable reserves                 | (118,214)        |
| (180,573)        | Unusable reserves               | (202,499)        |
| <b>(281,956)</b> | <b>Total Reserves</b>           | <b>(320,713)</b> |

Signed:



Andrew Lowe, CPFA (Chief Finance Officer)

Date: 22 February 2023



## 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.

| 2020/21<br>£'000 |  | 2021/22<br>£'000 | Note |
|------------------|--|------------------|------|
| 102,163          | Net (surplus) or deficit on the provision of services  | 158,137          | CIES |
| (134,160)        | Adjustments to net surplus or deficit on the provision of services for non-cash movements  | (194,836)        | 21b  |
| 7,576            | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 3,574            | 21c  |
| <b>(24,421)</b>  | <b>Net cash flows from Operating Activities</b>  | <b>(33,125)</b>  |      |
| 43,268           | Investing Activities   | 3,587            | 21d  |
| 976              | Financing Activities   | 600              | 21e  |
| <b>19,823</b>    | <b>Net (increase) or decrease in cash and cash equivalents</b>   | <b>(28,938)</b>  |      |
| (27,672)         | Cash and cash equivalents at the beginning of the reporting period   | (7,849)          |      |
| <b>(7,849)</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>  | <b>(36,787)</b>  | 17   |



## Cash Flow Statement - PCC

| 2020/21<br>£'000 |  | 2021/22<br>£'000 | Note |
|------------------|--|------------------|------|
| (18,344)         | Net (surplus) or deficit on the provision of services  | (17,343)         | CIES |
| (13,653)         | Adjustments to net surplus or deficit on the provision of services for non-cash movements  | (19,356)         | 22b  |
| 7,576            | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 3,574            | 22c  |
| <b>(24,421)</b>  | <b>Net cash flows from Operating Activities</b>  | <b>(33,125)</b>  |      |
| 43,268           | Investing Activities   | 3,587            | 22d  |
| 976              | Financing Activities   | 600              | 22e  |
| <b>19,823</b>    | <b>Net (increase) or decrease in cash and cash equivalents</b>   | <b>(28,938)</b>  |      |
| (27,672)         | Cash and cash equivalents at the beginning of the reporting period   | (7,849)          |      |
| <b>(7,849)</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>  | <b>(36,787)</b>  | 17   |

## 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.

| 2020/21           |                  |                  | 2021/22  |                |                  | Note             |    |
|-------------------|------------------|------------------|--|----------------|------------------|------------------|----|
| Gross expenditure | Gross Income     | Net expenditure  | Gross expenditure  | Gross Income   | Net expenditure  |                  |    |
| £'000             | £'000            | £'000            | £'000  | £'000          | £'000            |                  |    |
| 405,510           | (54,166)         | 351,344          | Operational policing services                            | 484,350        | (59,990)         | 424,360          |    |
| 2,509             | (105)            | 2,404            | PCC - Office   | 2,855          | (37)             | 2,818            |    |
| 7,437             | (4,959)          | 2,478            | PCC - Commissioning                                      | 9,052          | (6,629)          | 2,423            |    |
| 29,514            | (352)            | 29,162           | PCC- Estate  | 29,906         | (502)            | 29,404           |    |
| 583               | (581)            | 2                | PCC - Crime Prevention                                   | 1,362          | (1,294)          | 68               |    |
| 19,882            | (20,969)         | (1,087)          | Other items not allocated to services                    | 19,995         | (19,798)         | 197              |    |
| <b>465,435</b>    | <b>(81,132)</b>  | <b>384,303</b>   | <b>Cost of Policing Services</b>                         | <b>547,520</b> | <b>(88,250)</b>  | <b>459,270</b>   | 11 |
|                   |                  |                  | Other income and expenditure:-                           |                |                  |                  |    |
| 51,688            | (51,688)         | -                | - Other operating income and expenditure                 | 52,351         | (52,351)         | -                | 5  |
| -                 | (2,212)          | (2,212)          | (Gain) / loss on disposal of asset                       | -              | (1,462)          | (1,462)          |    |
| 81,788            | (538)            | 81,250           | Financing and investment income and expenditure          | 92,242         | (1,553)          | 90,689           | 6  |
| -                 | (361,177)        | (361,177)        | Taxation and non-specific grant income                   | -              | (390,360)        | (390,360)        | 7  |
| <b>133,476</b>    | <b>(415,615)</b> | <b>(282,139)</b> | <b>Total other (income)/expenditure</b>                  | <b>144,593</b> | <b>(445,726)</b> | <b>(301,133)</b> |    |
|                   |                  |                  | <b>(Surplus) or Deficit on the Provision of Services</b> |                |                  | 158,137          |    |
|                   |                  | 102,164          | (Surplus) or deficit on revaluation of PPE assets        |                |                  | (21,414)         |    |
|                   |                  | 27,139           | Net (gain)/loss on the pension assets and liabilities    |                |                  | (422,897)        |    |
|                   |                  | 665,454          | <b>Other Comprehensive (Income)/Expenditure</b>          |                |                  | <b>(444,311)</b> |    |
|                   |                  | 692,593          | <b>Total Comprehensive (Income)/Expenditure</b>          |                |                  | <b>(286,174)</b> |    |
|                   |                  | 794,757          |  |                |                  |                  |    |

## Comprehensive Income and Expenditure Statement - PCC

| 2020/21           |              |                 | 2021/22   |              |                 | Note      |    |
|-------------------|--------------|-----------------|---|--------------|-----------------|-----------|----|
| Gross expenditure | Gross Income | Net expenditure | Gross expenditure   | Gross Income | Net expenditure |           |    |
| £'000             | £'000        | £'000           | £'000   | £'000        | £'000           |           |    |
| 2,509             | (105)        | 2,404           | PCC - Office  | 2,855        | (37)            | 2,818     |    |
| 7,437             | (4,959)      | 2,478           | PCC - Commissioning   | 9,052        | (6,629)         | 2,423     |    |
| 29,514            | (352)        | 29,162          | PCC - Estate  | 29,906       | (502)           | 29,404    |    |
| 583               | (581)        | 2               | PCC - Crime Prevention  | 1,362        | (1,294)         | 68        |    |
| 40,043            | (5,997)      | 34,046          | <b>Cost of Policing Services</b>  | 43,175       | (8,462)         | 34,713    | 11 |
|                   |              |                 | Other income and expenditure:-  |              |                 |           |    |
| 51,688            | (51,688)     |                 | - Other operating income and expenditure                                | 52,351       | (52,351)        | -         | 5  |
|                   | (2,212)      | (2,212)         | (Gain) / loss on disposal of asset                                      |              | (1,462)         | (1,462)   |    |
| 275               | (538)        | (263)           | Financing and investment income and expenditure                         | 1,337        | (1,553)         | (216)     | 6  |
| -                 | (361,177)    | (361,177)       | Taxation and non-specific grant income                                  | -            | (390,360)       | (390,360) | 7  |
| 51,963            | (415,615)    | (363,652)       | <b>Total other (income)/expenditure</b>                                 | 53,688       | (445,726)       | (392,038) |    |
|                   |              | (329,606)       | <b>(Surplus) or Deficit on the Provision of Services before funding</b> |              |                 | (357,325) |    |
|                   |              | 311,263         | Intra-group funding   |              |                 | 339,982   |    |
|                   |              | (18,343)        | <b>(Surplus) or Deficit on the Provision of Services</b>                |              |                 | (17,343)  |    |
|                   |              | 27,139          | (Surplus) or deficit on revaluation of PPE assets                       |              |                 | (21,414)  |    |
|                   |              | 27,139          | <b>Other Comprehensive (Income)/Expenditure</b>                         |              |                 | (21,414)  |    |
|                   |              | 8,796           | <b>Total Comprehensive (Income)/Expenditure</b>                         |              |                 | (38,757)  |    |

### Contents of Explanatory Notes to the Core Financial Statements

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## Notes to the core financial statements

### 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

| 2020/21   |   |                                      | 2021/22   |   |                                      |
|---|---|--------------------------------------|---|---|--------------------------------------|
| Net Expenditure chargeable to the General Fund Balance<br>£'000 | Adjustments between accounting and funding basis<br>£'000 | Net expenditure in the CIES<br>£'000 | Net Expenditure chargeable to the General Fund Balance<br>£'000 | Adjustments between accounting and funding basis<br>(see note 2)<br>£'000 | Net expenditure in the CIES<br>£'000 |
| 313,735   | 37,609  | 351,344                              | 341,121   | 83,239  | 424,360                              |
| 2,404   | -   | 2,404                                | 2,818   | -   | 2,818                                |
| 2,478   | -   | 2,478                                | 2,423   | -   | 2,423                                |
| 16,980  | 12,182  | 29,162                               | 19,306  | 10,098  | 29,404                               |
| 2   | -   | 2                                    | 68  | -   | 68                                   |
| (2,472)   | 1,385   | (1,087)                              | (1,139)   | 1,336   | 197                                  |
| 333,127   | 51,176  | 384,303                              | 364,597   | 94,673  | 459,270                              |
| (357,749)   | 75,611  | (282,138)                            | (381,428)   | 80,295  | (301,133)                            |
| (24,622)  | 126,787   | 102,165                              | (16,831)  | 174,968   | 158,137                              |
| (76,760)  |   |                                      | (101,383)   |   |                                      |
| (24,623)  |   |                                      | (16,831)  |   |                                      |
| (101,383)   |   |                                      | (118,214)   |   |                                      |

## Notes to the core financial statements

### PCC Expenditure and Funding Analysis

| 2020/21   |   |                                      | 2021/22   |   |                                      |
|---|---|--------------------------------------|---|---|--------------------------------------|
| Net Expenditure chargeable to the General Fund Balance<br>£'000 | Adjustments between accounting and funding basis<br>£'000 | Net expenditure in the CIES<br>£'000 | Net Expenditure chargeable to the General Fund Balance<br>£'000 | Adjustments between accounting and funding basis<br>(see note 2)<br>£'000 | Net expenditure in the CIES<br>£'000 |
| 2,404   | -   | 2,404                                | 2,818   | -   | 2,818                                |
| 2,478   | -   | 2,478                                | 2,423   | -   | 2,423                                |
| 16,980  | 12,182  | 29,162                               | 19,306  | 10,098  | 29,404                               |
| 2   | -   | 2                                    | 68  | -   | 68                                   |
| 21,864  | 12,182  | 34,046                               | 24,615  | 10,098  | 34,713                               |
| (357,749)   | (5,902)   | (363,651)                            | (381,428)   | (10,610)  | (392,038)                            |
| (335,885)   | 6,280   | (329,605)                            | (356,813)   | (512)   | (357,325)                            |
| 311,263   | -   | 311,263                              | 339,982   |   | 339,982                              |
| (24,622)  | 6,280   | (18,342)                             | (16,831)  | (512)   | (17,343)                             |
| (76,760)  |   |                                      | (101,383)   |   |                                      |
| (24,623)  |   |                                      | (16,831)  |   |                                      |
| (101,383)   |   |                                      | (118,214)   |   |                                      |

## Notes to the core financial statements

### 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.

| 2021/22   | Adjustments<br>for capital<br>purposes | Net change<br>for the<br>pensions<br>adjustments | Other<br>adjustments | Total<br>Adjustments |
|---|--|--|----------------------|----------------------|
|   | £'000                                  | £'000  | £'000                | £'000                |
| <b>Adjustments between accounting and funding basis analysis:-</b>  |  |  |                      |                      |
| Operational policing services   | -                                      | 82,737   | 502                  | 83,239               |
| Office of the Police and Crime Commissioner   | -                                      | -  | -                    | -                    |
| Police and Crime Commissioner - Commissioning   | -                                      | -  | -                    | -                    |
| Police and Crime Commissioner - Estate  | 10,098                                 | -  | -                    | 10,098               |
| Police and Crime Commissioner - Crime Prevention  | -                                      | -  | -                    | -                    |
| Other items not allocated to services   | -                                      | 1,336  | -                    | 1,336                |
| <b>Net cost of services</b>   | <b>10,098</b>                          | <b>84,073</b>                                    | <b>502</b>           | <b>94,673</b>        |
| Other income and expenditure from the funding analysis  | (6,587)                                | 90,905   | (4,023)              | 80,295               |
| <b>Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit</b> | <b>3,511</b>                           | <b>174,978</b>                                   | <b>(3,521)</b>       | <b>174,968</b>       |
| <b>Note a) Adjustments for capital purposes:</b>  |  |  |                      |                      |
| Charges to services for depreciation and impairment   | 7,773                                  |  |                      | 7,773                |
| Revaluation losses on property, plant & equipment   | 2,319                                  |  |                      | 2,319                |
| Service revenue expenditure funded from capital under statute   | 409                                    |  |                      | 409                  |
| Current value of assets disposed  | 1,721                                  |  |                      | 1,721                |
| Statutory minimum revenue provision for capital financing   | (2,121)                                |  |                      | (2,121)              |
| Movement in value of short term liability relating to finance lease asset   | (403)                                  |  |                      | (403)                |
| Revenue contributions to capital  | (2,694)                                |  |                      | (2,694)              |
| Capital grants and contributions applied (note i)   | (311)                                  |  |                      | (311)                |
| Total transferred to capital adjustment account (including note i)  | 6,693                                  |  |                      | 6,693                |
| Transfer asset sale proceeds to capital receipts reserve  | (3,182)                                |  |                      | (3,182)              |
| <b>Note a) Total</b>  | <b>3,511</b>                           |  |                      | <b>3,511</b>         |

## Notes to the core financial statements

| 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             |
| <b>Note b) Adjustments for pensions:</b>   |   |  |                            |                   |
| Current service cost of funded local government pensions   |   | 133,984  |                            | 133,984           |
| Past service cost of funded local government pensions  |   | 1,336  |                            | 1,336             |
| Interest on net pension liability  |   | 90,905   |                            | 90,905            |
| Total transferred to Pension Reserve   |   | 226,225  |                            | 226,225           |
| Employer's contributions payable to the pension fund transferred from the Pension Reserve  |   | (51,247)   |                            | (51,247)          |
| <b>Note b) Total</b>   |   | <b>174,978</b>                                   |                            | <b>174,978</b>    |
| <b>Note c) Other adjustments:</b>  |   |  |                            |                   |
| Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account  |   |  | 502                        | 502               |
| Movement in fair value of financial instruments transferred to the Financial instrument adjustment account   |   |  | (784)                      | (784)             |
| 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 |   |  | (3,239)                    | (3,239)           |
| <b>Note c) Total</b>   |   |  | <b>(3,521)</b>             | <b>(3,521)</b>    |
| <b>Total adjustments</b>   |   |  |                            | 174,968           |
| (note i) transfer from capital grants unapplied reserve  |   |  |                            | -                 |
| <b>Total adjustments between accounting and funding basis under statute</b>  |   |  |                            | <b>174,968</b>    |



## Notes to the core financial statements

| 2020/21   | Adjustments<br>for capital<br>purposes<br>(note a) | Net change<br>for the<br>pensions<br>adjustments<br>(note b) | Other<br>adjustments<br>(note c) | Total<br>Adjustments |
|---|--|--|----------------------------------|----------------------|
|   | £'000  | £'000  | £'000                            | £'000                |
| <b>Adjustments between accounting and funding basis analysis:-</b>  |  |  |                                  |                      |
| Operational policing services   | -  | 37,549   | 60                               | 37,609               |
| Office of the Police and Crime Commissioner   | -  | -  | -                                | -                    |
| Police and Crime Commissioner - Commissioning   | -  | -  | -                                | -                    |
| Police and Crime Commissioner - Estate  | 12,182   | -  | -                                | 12,182               |
|   | -  | -  | -                                | -                    |
| Other items not allocated to services   | -  | 1,385  | -                                | 1,385                |
| <b>Net cost of services</b>   | <b>12,182</b>                                      | <b>38,934</b>  | <b>60</b>                        | <b>51,176</b>        |
| Other income and expenditure from the funding analysis  | (6,524)  | 81,513   | 622                              | 75,611               |
| <b>Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit</b> | <b>5,658</b>                                       | <b>120,447</b>   | <b>682</b>                       | <b>126,787</b>       |
| <b>Note a) Adjustments for capital purposes:</b>  |  |  |                                  |                      |
| Charges to services for depreciation and impairment   | 8,383  |  |                                  | 8,383                |
| Revaluation losses on property, plant & equipment   | -  |  |                                  | -                    |
| 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)              |
| <b>Note a) Total</b>  | <b>5,658</b>                                       |  |                                  | <b>5,658</b>         |

## Notes to the core financial statements

| 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             |
| <b>Note b) Adjustments for pensions:</b>   |   |  |                            |                   |
| Current service cost of funded local government pensions   |   | 86,836   |                            | 86,836            |
| Past service cost of funded local government 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)          |
| <b>Note b) Total</b>   |   | <b>120,447</b>                                   |                            | <b>120,447</b>    |
| <b>Note c) Other adjustments:</b>  |   |  |                            |                   |
| 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 financial instruments transferred to the Financial Instruments Adjustment Account  |   |  | (851)                      | (851)             |
| 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 |   |  | 1,473                      | 1,473             |
| <b>Note c) Total</b>   |   |  | <b>682</b>                 | <b>682</b>        |
| <b>Total adjustments</b>   |   |  |                            | 126,787           |
| (note i) transfer from capital grants unapplied reserve  |   |  |                            | -                 |
| <b>Total adjustments between accounting and funding basis under statute</b>  |   |  |                            | <b>126,787</b>    |

### 3 Unusable Reserves

#### Unusable Reserves – Group

|   | 31 March<br>2021<br>£'000 | Movement<br>£'000 | 31 March<br>2022<br>£'000 | Note |
|---|---------------------------|-------------------|---------------------------|------|
| Revaluation Reserve                     | (70,648)                  | (19,321)          | (89,969)                  | 3a   |
| Capital Adjustment Account              | (109,755)                 | 1,418             | (108,337)                 | 3b   |
| Pensions Reserve                        | 4,379,796                 | (247,919)         | 4,131,877                 | 3c   |
| Accumulated Absences Account            | 4,400                     | 502               | 4,902                     | 3d   |
| Collection Fund Adjustment Account      | 0                         | (3,239)           | (3,239)                   | 3e   |
| Financial Instrument Adjustment Account | (170)                     | (784)             | (954)                     | 3f   |
|   | <b>4,203,623</b>          | <b>(269,343)</b>  | <b>3,934,280</b>          |      |

#### Unusable Reserves – PCC

|  | 31 March<br>2021<br>£'000 | Movement<br>£'000 | 31 March<br>2022<br>£'000 | Note |
|--|---------------------------|-------------------|---------------------------|------|
| Revaluation Reserve                      | (70,648)                  | (19,321)          | (89,969)                  | 3a   |
| Financial Instruments Adjustment Account | 0                         | 0                 |                           |      |
| Capital Adjustment Account               | (109,755)                 | 1,418             | (108,337)                 | 3b   |
| Collection Fund Adjustment Account       | 0                         | (3,239)           | (3,239)                   | 3e   |
| Financial Instrument Adjustment Account  | (170)                     | (784)             | (954)                     | 3f   |
|  | <b>(180,573)</b>          | <b>(21,926)</b>   | <b>(202,499)</b>          |      |

## Notes to the core financial statements

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### 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.

| <u>2020/21</u><br><u>£'000</u> |                                 | <u>2021/22</u><br><u>£'000</u> |
|--------------------------------|---------------------------------|--------------------------------|
| <b>(101,415)</b>               | <b>Balance at start of year</b> | <b>(70,648)</b>                |
| 27,139                         | Revaluations during year        | (21,414)                       |
| 2,245                          | Disposal of revalued assets     | 765                            |
| 1,383                          | Depreciation of revaluations    | 1,328                          |
| <b>(70,648)</b>                | <b>Balance at end of year</b>   | <b>(89,969)</b>                |

### 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.

## Notes to the core financial statements

| 2020/21<br>£'000 |  | 2021/22<br>£'000 | 2021/22<br>£'000 |
|------------------|--|------------------|------------------|
| <b>(111,785)</b> | <b>Balance at 1 April</b>  |                  | <b>(109,755)</b> |
|                  | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>                        |                  |                  |
| 8,383            | • Charges for depreciation and impairment of non-current assets  | 7,773            |                  |
| 0                | • Revaluation losses on Property, Plant and Equipment  | 2,319            |                  |
| 3,799            | • Revenue expenditure funded from capital under statute  | 409              |                  |
|                  | • Reduction in value of short term liability relating to finance lease asset   | <b>(403)</b>     |                  |
| 5,047            | • 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 | 1,721            |                  |
| <b>17,229</b>    | <b>Sub-Total</b>   |                  | <b>11,819</b>    |
| <b>(3,628)</b>   | Adjusting amounts written out of the Revaluation Reserve   |                  | <b>(2,093)</b>   |
| <b>13,601</b>    | Net written out amount of the cost of non-current assets consumed in the year  |                  | <b>9,726</b>     |
|                  | <b>Capital financing applied in the year:</b>  |                  |                  |
| <b>(7,265)</b>   | • Use of the Capital Receipts Reserve to finance new capital expenditure   | <b>(3,263)</b>   |                  |
| <b>(2,382)</b>   | • Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure  | <b>(2,694)</b>   |                  |
| <b>(311)</b>     | • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | <b>(311)</b>     |                  |
| <b>(1,618)</b>   | • Statutory provision for the financing of capital investment charged against the General Fund balance   | <b>(2,121)</b>   |                  |
| <b>(11,576)</b>  | <b>Sub-Total</b>   |                  | <b>(8,389)</b>   |
| <b>5</b>         | Write-down of capital debtors  |                  | <b>81</b>        |
| <b>(109,755)</b> | <b>Balance at 31 March</b>   |                  | <b>(108,337)</b> |

### 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

## Notes to the core financial statements

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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.

| <b>2020/21</b><br><b>£'000</b> |  | <b>2021/22</b><br><b>£'000</b> |
|--------------------------------|--|--------------------------------|
| <b>3,593,895</b>               | <b>Balance at start of year</b>  | <b>4,379,796</b>               |
| 791,967                        | Actuarial (gains) / losses on pensions assets and liabilities  | (350,501)                      |
| (52,406)                       | Government contributions to Police Officer schemes   | (51,259)                       |
| (74,107)                       | Return on plan assets  | (21,137)                       |
| 169,734                        | 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 | 226,225                        |
| (49,287)                       | Employer's pension contributions and direct payments to pensioners payable in the year   | (51,247)                       |
| <b>4,379,796</b>               | <b>Balance at end of year</b>  | <b>4,131,877</b>               |

### 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.

## Notes to the core financial statements

### 4 Usable Reserves

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

|   | Balance<br>1 April 2020 | Movement<br>in 2020/21 | Balance 31<br>March 2021 | Movement<br>in 2021/22 | Balance 31<br>March 2022 | Note |
|---|-------------------------|------------------------|--------------------------|------------------------|--------------------------|------|
|   | £'000                   | £'000                  | £'000                    | £'000                  | £'000                    |      |
| <b>Revenue Reserves</b>                             |                         |                        |                          |                        |                          |      |
| <b>A. General Fund Balance</b>                      | <b>(18,949)</b>         | <b>5,846</b>           | <b>(13,103)</b>          | <b>(108)</b>           | <b>(13,211)</b>          | a    |
| <b>B. PCC Earmarked Revenue Reserves</b>            |                         |                        |                          |                        |                          |      |
| <b>Fully committed to Existing Spend Programmes</b> |                         |                        |                          |                        |                          |      |
| Carry Forward Reserve                               | (315)                   | (494)                  | (809)                    | 18                     | (791)                    | b    |
| Estates Reserve                                     | (10,224)                | (5,227)                | (15,451)                 | (17,627)               | (33,078)                 | c    |
| IT Services Reserve                                 | (12,979)                | (9,591)                | (22,570)                 | (1,959)                | (24,529)                 | d    |
| Replacement Programme Reserve                       | (2,154)                 | (2,490)                | (4,644)                  | 711                    | (3,933)                  | e    |
| Revenue Grants Unapplied                            | -                       | (1,980)                | (1,980)                  | 1,479                  | (501)                    | f    |
|   | <b>(25,672)</b>         | <b>(19,782)</b>        | <b>(45,454)</b>          | <b>(17,378)</b>        | <b>(62,832)</b>          |      |
| <b>Departmental/Trading Reserves</b>                |                         |                        |                          |                        |                          |      |
| Forfeit Reserve                                     | (926)                   | 59                     | (867)                    | (105)                  | (972)                    | g    |
| Netley Business Plan                                | (259)                   | 69                     | (190)                    | 73                     | (117)                    | h    |
| Safer Roads Reserve                                 | (1,770)                 | (850)                  | (2,620)                  | (838)                  | (3,458)                  | i    |
|   | <b>(2,955)</b>          | <b>(722)</b>           | <b>(3,677)</b>           | <b>(870)</b>           | <b>(4,547)</b>           |      |
| <b>Risk Reserves</b>                                |                         |                        |                          |                        |                          |      |
| Insurance Reserve                                   | (1,477)                 | -                      | (1,477)                  | -                      | (1,477)                  | j    |
| Council Tax Reserve                                 | -                       | -                      | -                        | (2,139)                | (2,139)                  | k    |
| Grant Equalisation Reserve                          | -                       | (6,000)                | (6,000)                  | -                      | (6,000)                  | l    |
| Operation Magenta Reserve                           | -                       | (5,938)                | (5,938)                  | (2,327)                | (8,265)                  | m    |
| Pension Remedy Reserve                              | -                       | (3,000)                | (3,000)                  | -                      | (3,000)                  | n    |
|   | <b>(1,477)</b>          | <b>(14,938)</b>        | <b>(16,415)</b>          | <b>(4,466)</b>         | <b>(20,881)</b>          |      |
| <b>Corporate Reserves</b>                           |                         |                        |                          |                        |                          |      |
| Commissioner's Reserve                              | (888)                   | 174                    | (714)                    | (342)                  | (1,056)                  | o    |
| Transformation Reserve                              | (18,992)                | 7,274                  | (11,718)                 | 7,476                  | (4,242)                  | p    |
|   | <b>(19,880)</b>         | <b>7,448</b>           | <b>(12,432)</b>          | <b>7,134</b>           | <b>(5,298)</b>           |      |
| <b>Total Earmarked Revenue Reserves Available</b>   | <b>(49,984)</b>         | <b>(27,994)</b>        | <b>(77,978)</b>          | <b>(15,580)</b>        | <b>(93,558)</b>          |      |
| <b>C. Other Earmarked Revenue Reserves</b>          |                         |                        |                          |                        |                          |      |
| ACRO General Reserve                                | (3,500)                 | (3,476)                | (6,976)                  | (1,143)                | (8,119)                  | q    |
| ACRO Surety   | (4,000)                 | 2,000                  | (2,000)                  | -                      | (2,000)                  | r    |
| NaVCIS Surety                                       | (326)                   | (1,000)                | (1,326)                  | -                      | (1,326)                  | s    |
|   | <b>(7,826)</b>          | <b>(2,476)</b>         | <b>(10,302)</b>          | <b>(1,143)</b>         | <b>(11,445)</b>          |      |
| <b>Total Usable Reserves</b>                        | <b>(76,759)</b>         | <b>(24,624)</b>        | <b>(101,383)</b>         | <b>(16,831)</b>        | <b>(118,214)</b>         |      |



## Notes to the core financial statements

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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 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;
- d. The IT Services Reserve holds funds set aside for IT refresh programmes (laptops, phones, BWV and servers), IT projects and the delivery of ESMCP;
- e. 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;
- f. 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;
- g. The Forfeit Reserve holds any surplus generated from confiscated money and is ring-fenced for activities relating to the prevention or detection of drug-related crime;
- h. 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;
- i. The Safer Roads Reserve holds any surplus from safer roads initiatives and will be used to further improve road safety;
- j. 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;
- k. The Council Tax Reserve was established following the receipt of the one-off Local Council Tax Support grant in 2021/22 and will be utilised to manage any ongoing impact from COVID-19 through a Council Tax deficit or the slow recovery or reduced growth in the Council Tax Base;
- l. The Grant Equalisation Reserve will be used to offset and manage future uncertainty in the level of Police grant;
- m. 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 80% of expenditure annually, although it is anticipated that the available special grant could reduce to 55% in future years. The costs of the investigation on an annual basis are now significant, and at a 20% 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;

## Notes to the core financial statements

- n. The Pension Remedy Reserve sets aside specific funding in recognition of the one-off costs which will arise from implementation of the McCloud/Sargeant pension remedy judgment impacting Police Pensions;
- o. 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;
- p. 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;
- q. 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.
- r. 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;
- s. The NaVCIS surety is a sum held to meet any liabilities if the National Vehicle Crime Intelligence Service ceases or is transferred out of the Commissioner's stewardship at short notice.

### 5 Other operating income/expenditure

| 2020/21<br>£'000  | 2021/22<br>£'000 |
|---|------------------|
| (51,688) Home Office Police Pension Fund Top-up Grant           | (52,351)         |
| 51,688 Transfer of Home Office Grant to the Police Pension Fund | 52,351           |
| -   | -                |

### 6 Financing and investment income and expenditure

#### 6.1 Financing and investment income and expenditure – Group

| 2020/21<br>£'000  | 2021/22<br>£'000 |
|---|------------------|
| 1,368 Interest payable and similar charges                          | 1,337            |
| 81,513 Pensions interest cost and expected return on pension assets | 90,905           |
| (774) Interest receivable and similar income                        | (768)            |
| (851) Pooled investments (gain) or loss                             | (784)            |
| (6) Expected credit losses  | (1)              |
| - Change in expected loss allowance for receivables                 | -                |
| <b>81,250</b>   | <b>90,689</b>    |

## Notes to the core financial statements

### 6.2 Financing and investment income and expenditure – PCC

| 2020/21<br>£'000                                    | 2021/22<br>£'000 |
|---|------------------|
| 1,368 Interest payable and similar charges          | 1,337            |
| (774) Interest receivable and similar income        | (768)            |
| (851) Pooled investments (gain) or loss             | (784)            |
| (6) Expected credit losses                          | (1)              |
| - Change in expected loss allowance for receivables | -                |
| <b>(263)</b>  | <b>(216)</b>     |

### 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:-

## Notes to the core financial statements

| 2020/21          | 2020/21 |   | 2021/22          | 2021/22  |
|------------------|---------|---|------------------|----------|
| PCC              | CC      | Credited to Taxation and Non-Specific Grant Income          | PCC              | CC       |
| £'000            | £'000   |   | £'000            | £'000    |
| (146,752)        |         | - Council Tax Precept                                       | (161,106)        | -        |
| (67,781)         |         | - Formula funding   | (71,343)         | -        |
| (130,401)        |         | - Police Grant  | (139,332)        | -        |
| (12,944)         |         | - Council tax legacy grant                                  | (12,944)         | -        |
| (2,988)          |         | - Police Pension grant (previously credited to services)    | (2,988)          | -        |
| -                |         | - Covid Council Tax Loss Grant                              | (197)            | -        |
| -                |         | - Revenue Support Grant                                     | (2,139)          | -        |
| (311)            |         | - Government Grant to Finance Capital Expenditure           | (311)            | -        |
| <b>(361,177)</b> |         | <b>- Total credited to taxation and non-specific income</b> | <b>(390,360)</b> | <b>-</b> |

## Notes to the core financial statements

| 2020/21<br>PCC<br>£'000 | 2020/21<br>CC<br>£'000 | Credited to Services   | 2021/22<br>PCC<br>£'000 | 2021/22<br>CC<br>£'000 |
|-------------------------|------------------------|--|-------------------------|------------------------|
| -                       | (2,509)                | Counter-Terrorism Policing Grant   | -                       | (2,377)                |
| -                       | -                      | - Op Magenta Special Grant   | -                       | (6,500)                |
| (2,902)                 | -                      | - Restorative Justice/Victims Support grant  | (4,314)                 | -                      |
| (1,002)                 | -                      | - Violence Reduction Units   | (880)                   | -                      |
| (550)                   | -                      | - Safer Streets Fund   | (1,290)                 | -                      |
| -                       | -                      | - Serious Violence Youth Intervention Programmes   | (684)                   | -                      |
| -                       | -                      | - Domestic Abuse Perpetrator Programme Fund  | (736)                   | -                      |
| -                       | (5,145)                | Pension Remedy Grant   | -                       | (99)                   |
| -                       | (42)                   | Op Cobb (Badger Cull) Grant  | -                       | (136)                  |
| -                       | (340)                  | ESMCP Grant  | -                       | (19)                   |
| -                       | -                      | - County Lines Social Media Grant  | -                       | (35)                   |
| -                       | (1,504)                | Covid Unallocated Grant  | -                       | -                      |
| -                       | (830)                  | Police Surge Funding Grant   | -                       | (403)                  |
| -                       | (2,179)                | Uplift Enablers Grant  | -                       | (2,805)                |
| -                       | -                      | - Ports COVID Policing Grant   | -                       | (50)                   |
| -                       | -                      | - Digital Mobile Working Grant   | -                       | (30)                   |
| -                       | (41)                   | Conductive Electronic Device (Taser) Grant   | -                       | -                      |
| -                       | (2,179)                | Uplift Enablers/Covid Support Grant  | -                       | -                      |
| -                       | (778)                  | Covid-19 Enforcement   | -                       | -                      |
| (42)                    | -                      | Contributions to National Police Freedom of Information and Data Protection Unit (ACRO - formerly FOI Central Referral Unit) | -                       | -                      |
| (240)                   | -                      | - Restorative Justice/Victims Support grant  | -                       | -                      |
| (811)                   | -                      | - Serious Violence Fund  | -                       | -                      |
| (3)                     | -                      | - Uplift Enablers Grant  | -                       | -                      |
| -                       | (311)                  | Contributions to National Wildlife Crime Unit (ACRO)   | -                       | (389)                  |
| -                       | (93)                   | Sexual exploitation in the Aid sector (ACRO)   | -                       | (36)                   |
| -                       | -                      | - Western Balkans Project (ACRO)   | -                       | (28)                   |
| -                       | -                      | - Pakistan Project (ACRO)  | -                       | (174)                  |
| -                       | -                      | - Carisecure project (ACRO)  | -                       | (22)                   |
| -                       | -                      | - Historic DAF Grant (ACRO)  | -                       | (134)                  |
| -                       | (1,054)                | EU Exit Preparations (ACRO)  | -                       | -                      |
| -                       | (11)                   | Miscellaneous grants   | -                       | (28)                   |
| <b>(5,550)</b>          | <b>(17,016)</b>        | <b>Total</b>   | <b>(7,904)</b>          | <b>(13,265)</b>        |
| <b>(22,566)</b>         |                        | <b>Total grants credited to services in the group</b>  | <b>(21,169)</b>         |                        |

### 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 her 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.

## Notes to the core financial statements

| Remuneration Band   | 2020/21             |          |             | 2021/22             |          |             |
|---------------------|---------------------|----------|-------------|---------------------|----------|-------------|
|                     | Number of employees |          |             | Number of employees |          |             |
|                     | CC                  | PCC      | Group Total | CC                  | PCC      | Group Total |
| £50,000 - £54,999   | 352                 | 3        | 355         | 418                 | 3        | 421         |
| £55,000 - £59,999   | 214                 | -        | 214         | 271                 | -        | 271         |
| £60,000 - £64,999   | 92                  | 5        | 97          | 138                 | 4        | 142         |
| £65,000 - £69,999   | 22                  | -        | 22          | 41                  | -        | 41          |
| £70,000 - £74,999   | 15                  | 1        | 16          | 6                   | 1        | 7           |
| £75,000 - £79,999   | 7                   | -        | 7           | 17                  | -        | 17          |
| £80,000 - £84,999   | 7                   | -        | 7           | 6                   | -        | 6           |
| £85,000 - £89,999   | 9                   | -        | 9           | 10                  | -        | 10          |
| £90,000 - £94,999   | 3                   | -        | 3           | 4                   | -        | 4           |
| £95,000 - £99,999   | 4                   | -        | 4           | 2                   | -        | 2           |
| £100,000 - £104,999 | 2                   | -        | 2           | 3                   | -        | 3           |
| £105,000 - £109,999 | -                   | -        | -           | -                   | -        | -           |
| £110,000 - £114,999 | -                   | -        | -           | 1                   | -        | 1           |
| £115,000 - £119,999 | -                   | -        | -           | -                   | -        | -           |
| £120,000 - £124,999 | 1                   | -        | 1           | -                   | -        | -           |
| <b>Totals</b>       | <b>728</b>          | <b>9</b> | <b>737</b>  | <b>917</b>          | <b>8</b> | <b>925</b>  |

\*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 make-up of its strategic leadership team, the disclosure below includes all chief officers. Only relevant police officers (regardless of salary) and senior employees with a salary greater than £150,000 are named.

The table below provides the relevant disclosure for 2021/22 and comparative information for 2020/21 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.



## Notes to the core financial statements

### 2021/22 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 |
|---|-----------------------------|----------|--------------------|-------------------------------------|------------------|---------------------------------------|----------------------------------|---|------|
|   | £                           | £        | £                  | £                                   | £                | £                                     | £                                | £   |      |
| <b>Office of the PCC</b>                                    |                             |          |                    |                                     |                  |                                       |                                  |   |      |
| PCC For Hampshire & Isle of Wight (01/04/2021 - 12/05/2021) | 10,022                      | -        | -                  | -                                   | -                | -                                     | 1,674                            | 11,696  |      |
| PCC For Hampshire & Isle of Wight (13/05/2021 - 31/03/2022) | 76,678                      | -        | -                  | -                                   | -                | -                                     | 12,805                           | 89,483  |      |
| Chief Exec (PCC) (01/04/2021 - 31/07/2021)                  | 34,302                      | -        | -                  | 51,454                              | -                | -                                     | 5,728                            | 91,484  |      |
| Chief Exec (PCC) (20/10/2021 - 31/03/2022)                  | 41,301                      | -        | -                  | -                                   | -                | -                                     | 6,897                            | 48,198  |      |
| <b>Constabulary</b>   |                             |          |                    |                                     |                  |                                       |                                  |   |      |
| Chief Constable - Olivia Pinkney (01/04/2021 - 31/03/2022)  | 196,323                     | -        | 703                | -                                   | 703              | -                                     | 27,314                           | 225,043   |      |
| Deputy Chief Constable (01/04/2021 - 22/10/2021)            | 82,256                      | -        | 1,260              | -                                   | -                | -                                     | 24,722                           | 108,238   |      |
| Deputy Chief Constable (03/09/2021 - 31/03/2022)            | 83,442                      | -        | -                  | -                                   | 10,067           | -                                     | 25,875                           | 119,384   |      |
| Assistant Chief Constable (01/04/2021 - 02/09/2021)         | 50,802                      | -        | -                  | -                                   | -                | -                                     | 15,399                           | 66,201  |      |
| Assistant Chief Constable (14/03/2022 - 31/03/2022)         | 5,163                       | -        | -                  | -                                   | 737              | -                                     | 1,584                            | 7,484   |      |
| Assistant Chief Constable (01/04/2021 - 31/03/2022)         | 112,636                     | -        | -                  | -                                   | -                | -                                     | 11,615                           | 124,251   |      |
| Assistant Chief Constable (01/04/2021 - 31/03/2022)         | 63,608                      | -        | 25                 | -                                   | 15,123           | -                                     | 18,127                           | 96,883  | 3    |
| Assistant Chief Constable (01/04/2021 - 31/03/2022)         | 110,556                     | -        | -                  | -                                   | 10,926           | -                                     | 33,931                           | 155,413   |      |
| Assistant Chief Constable - 01/04/2021 - 31/03/2022         | 117,818                     | -        | -                  | -                                   | -                | -                                     | 34,936                           | 152,754   |      |
|   | <b>984,907</b>              | <b>-</b> | <b>1,988</b>       | <b>51,454</b>                       | <b>37,556</b>    | <b>-</b>                              | <b>220,607</b>                   | <b>1,296,512</b>                                    | 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 £58,208, 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 £124,539 which includes all employer oncosts.

Note 3: The holder of this Assistant Chief Constable post was seconded to a national policing lead post during 2021/22, the costs of which were incurred nationally, which is why the cost to Hampshire Constabulary appears lower in comparison to the other equivalent post holders.

## Notes to the core financial statements

### 2020/21 Disclosure

#### Post holder information

|  | Salary, fees and allowances<br>£ | Bonuses<br>£ | Expenses Allowance<br>£ | Compensation for loss of<br>employment<br>£ | Benefits in Kind<br>£ | Other payments (Police<br>officers only)<br>£ | Employer's Pension<br>contributions<br>£ | Total Remuneration<br>including pensions<br>contributions<br>£ | Note |
|--|----------------------------------|--------------|-------------------------|---|-----------------------|---|--|--|------|
| <b>Office of the PCC</b>   |                                  |              |                         |   |                       |   |  |  |      |
| PCC For Hampshire & Isle of Wight  | 86,700                           | -            | -                       | -   | -                     | -   | 14,479                                   | 101,179  |      |
| Chief Exec (PCC)   | 102,907                          | -            | -                       | -   | -                     | -   | 17,185                                   | 120,092  |      |
| <b>Constabulary</b>  |                                  |              |                         |   |                       |   |  |  |      |
| Chief Constable - 01/04/2020 -<br>31/03/2021 Olivia Pinkney  | 194,381                          | -            | 671                     | -   | 671                   | -   | 58,634                                   | 254,358  |      |
| Deputy Chief Constable -<br>01/04/2020 - 31/03/2021  | 147,209                          | -            | 1,260                   | -   | 7,906                 | -   | 43,977                                   | 200,351  |      |
| Assistant Chief Constable - Local<br>Policing - 01/04/2020 - 04/10/2020                              | 64,266                           | -            | 289                     | -   | 3,555                 | -   | 18,501                                   | 86,611   |      |
| Assistant Chief Constable -<br>Operations - 01/04/2020 -<br>31/03/2021                               | 119,109                          | -            | -                       | -   | 7,431                 | -   | 36,583                                   | 163,123  |      |
| Assistant Chief Constable -<br>Operations - 01/04/2020 -<br>04/07/2020                               | 31,017                           | -            | -                       | -   | -                     | -   | 9,402                                    | 40,419   |      |
| Assistant Chief Constable - Crime,<br>Criminal Justice and Intelligence -<br>01/04/2020 - 31/03/2021 | 113,347                          | -            | -                       | -   | 3,828                 | -   | 33,744                                   | 150,919  |      |
| Assistant Chief Constable - Local<br>Policing and Public Protection -<br>01/06/2020 - 31/03/2021     | 95,051                           | -            | -                       | -   | 3,681                 | -   | 28,825                                   | 127,557  |      |
| Assistant Chief Constable -<br>Corporate Insights - 04/09/2020 -<br>31/03/2021                       | 60,906                           | -            | -                       | -   | 1,190                 | -   | 19,024                                   | 81,120   |      |
| Assistant Chief Constable -<br>01/04/2020 - 31/3/2021  | 111,154                          | -            | -                       | -   | -                     | -   | 33,867                                   | 145,021  |      |
|  | <b>1,126,047</b>                 | <b>-</b>     | <b>2,220</b>            | <b>-</b>                                    | <b>28,262</b>         | <b>-</b>                                      | <b>314,221</b>                           | <b>1,470,750</b>   | 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.

### 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 (2020/21 restated)

The exit package cost includes compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs. The information for 2020/21 has been restated to add pension contributions in respect of added years, ex-gratia payments and other departures costs. This has increased the number of exit packages in 2020/21 by 17 and increased the total cost of exit packages in 2020/21 by £89,000.

| Exit Package cost band (including special payments) | Number of compulsory redundancies |          | Number of other departures agreed |           | Total number of exit packages by cost band |           | Total cost of exit packages in each band |            |
|---|-----------------------------------|----------|-----------------------------------|-----------|--|-----------|--|------------|
|   | 2020/21                           | 2021/22  | 2020/21                           | 2021/22   | 2020/21                                    | 2021/22   | 2020/21                                  | 2021/22    |
|   | No.                               | No.      | No.                               | No.       | No.  | No.       | £'000                                    | £'000      |
| £0 - £20,000  | -                                 | 2        | 17                                | 22        | 17   | 24        | 89                                       | 151        |
| £20,001 - £40,000                                   | -                                 | -        | -                                 | 9         | -  | 9         | -  | 253        |
| £40,001 - £60,000                                   | -                                 | -        | -                                 | -         | -  | -         | -  | -          |
| £60,001 - £160,000                                  | -                                 | -        | -                                 | 2         | -  | 2         | -  | 217        |
| <b>Totals</b>                                       | <b>-</b>                          | <b>2</b> | <b>17</b>                         | <b>33</b> | <b>17</b>                                  | <b>35</b> | <b>89</b>                                | <b>621</b> |

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 2021/22 (£0 in 2020/21).

## Notes to the core financial statements

### 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:-

| 2020/21<br>£'000 |   | 2021/22<br>£'000 |
|------------------|---|------------------|
|                  | <b>Police and Crime Commissioner:</b>   |                  |
| 32               | Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year | 32               |
|                  | - Other services provided by EY   | -                |
|                  | <b>Chief Constable:</b>   |                  |
| 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   | -                |
| <b>46</b>        |   | <b>46</b>        |

Fees paid by the PCC and the Chief Constable in 2021/22 were in line with the scale fee.

### 11 Nature of Expenses - Group

As disclosed in the note to the CIES, during 2021/22 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:

| 2020/21<br>Expenditure in<br>the CIES<br>£'000 |  | 2021/22<br>Expenditure in<br>the CIES<br>£'000 |
|--|--|--|
|  | Note                                     |  |
| 320,729  | Employee Benefit Expenses                | 388,806  |
| 136,323  | Other Service Expenses                   | 149,025  |
| 8,383  | Depreciation and Impairment              | 9,689  |
| <b>465,435</b>                                 | <b>Total Expenditure</b>                 | <b>547,520</b>                                 |
| <b>(63,065)</b>                                | Grants, contributions and reimbursements | <b>(60,224)</b>                                |
| <b>(18,067)</b>                                | Fees, charges and other service income   | <b>(28,026)</b>                                |
| <b>(81,132)</b>                                | <b>Total Income</b>                      | <b>(88,250)</b>                                |
| <b>384,303</b>                                 | <b>Net Cost of Services</b>              | <b>459,270</b>                                 |

## Notes to the core financial statements

- 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:

| 2020/21<br>£'000 |   | 2021/22<br>£'000 |
|------------------|---|------------------|
| (5,938)          | Operational policing services                                   | (13,063)         |
| (250)            | Police and Crime Commissioner - Estate                          | (452)            |
| (11,879)         | Other items not allocated to services                           | (14,511)         |
| <b>(18,067)</b>  | <b>Total income from external customers analysed by service</b> | <b>(28,026)</b>  |

### Nature of expenses – PCC

As disclosed in the note to the CIES, during 2021/22 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:

| 2020/21<br>Expenditure in<br>the CIES<br>£'000 | Note | 2021/22<br>Expenditure in<br>the CIES<br>£'000 |
|--|------|--|
| 2,474  | a    | 3,393  |
| 29,186   | b    | 30,093   |
| 8,383  | c    | 9,689  |
| <b>40,043</b>                                  |      | <b>43,175</b>                                  |
| <b>Total Expenditure</b>                       |      | <b>Total Expenditure</b>                       |
| (5,747)  |      | (8,010)  |
| (250)  |      | (452)  |
| <b>(5,997)</b>                                 |      | <b>(8,462)</b>                                 |
| <b>Total Income</b>                            |      | <b>Total Income</b>                            |
| <b>34,046</b>                                  |      | <b>34,713</b>                                  |
| <b>Net Cost of Services</b>                    |      | <b>Net Cost of Services</b>                    |

## Notes to the core financial statements

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- 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.

All income received from external customers by the PCC was received into the Estates service, £452,000 in 2021/22 (£250,000 in 2020/21).

## 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 £39.6m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£37.3m in 2020/21). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £13.3m in 2021/22 (£12.6m in 2020/21).

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 2021/22 (none in 2020/21).

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:-

## Notes to the core financial statements

| Activity  | Partners  | Lead/Host | PCC share of costs £m |
|---|---|-----------|-----------------------|
| Joint working for support services                          | Hampshire County Council (HCC), Hampshire Fire and Rescue Services (HFRS) | HCC       | 9.4                   |
| Joint ICT/Information Management Department                 | Thames Valley Police (TVP)  | TVP       | 25.6                  |
| South East Organised Regional Organised Crime Unit (SEROCU) | South East Region Forces (TVP, Surrey, Sussex)                            | TVP       | 5.0                   |
| Joint Operations Unit                                       | Thames Valley Police (TVP)  | TVP       | 27.5                  |

In all of these, Governance arrangements are in place which means that each party can influence the work and priorities of each activity and will have a role in budget setting and overall strategic direction. Where there is a host organisation, they will have day to day operational responsibility and may recruit key post holders. They may also employ the staff working across the partnership area. Where key decisions are made, however, this is generally by a simple majority and no force, authority or combination of such would have de facto control or joint control of the partnership. All of these partnerships have been reviewed in terms of whether they should be part of the group accounts and it has been concluded that they do not. Consequently, the income and expenditure is reported in the single entity accounts of the Commissioner and Chief Constable as appropriate.



## Notes to the core financial statements

### 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.

| 2020/21<br>£'000 | Capital financing and expenditure                           | 2021/22<br>£'000 |
|------------------|---|------------------|
| 56,281           | <i>Opening Capital Financing Requirement</i>                | 54,669           |
|                  | <i>Capital investment</i>                                   |                  |
| 5,453            | Operational assets  | 3,533            |
| -                | Right of use finance lease asset                            | 3,868            |
| 712              | Non-operational assets                                      | 2,325            |
| 3,799            | Revenue Expenditure funded from capital under statute       | 409              |
|                  | <i>Sources of finance</i>                                   |                  |
| (7,265)          | Capital receipts  | (3,263)          |
| (311)            | Government grants and contributions                         | (311)            |
| -                | Donated assets  | -                |
| (2,382)          | Use of reserves (Revenue contributions to capital)          | (2,694)          |
| (1,618)          | Sums from revenue (Minimum revenue provision - MRP)         | (2,121)          |
| <b>54,669</b>    | <i>Closing Capital Financing Requirement</i>                | <b>56,415</b>    |
|                  | <i>Explanation of movements in year</i>                     |                  |
| (1,612)          | Increase/ (decrease) in underlying need to borrow           | 1,746            |
| <b>(1,612)</b>   | <i>Increase/(decrease) in Capital Financing Requirement</i> | <b>1,746</b>     |

## Notes to the core financial statements

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£6.3m 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 2021/22 (Nil in 2020/21).

### 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:

## Notes to the core financial statements

- 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 2022 was £5.115m (£4.096m at 31 March 2021).

A new lease with BT was entered into in conjunction with Thames 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 2022 was £2.206m.

The outstanding liability to the supplier is as follows:

| 2020/21<br>£'000 |  | 2021/22<br>£'000 |
|------------------|--|------------------|
|                  | - Balance outstanding at 1 April       | 3,392            |
| 3,868            | Liability bought onto balance sheet    | -                |
|                  | - Reduction in lease liability         | (403)            |
| (476)            | Payments during the year               | (350)            |
| <b>3,392</b>     | <b>Balance outstanding at 31 March</b> | <b>2,639</b>     |

The Group is committed to payments as follows:

|   | Principal<br>£'000 | Interest<br>£'000 | Total<br>£'000 |
|---|--------------------|-------------------|----------------|
| Not later than one year                           | 790                | 51                | 841            |
| Later than one year and not later than five years | 1,849              | 60                | 1,909          |
| <b>Total</b>                                      | <b>2,639</b>       | <b>111</b>        | <b>2,750</b>   |

## Notes to the core financial statements

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### 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 £3.058m (£3.053m in 2020/21).

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

| <b>31 March 2021</b> |   | <b>31 March 2022</b> |
|----------------------|---|----------------------|
| <b>£'000</b>         |   | <b>£'000</b>         |
| 3,100                | Not later than one year                           | 2,772                |
| 8,992                | Later than one year and not later than five years | 8,687                |
| 50,582               | Later than five years                             | 50,120               |
| <b>62,674</b>        | <b>Total</b>                                      | <b>61,579</b>        |

### 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

## Notes to the core financial statements

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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



## Notes to the core financial statements

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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 it is 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. 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

## Notes to the core financial statements

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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



## Notes to the core financial statements

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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.

## Notes to the core financial statements

### Movement on balances 2021/22

|  | Land and Buildings<br>£'000 | Vehicles and Plant<br>£'000 | Furniture and Equipment<br>£'000 | Assets under construction<br>£'000 | Surplus Assets<br>£'000 | Total Property, Plant and Equipment<br>£'000 | Finance lease in addition to Property Plant &<br>£'000 |
|--|-----------------------------|-----------------------------|----------------------------------|------------------------------------|-------------------------|--|--|
| <b>Cost or valuation</b>   |                             |                             |                                  |                                    |                         |  |  |
| <b>At 31 March 2021</b>  | <b>230,892</b>              | <b>21,705</b>               | <b>4,536</b>                     | <b>691</b>                         | <b>8,270</b>            | <b>266,094</b>                               | <b>3,868</b>   |
| Additions in year  | 1,523                       | 2,010                       | -                                | 2,310                              | 15                      | 5,858  | -  |
| Donations  | -                           | -                           | -                                | -                                  | -                       | -  | -  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 18,280                      | -                           | -                                | -                                  | (3,481)                 | 14,799                                       | -  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (156)                       | -                           | -                                | -                                  | (1,760)                 | (1,916)                                      | (403)  |
| Derecognition - Disposals  | -                           | (2,039)                     | -                                | -                                  | (1,500)                 | (3,539)                                      | -  |
| Derecognition - Other  | -                           | -                           | (120)                            | -                                  | -                       | (120)  | -  |
| Assets reclassified (to)/from held for sale  | -                           | -                           | -                                | -                                  | -                       | -  | -  |
| Other movements in cost or valuation   | (8,737)                     | 802                         | -                                | (802)                              | 8,737                   | -  | -  |
| <b>At 31 March 2022</b>  | <b>241,802</b>              | <b>22,478</b>               | <b>4,416</b>                     | <b>2,199</b>                       | <b>10,281</b>           | <b>281,176</b>                               | <b>3,465</b>   |
| <b>Accumulated depreciation and impairment</b>   |                             |                             |                                  |                                    |                         |  |  |
| <b>At 31 March 2021</b>  | <b>(12,975)</b>             | <b>(13,521)</b>             | <b>(3,949)</b>                   | -                                  | <b>(294)</b>            | <b>(30,739)</b>                              | <b>(581)</b>   |
| Depreciation Charge  | (4,695)                     | (1,911)                     | (455)                            | -                                  | (33)                    | (7,094)                                      | (678)  |
| Depreciation written out on revaluation  | 5,218                       | -                           | -                                | -                                  | 1,396                   | 6,614  | -  |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                     | -                           | -                           | -                                | -                                  | -                       | -  | -  |
| Derecognition - Disposals  | -                           | 1,754                       | -                                | -                                  | 64                      | 1,818  | -  |
| Derecognition - Other  | -                           | -                           | 120                              | -                                  | -                       | 120  | -  |
| Assets reclassified (to)/from held for sale  | -                           | -                           | -                                | -                                  | -                       | -  | -  |
| Other movements in depreciation and impairment   | 1,209                       | -                           | -                                | -                                  | (1,209)                 | -  | -  |
| <b>At 31 March 2022</b>  | <b>(11,243)</b>             | <b>(13,678)</b>             | <b>(4,284)</b>                   | -                                  | <b>(76)</b>             | <b>(29,281)</b>                              | <b>(1,259)</b>   |
| <b>Net Book Value</b>  |                             |                             |                                  |                                    |                         |  |  |
| <b>At 31 March 2022</b>  | <b>230,559</b>              | <b>8,800</b>                | <b>132</b>                       | <b>2,199</b>                       | <b>10,205</b>           | <b>251,895</b>                               | <b>2,206</b>   |
| <b>At 31 March 2021</b>  | <b>217,917</b>              | <b>8,184</b>                | <b>587</b>                       | <b>691</b>                         | <b>7,976</b>            | <b>235,355</b>                               | <b>3,287</b>   |

## Notes to the core financial statements

### Movement on balances 2020/21

|  | Land and Buildings<br>£'000 | Vehicles and Plant<br>£'000 | Furniture and Equipment<br>£'000 | Assets under construction<br>£'000 | Surplus Assets<br>£'000 | Total Property, Plant and Equipment<br>£'000 | Finance lease in addition to Property Plant & Equipment<br>£'000 |
|--|-----------------------------|-----------------------------|----------------------------------|------------------------------------|-------------------------|--|--|
| <b>Cost or valuation</b>   |                             |                             |                                  |                                    |                         |  |  |
| <b>At 31 March 2020</b>  | <b>257,910</b>              | <b>20,302</b>               | <b>8,003</b>                     | <b>749</b>                         | <b>12,096</b>           | <b>299,060</b>                               | <b>-</b>   |
| Additions in year  | 2,751                       | 2,702                       |                                  | 689                                | 23                      | 6,165  | 3,868  |
| Donations  |                             |                             |                                  |                                    |                         |  |  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve      | (29,769)                    | -                           | -                                | -                                  | 78                      | (29,691)                                     | -  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the   |                             |                             |                                  |                                    |                         |  |  |
| Derecognition - Disposals  | -                           | (1,466)                     | -                                | -                                  | (4,500)                 | (5,966)                                      | -  |
| Donations  | -                           | -                           | -                                | -                                  | -                       | -  | -  |
| Assets reclassified (to)/from held for sale                                  | -                           | -                           | -                                | -                                  | -                       | -  | -  |
| Derocognition - Other  | -                           | -                           | (3,467)                          | (7)                                | -                       | (3,474)                                      | -  |
| Assets reclassified (to)/from held for sale                                  | -                           | -                           | -                                | -                                  | -                       | -  | -  |
| Other movements in cost or valuation   |                             | 167                         | -                                | (740)                              | 573                     | -  | -  |
| <b>At 31 March 2021</b>  | <b>230,892</b>              | <b>21,705</b>               | <b>4,536</b>                     | <b>691</b>                         | <b>8,270</b>            | <b>266,094</b>                               | <b>3,868</b>   |
| <b>Accumulated depreciation and Impairment</b>                               |                             |                             |                                  |                                    |                         |  |  |
| <b>At 31 March 2020</b>  | <b>(10,668)</b>             | <b>(12,766)</b>             | <b>(6,524)</b>                   | <b>-</b>                           | <b>(319)</b>            | <b>(30,277)</b>                              | <b>-</b>   |
| Depreciation Charge  | (4,859)                     | (1,915)                     | (892)                            | -                                  | (136)                   | (7,802)                                      | (581)  |
| 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                               |                             |                             |                                  |                                    |                         |  |  |
| <b>At 31 March 2021</b>  | <b>(12,975)</b>             | <b>(13,521)</b>             | <b>(3,949)</b>                   | <b>-</b>                           | <b>(294)</b>            | <b>(30,739)</b>                              | <b>(581)</b>   |
| <b>Net Book Value</b>  |                             |                             |                                  |                                    |                         |  |  |
| <b>At 31 March 2021</b>  | <b>217,917</b>              | <b>8,184</b>                | <b>587</b>                       | <b>691</b>                         | <b>7,976</b>            | <b>235,355</b>                               | <b>3,287</b>   |
| <b>At 31 March 2020</b>  | <b>247,242</b>              | <b>7,536</b>                | <b>1,479</b>                     | <b>749</b>                         | <b>11,777</b>           | <b>268,783</b>                               | <b>-</b>   |

### Capital commitments

As at 31 March 2022 the Commissioner had committed capital expenditure of £1.7m. £0.9m is committed for vehicle purchases and £0.8m is in relation to ongoing works for the Estates Change Programme.

## Notes to the core financial statements

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### 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).

| <b>Reason for holding the asset</b>  | <b>Nature of the contractual cash flows</b>   | <b>Classification category</b>                |
|--|---|---|
| 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 dependent on these investments being held for strategic rather than trading purposes. Such investments are then classified as Fair value through other comprehensive income.

## Notes to the core financial statements

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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.

| <b>Classification category</b>                        | <b>Subsequent measurement basis</b> | <b>Presentation of unrealised gains &amp; losses</b>  |
|---|-------------------------------------|---|
| 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:

## Notes to the core financial statements

|   |   |
|---|---|
| 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:

| Financial Assets  | Long Term           |                     | Short Term          |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31/03/2021<br>£'000 | 31/03/2022<br>£'000 | 31/03/2021<br>£'000 | 31/03/2022<br>£'000 |
| Investments:  |                     |                     |                     |                     |
| At amortised cost   |                     |                     |                     |                     |
| - Principal   | 2,000               | 2,000               | 53,705              | 54,092              |
| - Accrued interest  | 0                   | 0                   | 84                  | 55                  |
| - Loss Allowance  | 0                   | 0                   | (4)                 | (3)                 |
| At Fair Value through Other<br>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  | 9,170               | 10,954              | 0                   | 0                   |
| <b>Total investments</b>                                    | <b>11,170</b>       | <b>12,954</b>       | <b>53,785</b>       | <b>54,144</b>       |
| Cash & cash equivalents:                                    |                     |                     |                     |                     |
| - Cash (including bank accounts)                            |                     |                     | (601)               | 2,937               |
| - At amortised cost   |                     |                     | 780                 | 3,020               |
| - At FVOCI  |                     |                     | 0                   | 0                   |
| - At Fair Value through Profit & Loss                       |                     |                     | 7,670               | 30,830              |
| <b>Total cash and cash equivalents</b>                      | <b>0</b>            | <b>0</b>            | <b>7,849</b>        | <b>36,787</b>       |
| Loans and receivables:                                      |                     |                     |                     |                     |
| - trade debtors   | 289                 | 208                 | 9,723               | 4,521               |
| <b>Total financial assets</b>                               | <b>11,459</b>       | <b>13,162</b>       | <b>71,357</b>       | <b>95,452</b>       |

## Notes to the core financial statements

| Financial Liabilities          | Long Term           |                     | Short Term          |                     |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                | 31/03/2021<br>£'000 | 31/03/2022<br>£'000 | 31/03/2021<br>£'000 | 31/03/2022<br>£'000 |
| Loans at amortised cost:       |                     |                     |                     |                     |
| -Principal sum borrowed        | (29,700)            | (29,700)            | (250)               |                     |
| -Accrued interest              |                     |                     | (175)               | (173)               |
| <b>Total borrowing</b>         | <b>(29,700)</b>     | <b>(29,700)</b>     | <b>(425)</b>        | <b>(173)</b>        |
| Liabilities at amortised cost: |                     |                     |                     |                     |
| -Finance leases                | (2,639)             | (1,849)             | (753)               | (790)               |
| -Trade creditors               | 0                   | 0                   | (20,026)            | (27,567)            |
| <b>Total other liabilities</b> | <b>(2,639)</b>      | <b>(1,849)</b>      | <b>(20,779)</b>     | <b>(28,357)</b>     |
| <b>Total</b>                   | <b>(32,339)</b>     | <b>(31,549)</b>     | <b>(21,204)</b>     | <b>(28,530)</b>     |

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 2022, 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 2022, 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;



## Notes to the core financial statements

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### 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 £0.21m (£0.29m at 31 March 2021). 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.

## Notes to the core financial statements

|   | Fair Value level | Balance Sheet       |                     | Fair Value          |                     |
|---|------------------|---------------------|---------------------|---------------------|---------------------|
|   |                  | 31/03/2021<br>£'000 | 31/03/2022<br>£'000 | 31/03/2021<br>£'000 | 31/03/2022<br>£'000 |
| <b>Financial Liabilities</b>                                  |                  |                     |                     |                     |                     |
| Long term loans from PWLB                                     | 2                | (30,125)            | (29,873)            | (38,581)            | (34,368)            |
| Accrued interest  |                  |                     |                     |                     |                     |
| <b>Total loans borrowed</b>                                   |                  | <b>(30,125)</b>     | <b>(29,873)</b>     | <b>(38,581)</b>     | <b>(34,368)</b>     |
| Liabilities for which fair value is not disclosed *           |                  | (23,418)            | (30,206)            |                     |                     |
| <b>Total financial liabilities</b>                            |                  | <b>(53,543)</b>     | <b>(60,079)</b>     | <b>(38,581)</b>     | <b>(34,368)</b>     |
| Recorded on balance sheet as:                                 |                  |                     |                     |                     |                     |
| Short term creditors  |                  | (20,026)            | (27,567)            |                     |                     |
| Short term borrowing  |                  | (425)               | (173)               |                     |                     |
| Deferred liability repayable within one year                  |                  | (753)               | (790)               |                     |                     |
| Long term creditors   |                  |                     |                     |                     |                     |
| Long term borrowing   |                  | (29,700)            | (29,700)            |                     |                     |
| Deferred liabilities  |                  | (2,639)             | (1,849)             |                     |                     |
| <b>Total financial liabilities</b>                            |                  | <b>(53,543)</b>     | <b>(60,079)</b>     |                     |                     |
| <b>Financial Assets</b>                                       |                  |                     |                     |                     |                     |
| Held at fair value:   |                  |                     |                     |                     |                     |
| Money market funds  | 1                | 7,670               | 30,830              | 7,670               | 30,830              |
| Equity, bond, and multi-asset funds                           | 1                | 5,271               | 6,371               | 5,271               | 6,371               |
| Property funds  | 2                | 3,899               | 4,583               | 3,899               | 4,583               |
| Certificates of deposit                                       |                  |                     |                     |                     | 0                   |
| Corporate & government bonds                                  |                  |                     |                     |                     |                     |
| Assets held at amortised cost:                                |                  |                     |                     |                     |                     |
| Long term loans to other authorities                          |                  |                     |                     |                     |                     |
| Held at amortised cost:                                       |                  |                     |                     |                     |                     |
| Corporate & government bonds                                  | 1                | 0                   | 0                   | 0                   | 0                   |
| Long-term loans to local authorities and housing associations | 2                | 2,000               | 2,000               | 2,079               | 2,071               |
| <b>Total</b>  |                  | <b>18,840</b>       | <b>43,784</b>       | <b>18,919</b>       | <b>43,855</b>       |
| Assets for which fair value is not disclosed *                |                  | 63,976              | 64,830              |                     |                     |
| <b>Total financial assets</b>                                 |                  | <b>82,816</b>       | <b>108,614</b>      |                     |                     |
| Recorded on balance sheet as:                                 |                  |                     |                     |                     |                     |
| Long term investments   |                  | 11,170              | 12,954              |                     |                     |
| Long term debtors   |                  | 289                 | 208                 |                     |                     |
| Short term investments  |                  | 53,785              | 54,144              |                     |                     |
| Cash and cash equivalents                                     |                  | 7,849               | 36,787              |                     |                     |
| Short term debtors  |                  | 9,723               | 4,521               |                     |                     |
| <b>Total financial assets</b>                                 |                  | <b>82,816</b>       | <b>108,614</b>      |                     |                     |

## Notes to the core financial statements

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

### 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<br>2021<br>£'000 |                                      | 31 March<br>2022<br>£'000 |
|---------------------------|--------------------------------------|---------------------------|
| 9,723                     | Financial instrument debtors         | 4,521                     |
| 19,109                    | Non-financial instrument debtors     | 30,934                    |
| <b>28,832</b>             | <b>Total debtors and prepayments</b> | <b>35,455</b>             |

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 2022 (£325,000 as at 31 March 2021).

### 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<br>2021<br>£'000 |                                    | 31 March<br>2022<br>£'000 |
|---------------------------|------------------------------------|---------------------------|
| (20,026)                  | Financial instrument creditors     | (27,567)                  |
| (10,139)                  | Non-financial instrument creditors | (18,348)                  |
| <b>(30,165)</b>           | <b>Total short term creditors</b>  | <b>(45,915)</b>           |

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.

## Notes to the core financial statements

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### Short-term creditors – PCC

| <b>31 March<br/>2021<br/>£'000</b> |                                    | <b>31 March<br/>2022<br/>£'000</b> |
|------------------------------------|------------------------------------|------------------------------------|
| <b>(20,026)</b>                    | Financial instrument creditors     | <b>(27,567)</b>                    |
| <b>(5,739)</b>                     | Non-financial instrument creditors | <b>(13,446)</b>                    |
| <b>(25,765)</b>                    | <b>Total short term creditors</b>  | <b>(41,013)</b>                    |

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

The Commissioner's borrowing strategy for 2021/22 was set in January 2021. The PCC's chief objective when borrowing money is 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 2020/21 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 National Vehicle Crime Intelligence Service (NaVCIS). 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 her 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 2022 by type of investment counterparty:

## Notes to the core financial statements

| Credit Rating             | Long-term     |               | Short-term    |               |
|---------------------------|---------------|---------------|---------------|---------------|
|                           | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 |
|                           | £'000         | £'000         | £'000         | £'000         |
| AAA                       | -             | -             | 4,205         | 10,064        |
| AA+                       | -             | -             | -             | -             |
| AA                        | -             | -             | -             | -             |
| AA-                       | -             | -             | -             | 13,008        |
| A+                        | -             | -             | -             | 9,530         |
| A                         | -             | -             | 13,783        | 4,022         |
| A-                        | -             | -             | -             | -             |
| AAA Money market funds    | -             | -             | 7,670         | 30,830        |
| Unrated local authorities | 2,000         | 2,000         | 36,577        | 20,541        |
| Unrated pooled funds      | 9,170         | 10,954        | -             | -             |
| <b>Total Investments</b>  | <b>11,170</b> | <b>12,954</b> | <b>62,235</b> | <b>87,995</b> |

### 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 2022 is as follows:

| Time to maturity (years)   | Discounted (principal) |                 | Undiscounted (principal plus interest) |                 |
|----------------------------|------------------------|-----------------|--|-----------------|
|                            | 31/03/2021             | 31/03/2022      | 31/03/2021                             | 31/03/2022      |
|                            | £'000                  | £'000           | £'000                                  | £'000           |
| Not over one year          | (250)                  | -               | (1,529)                                | (1,276)         |
| Between one and two years  | -                      | (350)           | (1,276)                                | (1,615)         |
| Between two and five years | (700)                  | (350)           | (4,458)                                | (4,081)         |
| Between five and 10 years  | -                      | (4,000)         | (6,190)                                | (10,107)        |
| Between 10 and 20 years    | (29,000)               | (25,000)        | (33,715)                               | (28,560)        |
| Between 20 and 40 years    | -                      | -               | -                                      | -               |
| Over 40 years              | -                      | -               | -                                      | -               |
| <b>Total</b>               | <b>(29,950)</b>        | <b>(29,700)</b> | <b>(47,168)</b>                        | <b>(45,639)</b> |



## Notes to the core financial statements

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### 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 2022, all of the £29.7m of principal borrowed was at fixed rates. £57m of the OPCC's investment balance at 31 March 2022 was exposed to variable interest rates, including £15m of floating rate notes. The OPCC's investments in diversified income pooled funds (£1.5m at 31 March 2022) 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        |
|--|--------------|
| Increase in interest payable on variable rate borrowing            | -            |
| Increase in interest receivable on variable rate investments       | (731)        |
| Decrease in fair value of investments held at FVPL                 | 85           |
| <b>Impact on (Surplus) or Deficit on the Provision of Services</b> | <b>(646)</b> |
| Decrease in fair value of investments held at FVOCI                | -            |
| <b>Impact on Comprehensive Income and Expenditure</b>              | <b>(646)</b> |

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 their 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 2022, 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

| <b>2020/21</b><br><b>£'000</b> |   | <b>2021/22</b><br><b>£'000</b> |
|--------------------------------|---|--------------------------------|
| 4,167                          | Cash in hand  | 8,221                          |
| 780                            | Cash equivalents measured at amortised cost                   | 3,020                          |
| 7,670                          | Cash equivalents measured at fair value through profit & loss | 30,830                         |
| <b>(4,768)</b>                 | Bank overdraft  | <b>(5,284)</b>                 |
| <b>7,849</b>                   | <b>Total</b>  | <b>36,787</b>                  |

### 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 their 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:

## Notes to the core financial statements

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- 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:

## Notes to the core financial statements

|  | Unfunded Police Pension Schemes |                  | LGPS (Police Staff) |                  |
|--|---------------------------------|------------------|---------------------|------------------|
|  | 2020/21<br>£'000                | 2021/22<br>£'000 | 2020/21<br>£'000    | 2021/22<br>£'000 |
| <b>Comprehensive Income and Expenditure Statement</b>  |                                 |                  |                     |                  |
| <i>Cost of Services</i>  |                                 |                  |                     |                  |
| - Current service cost   | 61,017                          | 91,723           | 23,520              | 39,342           |
| - Past service costs   | 1,383                           | 1,336            | 2                   |                  |
| - (Gain)/loss from settlements   | -                               | -                | -                   | -                |
| <i>Financing and Investment Income and Expenditure</i>   |                                 |                  |                     |                  |
| Net interest expense   | 74,958                          | 82,516           | 4,357               | 5,949            |
| <b>Total Charge to the Surplus or Deficit on the Provision of Services</b>                         | <b>137,358</b>                  | <b>175,575</b>   | <b>27,879</b>       | <b>45,291</b>    |
| <i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i> |                                 |                  |                     |                  |
| <i>Remeasurement of the net defined benefit liability comprising:</i>                              |                                 |                  |                     |                  |
| Return on plan assets (excluding the amount included in the net interest expense)                  | -                               | -                | (74,107)            | (21,137)         |
| - Government contributions to Police Officer schemes   | (52,406)                        | (51,259)         |                     |                  |
| - Actuarial (Gains)/Losses arising:-   |                                 |                  |                     |                  |
| - from changes in financial assumptions  | 656,337                         | (253,896)        | 156,957             | (56,952)         |
| - from changes in demographic assumptions  | -                               | (38,168)         | -                   | (6,946)          |
| - from changes in actuarial experience   | (35,546)                        | 11,230           | (4,963)             | 2,544            |
| <b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b> | <b>705,743</b>                  | <b>(156,518)</b> | <b>105,766</b>      | <b>(37,200)</b>  |
| <i>Movement in Reserves Statement</i>  |                                 |                  |                     |                  |
| Reverse charge to Provision of Services  | (137,358)                       | (175,575)        | (27,879)            | (45,291)         |
| <i>Actual Amount charged against the General Fund Balance for pensions in the year</i>             |                                 |                  |                     |                  |
| Employer's contributions to the scheme   | 34,262                          | 36,354           | 12,146              | 11,634           |
| Benefits paid direct to beneficiaries  | -                               | -                | -                   | -                |
| <b>Charge on General Fund</b>  | <b>34,262</b>                   | <b>36,354</b>    | <b>12,146</b>       | <b>11,634</b>    |

## Notes to the core financial statements

|  | Injury Pensions (police officers) |                  | All schemes - Summary |                  |
|--|-----------------------------------|------------------|-----------------------|------------------|
|  | 2020/21<br>£'000                  | 2021/22<br>£'000 | 2020/21<br>£'000      | 2021/22<br>£'000 |
| <b>Comprehensive Income and Expenditure Statement</b>  |                                   |                  |                       |                  |
| <i>Cost of Services</i>  |                                   |                  |                       |                  |
| - Current service cost   | 2,299                             | 2,919            | 86,836                | 133,984          |
| - Past service cost  | -                                 | -                | 1,385                 | 1,336            |
| - (Gain)/loss from settlements   | -                                 | -                | -                     | -                |
| <i>Financing and Investment Income and Expenditure</i>   |                                   |                  |                       |                  |
| Net interest expense   | 2,198                             | 2,440            | 81,513                | 90,905           |
| <b>Total Charge to the Surplus or Deficit on the Provision of Services</b>                         | <b>4,497</b>                      | <b>5,359</b>     | <b>169,734</b>        | <b>226,225</b>   |
| <br>   |                                   |                  |                       |                  |
| <i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i> |                                   |                  |                       |                  |
| <i>Remeasurement of the net defined benefit liability comprising:</i>                              |                                   |                  |                       |                  |
| - Return on plan assets  | -                                 | -                | (74,107)              | (21,137)         |
| - Government contributions to Police Officer schemes   | -                                 | -                | (52,406)              | (51,259)         |
| - Actuarial (Gains)/Losses arising:-   |                                   |                  |                       |                  |
| - from changes in financial assumptions  | 20,069                            | (7,464)          | 833,363               | (318,312)        |
| - from changes in demographic assumptions  | -                                 | (1,127)          | -                     | (46,241)         |
| - from changes in actuarial experience   | (887)                             | 278              | (41,396)              | 14,052           |
| <b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b> | <b>23,679</b>                     | <b>(2,954)</b>   | <b>835,188</b>        | <b>(196,672)</b> |
| <br>   |                                   |                  |                       |                  |
| <i>Movement in Reserves Statement</i>  |                                   |                  |                       |                  |
| Reverse charge to Provision of Services  | (4,497)                           | (5,359)          | (169,734)             | (226,225)        |
| <br>   |                                   |                  |                       |                  |
| <i>Actual Amount charged against the General Fund Balance for pensions in the year</i>             |                                   |                  |                       |                  |
| Employer's contributions payable to the scheme   | -                                 | -                | 46,408                | 47,988           |
| Benefits paid direct to beneficiaries  | 2,879                             | 3,259            | 2,879                 | 3,259            |
| <b>Charge on General Fund</b>  | <b>2,879</b>                      | <b>3,259</b>     | <b>49,287</b>         | <b>51,247</b>    |

## Notes to the core financial statements

### 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 2022.

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 her defined benefit plan are as follows:-

| Value at year ending                                      | Police Pension Schemes |                       | Injury Pensions (police officers) |                       |
|---|------------------------|-----------------------|-----------------------------------|-----------------------|
|   | 31 March 2021<br>£000  | 31 March 2022<br>£000 | 31 March 2021<br>£000             | 31 March 2022<br>£000 |
| Present value of the defined benefit obligation           | 3,972,905              | 3,780,033             | 117,799                           | 111,586               |
| Fair value of plan assets                                 | -                      | -                     | -                                 | -                     |
| Net liability arising from the defined benefit obligation | <b>3,972,905</b>       | <b>3,780,033</b>      | <b>117,799</b>                    | <b>111,586</b>        |

  

| Value at year ending                                      | Local Govt Pension Scheme |                       | Total                 |                       |
|---|---------------------------|-----------------------|-----------------------|-----------------------|
|   | 31 March 2021<br>£000     | 31 March 2022<br>£000 | 31 March 2021<br>£000 | 31 March 2022<br>£000 |
| Present value of the defined benefit obligation           | 699,444                   | 687,476               | 4,790,148             | 4,579,095             |
| Fair value of plan assets                                 | (410,352)                 | (447,218)             | (410,352)             | (447,218)             |
| Net liability arising from the defined benefit obligation | <b>289,092</b>            | <b>240,258</b>        | <b>4,379,796</b>      | <b>4,131,877</b>      |

## Notes to the core financial statements

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

|   | Unfunded Police Pension Schemes |                 | Local Govt Pension Scheme |                 |
|---|---------------------------------|-----------------|---------------------------|-----------------|
|   | 2020/21<br>£000                 | 2021/22<br>£000 | 2020/21<br>£000           | 2021/22<br>£000 |
| Opening fair value of assets  | -                               | -               | 322,300                   | 410,352         |
| Interest income   | -                               | -               | 7,489                     | 8,693           |
| Remeasurement gains and (losses):-  |                                 |                 |                           |                 |
| - the return on plan assets (excluding the amount included in the net interest expense) | 52,406                          | 51,259          | 74,107                    | 21,137          |
| - other   | -                               | -               | -                         | -               |
| Employer contributions  | 34,262                          | 36,354          | 12,113                    | 11,601          |
| Contributions by scheme participants  | 14,173                          | 14,926          | 4,564                     | 5,389           |
| Settlements   | -                               | -               | -                         | -               |
| Benefits Paid   | (100,841)                       | (102,539)       | (10,221)                  | 9,954           |
| Closing fair value of assets  | -                               | -               | 410,352                   | 467,126         |

|   | Injury Pensions (police officers) |                 |
|---|-----------------------------------|-----------------|
|   | 2020/21<br>£000                   | 2021/22<br>£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  | 2,879                             | 3,259           |
| Contributions by scheme participants  | -                                 | -               |
| Settlements   | -                                 | -               |
| Benefits Paid   | (2,879)                           | (3,259)         |
| Closing fair value of assets  | -                                 | -               |

## Notes to the core financial statements

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

|   | Unfunded Police Pension Schemes   |                    | Local Govt Pension Scheme |                    |
|---|-----------------------------------|--------------------|---------------------------|--------------------|
|   | 2020/21<br>£000                   | 2021/22<br>£000    | 2020/21<br>£000           | 2021/22<br>£000    |
| Opening Balance - 1 April   | (3,301,424)                       | (3,972,905)        | (517,772)                 | (699,444)          |
| Current Service Cost  | (61,017)                          | (91,723)           | (23,520)                  | (39,342)           |
| Interest Cost   | (74,958)                          | (82,516)           | (11,846)                  | (14,642)           |
| Contributions from scheme participants                                      | (14,173)                          | (14,926)           | (4,564)                   | (5,389)            |
| Remeasurement (gains) and losses:<br>Actuarial gains and (losses) arising:- |                                   |                    |                           |                    |
| - from changes in actuarial experience                                      | (656,337)                         | 253,896            | (156,957)                 | 56,952             |
| - from changes in demographic assumptions                                   | -                                 | 38,168             | -                         | 6,946              |
| - from changes in financial assumptions                                     | 35,546                            | (11,230)           | 4,963                     | (2,544)            |
| Liabilities extinguished on settlements                                     | -                                 | -                  | -                         | -                  |
| Benefits Paid   | 100,841                           | 102,539            | 10,254                    | 9,987              |
| Past service costs  | (1,383)                           | (1,336)            | (2)                       | -                  |
| Closing balance - 31 March  | <b>(3,972,905)</b>                | <b>(3,780,033)</b> | <b>(699,444)</b>          | <b>(687,476)</b>   |
|   | Injury Pensions (police officers) |                    | Total                     |                    |
|   | 2020/21<br>£000                   | 2021/22<br>£000    | 2020/21<br>£000           | 2021/22<br>£000    |
| Opening Balance - 1 April   | (96,999)                          | (117,799)          | (3,916,195)               | (4,790,148)        |
| Current Service Cost  | (2,299)                           | (2,919)            | (86,836)                  | (133,984)          |
| Interest Cost   | (2,198)                           | (2,440)            | (89,002)                  | (99,598)           |
| Contributions from scheme participants                                      | -                                 | -                  | (18,737)                  | (20,315)           |
| Remeasurement (gains) and losses:<br>Actuarial gains and (losses) arising:- |                                   |                    |                           |                    |
| - from changes in actuarial experience                                      | (20,069)                          | 7,464              | (833,363)                 | 318,312            |
| - from changes in demographic assumptions                                   | -                                 | 1,127              | -                         | 46,241             |
| - from changes in financial assumptions                                     | 887                               | (278)              | 41,396                    | (14,052)           |
| Liabilities extinguished on settlements                                     | -                                 | -                  | -                         | -                  |
| Benefits Paid   | 2,879                             | 3,259              | 113,974                   | 115,785            |
| Past service costs  | -                                 | -                  | (1,385)                   | (1,336)            |
| Closing balance - 31 March  | <b>(117,799)</b>                  | <b>(111,586)</b>   | <b>(4,790,148)</b>        | <b>(4,579,095)</b> |

Note that, whilst not being part of the Police Pension Schemes, injury pensions are shown above for the purposes of completeness. Injury pensions are funded directly by the Chief Constable.

There is a large deficit on the pension schemes overall, and the police pensions schemes in particular. However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable remains healthy:

- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall



## Notes to the core financial statements

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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 2023 are £13.5m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £87.5m. This figure includes both the Chief Constable's contribution and the Top-Up Grant from the Home Office. In addition, the Chief Constable expects to pay £3.4m directly to beneficiaries of injury pensions.

### **Basis for estimating assets and liabilities**

The liabilities are the estimated present value of the benefit payments due from the scheme in respect of the employer after the accounting reference date, valued using the projected unit method. Allowance is made for expected future increases in pay and pension and assumptions are made regarding mortality rates.

The Chief Constable employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2022.

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

## Notes to the core financial statements

|                        | 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.<br><br>Assumed that no members of the 2006 Scheme elect to commute any of their pension.<br><br>Assumed that 75% of members of the 2015 Scheme commute 25% of their pension. | Assumed that 90% of members of the 1987 Scheme commute 25% of their pension.<br><br>Assumed that no members of the 2006 Scheme elect to commute any of their pension.<br><br>Assumed that 75% of members of the 2015 Scheme commute 25% of their pension. |

**31 March  
2021**

**31 March  
2022**

|      |  |      |
|------|--|------|
| 2.6% | Rate of Inflation (CPI) (LGPS)                                   | 2.9% |
| 2.7% | Rate of Inflation (CPI) (Police Officer Schemes)                 | 3.0% |
| 3.6% | Rate of increase in salaries (LGPS)                              | 3.9% |
| 3.7% | Rate of increase in salaries (Police Officer Schemes)            | 4.0% |
| 2.6% | Rate of increase in pensions (LGPS)                              | 2.9% |
| 2.7% | Rate of increase in pensions (Police Officer Schemes)            | 3.0% |
| 2.1% | Rate for discounting scheme liabilities (LGPS)                   | 2.7% |
| 2.1% | Rate for discounting scheme liabilities (Police Officer Schemes) | 2.7% |
|      | Longevity at 65 for current Pensioners (years):                  |      |
| 23.1 | Men (LGPS)   | 22.9 |
| 25.5 | Women (LGPS)   | 25.4 |
| 22.3 | Men (Police Pension Schemes)                                     | 22.1 |
| 24.3 | Women (Police Pension Schemes)                                   | 24.2 |
|      | Longevity at 65 for future Pensioners (years):                   |      |
| 24.8 | Men (LGPS)   | 24.7 |
| 27.3 | Women (LGPS)   | 27.1 |
| 23.9 | Men (Police Pension Schemes)                                     | 23.8 |
| 26.1 | Women (Police Pension Schemes)                                   | 26.0 |

## Notes to the core financial statements

### 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 2022 and the projected service cost for the year ending 31 March 2023 is set out below:-

#### Baseline:-

##### Police Schemes

Present Value of total obligation (excluding injury benefits) @ 31 March 2022 = £3,780.03M  
 Projected Service cost 2022/23 = £85.22M

##### Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31 March 2022 = £687.21M  
 Projected Service cost 2022/23 = £35.97M

|  | LGPS        |             | Police Schemes |             |
|--|-------------|-------------|----------------|-------------|
|  | + 0.1% p.a. | - 0.1% p.a. | + 0.1% p.a.    | - 0.1% p.a. |
| <b>Adjustment to discount rate</b>                                   |             |             |                |             |
| * Present value of total obligations (£M)                            | 669.34      | 705.76      | 3,702.62       | 3,861.11    |
| * % change in present value of total obligations                     | -2.6%       | 2.7%        | -2.0%          | 2.1%        |
| * Projected service cost (£M)  | 34.75       | 37.41       | 82.06          | 88.46       |
| * % change in projected service cost                                 | -3.9%       | 4.0%        | -3.7%          | 3.8%        |
| <b>Rate of general increase in salaries</b>                          |             |             |                |             |
| * Present value of total obligations (£M)                            | 689.27      | 685.14      | 3,792.13       | 3,768.09    |
| * % change in present value of total obligations                     | 0.3%        | -0.3%       | 0.3%           | -0.3%       |
| * Projected service cost (£M)  | 35.97       | 35.97       | 85.22          | 85.22       |
| * % change in projected service cost                                 | 0.0%        | 0.0%        | 0.0%           | 0.0%        |
| <b>Rate of increase to pensions in payment and deferred pensions</b> |             |             |                |             |
| * Present value of total obligations (£M)                            | 703.70      | 671.40      | 3,849.14       | 3,714.71    |
| * % change in present value of total obligations                     | 2.4%        | -2.3%       | 1.8%           | -1.7%       |
| * Projected service cost (£M)  | 37.41       | 34.57       | 88.46          | 82.06       |
| * % change in projected service cost                                 | 4.0%        | -3.9%       | 3.8%           | -3.7%       |

## Notes to the core financial statements

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

| 31 March<br>2021<br>%   | 31 March<br>2022<br>Quoted % | 31 March<br>2022<br>Unquoted % | 31 March<br>2022<br>Total % |
|---|------------------------------|--------------------------------|-----------------------------|
| 57.0 Equities   | 44.7                         | 11.0                           | 55.7                        |
| 17.3 Government bonds   | 18.0                         | -                              | 18.0                        |
| 6.1 Property  | 0.9                          | 6.0                            | 6.9                         |
| 0.0 Corporate bonds   | -                            | -                              | 0.0                         |
| 0.0 Multi Asset Credit  | 9.2                          | -                              | 9.2                         |
| 1.4 Cash  | 0.9                          | -                              | 0.9                         |
| 18.2 Other (hedge funds, currency holdings, futures,<br>private equities) | 5.8                          | 3.5                            | 9.3                         |
| <b>100.0</b>  | <b>79.5</b>                  | <b>20.5</b>                    | <b>100.0</b>                |

## 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. An additional provision for expected redundancy costs has been made as at 31 March 2022.

### 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.

## Notes to the core financial statements

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### Insurance reserve

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 2021).

### Pensions

Claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons. 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.

#### Aarons & Ors

Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims are due to be heard by the Employment Tribunal in December 2022. The settlement of the injury to feelings claims for Aarons sets a helpful precedent. Therefore no liability in respect of compensation claims is recognised in these accounts.

#### Penningtons

As at 31 March 2022, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

### Pension Remedy

The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members. The main elements of the Act are:

- Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases.
- Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the “remedy period” of April 2015 to 31 March 2022.
- From 1 April 2022, when the remedy period ends, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.
- Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

### Impact on pension liability

Overall, the net pension liability has decreased by £248m from £4,380m at 31 March 2021 to £4,132m at 31 March 2022. The Commissioner's assessed share of the value of the plan assets of the Local Government Superannuation scheme showed an increase of £37m while the assessed present value of the Commissioner's liabilities on all pension schemes decreased by £211m.

### 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 22 February 2023. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Notes to the core financial statements

### 21 Notes to the cash flow statement - Group

#### 21a Operating Activities – Interest

The cash flows for operating activities include the following items:

| 2020/21<br>£'000 |                    | 2021/22<br>£'000 |
|------------------|--------------------|------------------|
| (750)            | Interest received  | (797)            |
| 1,370            | Interest paid      | 1,339            |
| -                | Dividends received | -                |
| <b>620</b>       |                    | <b>542</b>       |

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

| 2020/21<br>£'000 |   | 2021/22<br>£'000 |
|------------------|---|------------------|
| (134,160)        | Adjustments to net surplus or deficit on the provision of services for non-cash movements         | (194,836)        |
|                  | Analysis:-  |                  |
| (120,447)        | Pensions  | (174,978)        |
| (8,383)          | Depreciation and impairment charged to CIES   | (7,773)          |
| -                | Revaluation adjustments   | (2,319)          |
| -                | Increase/Decrease in impairment for bad debts   | -                |
| (8,128)          | Increase/(Decrease) in Debtors  | 6,599            |
| 7,333            | (Increase)/Decrease in Creditors  | (15,346)         |
| (189)            | Increase/(Decrease) in Inventories  | -                |
| (150)            | (Increase)/Decrease in Provisions   | (82)             |
| (5,047)          | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (1,721)          |
| 851              | Movement in the value of financial instruments  | 784              |
| -                | Property, plant & equipment written off as REFCUS   | -                |
| -                | Other non-cash items charged to the net surplus or deficit on the provision of services           | -                |
| <b>(134,160)</b> |   | <b>(194,836)</b> |



## Notes to the core financial statements

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

| 2020/21<br>£'000 |  | 2021/22<br>£'000 |
|------------------|--|------------------|
| 7,576            | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 3,574            |
|                  | Analysis:-   |                  |
| 7,265            | Proceeds from the sale of PP&E, investment property and intangible assets  | 3,263            |
| 311              | Capital grant (included within investing activities)   | 311              |
| -                | Any other items for which the cash effects are investing or financing cash flows   | -                |
| <b>7,576</b>     |  | <b>3,574</b>     |

### 21d Investing activities

| 2020/21<br>£'000 |  | 2021/22<br>£'000 |
|------------------|--|------------------|
|                  | <b>Cash outflows</b>   |                  |
| 6,165            | Purchase of property, plant and equipment, investment property and intangible assets               | 5,858            |
| 176,035          | Purchase of short-term and long-term investments   | 228,072          |
| -                | Other payments for investing activities  | -                |
|                  | <b>Cash inflows</b>  |                  |
| (7,265)          | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3,263)          |
| (131,356)        | Proceeds from short-term and long-term investments   | (226,689)        |
| (311)            | Other receipts from investing activities   | (391)            |
| <b>43,268</b>    | <b>Net cash outflow/(inflow) from investing activities:</b>  | <b>3,587</b>     |

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.

## Notes to the core financial statements

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### 21e Financing activities

| <b>2020/21</b><br><b>£'000</b> |   | <b>2021/22</b><br><b>£'000</b> |
|--------------------------------|---|--------------------------------|
|                                | <b>Cash outflows</b>  |                                |
| 476                            | Cash payments for the reduction of the outstanding liabilities relating to finance leases | 350                            |
| 500                            | Repayment of short- and long-term borrowing   | 25,250                         |
| -                              | Other payments for financing activities - interest paid                                   | -                              |
|                                | <b>Cash inflows</b>   |                                |
| -                              | Cash receipts of short- and long-term borrowing   | (25,000)                       |
| -                              | Other receipts from financing activities - interest received                              | -                              |
| <b>976</b>                     | <b>Net cash outflow/(inflow) from financing activities:</b>                               | <b>600</b>                     |

## Notes to the core financial statements

### 22 Notes to the cash flow statement - PCC

#### 22a Operating Activities – Interest

The cash flows for operating activities include the following items:

| 2020/21<br>£'000 |                    | 2021/22<br>£'000 |
|------------------|--------------------|------------------|
| (750)            | Interest received  | (797)            |
| 1,370            | Interest paid      | 1,339            |
| -                | Dividends received | -                |
| <b>620</b>       |                    | <b>542</b>       |

#### 22b Adjustments to the net surplus or deficit on the provision of services for non-cash movements

| 2020/21<br>£'000 |   | 2021/22<br>£'000 |
|------------------|---|------------------|
| (13,653)         | Adjustments to net surplus or deficit on the provision of services for non-cash movements         | (19,356)         |
|                  | Analysis:-  |                  |
| -                | Pensions  | -                |
| (8,383)          | Depreciation and impairment charged to CIES   | (7,773)          |
| -                | Revaluation adjustments   | (2,319)          |
| (8,128)          | Increase/(Decrease) in Debtors  | 6,599            |
| 7,393            | (Increase)/Decrease in Creditors  | (14,844)         |
| (189)            | Increase/(Decrease) in Inventories  | -                |
| (150)            | (Increase)/Decrease in Provisions   | (82)             |
| (5,047)          | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (1,721)          |
| 851              | Movement in the value of financial instruments  | 784              |
| -                | Property, plant & equipment written off as REFCUS   | -                |
| -                | * Other non-cash items charged to the net surplus or deficit on the provision of services         | -                |
| <b>(13,653)</b>  |   | <b>(19,356)</b>  |

## Notes to the core financial statements

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

| 2020/21<br>£'000 |  | 2021/22<br>£'000 |
|------------------|--|------------------|
| 7,576            | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 3,574            |
|                  | Analysis:-   |                  |
| 7,265            | Proceeds from the sale of PP&E, investment property and intangible assets  | 3,263            |
| 311              | Capital grant (included within investing activities)   | 311              |
| -                | Any other items for which the cash effects are investing or financing cash flows   | -                |
| <b>7,576</b>     |  | <b>3,574</b>     |

### 22d Investing activities - PCC

| 2020/21<br>£'000 |  | 2021/22<br>£'000 |
|------------------|--|------------------|
|                  | <b>Cash outflows</b>   |                  |
| 6,165            | Purchase of property, plant and equipment, investment property and intangible assets               | 5,858            |
| 176,035          | Purchase of short-term and long-term investments   | 228,072          |
| -                | Other payments for investing activities  | -                |
|                  | <b>Cash inflows</b>  |                  |
| (7,265)          | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3,263)          |
| (131,356)        | Proceeds from short-term and long-term investments   | (226,689)        |
| (311)            | Other receipts from investing activities   | (391)            |
| <b>43,268</b>    | <b>Net cash outflow/(inflow) from investing activities:</b>  | <b>3,587</b>     |

## Notes to the core financial statements

### 22e Financing activities – PCC

| 2020/21<br>£'000 |   | 2021/22<br>£'000 |
|------------------|---|------------------|
|                  | <b>Cash outflows</b>  |                  |
| 476              | Cash payments for the reduction of the outstanding liabilities relating to finance leases | 350              |
| 500              | Repayment of short- and long-term borrowing   | 25,250           |
| -                | Other payments for financing activities - interest paid                                   | -                |
| -                | Cash payments for the reduction of the outstanding liabilities relating to finance leases | -                |
|                  | <b>Cash inflows</b>   |                  |
| -                | Cash receipts of short- and long-term borrowing   | (25,000)         |
| -                | Other receipts from financing activities - interest received                              | -                |
| <b>976</b>       | <b>Net cash outflow/(inflow) from financing activities:</b>                               | <b>600</b>       |

### 23 Statement of Accounting Policies and Estimation Techniques

#### General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2021/22). 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.

#### 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 below.

### 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 2022/23 has been reviewed alongside assumptions for 2023/24 and a prudent profile of cashflows to support the Chief Financial Officer in assessing and confirming the Authority's financial sustainability to March 2024. 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.

### Accounting policies

#### 23.1 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.

## Notes to the core financial statements

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- 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.

### **23.2 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.



### 23.3 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.

### 23.4 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 £73,000) means that no separate disclosure is made.

### 23.5 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.

### 23.6 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.

### Critical Judgements in Applying Accounting Policies

#### 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 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 2021/22. 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 2021/22 Statement of Accounts:-

## Notes to the core financial statements

| Consideration   | Accounting determination |    | Reasoning   |
|---|--------------------------|----|---|
|   | PCC                      | CC |   |
| Expenditure   | ✓                        | ✓  | CC to record all expenditure on staff, buildings, supplies and services, vehicles etc. which is employed in the delivery of operational policing except those directly attributable to the activity and functions of the PCC  |
| Employees – IAS19   |                          | ✓  | As most members of staff are under the day to day operational command of the CC, the IAS 19 (employment benefits, including pensions and the adjustments in respect of accrued employee benefits) charges/credits are attributed to the CC. The net IAS19 adjustments are subject to statutory overrides in the Movement in Reserves Statement.   |
| Charges for assets – i.e. depreciation and impairment   | ✓                        |    | Whilst the CC has day to day operational control of most assets such as buildings and vehicles, the PCC manages the estate and the strategic direction of the use of that estate. Additionally, the PCC 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 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 their 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

| Consideration       | Accounting determination |    | Reasoning   |
|---------------------|--------------------------|----|---|
|                     | PCC                      | CC |   |
| Reserves - unusable | ✓                        | ✓  | These are accounting reserves, required for different reasons most of which relate to the statutory overrides and accounting for assets. Most of these are attributable to the PCC, with the exceptions being those relating to the IAS19 entries in the accounts – i.e. the pensions reserve and the accumulated absences account – as these follow the staff to which they relate (i.e. and which are recorded in the CC's Comprehensive Income and Expenditure Statement). |

### 24 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 2022 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 2.0% and a decrease in the Local Government Superannuation Scheme liabilities of 2.6%.<br><br>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 | <p>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.</p> | <p>A 1% change in the value of property would result in an increase/decrease of £2.5m. This does not impact the usable reserves available to the authority.</p> |

### 25 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 2022/23 financial statements in respect of accounting changes introduced in the 2022/23 Code are:

- Property, Plant and Equipment (PPE): Proceeds before Intended Use (Amendments to IAS 16)
  - This amendment prohibits organisations deducting from the cost of PPE the proceeds of items produced using that PPE before it was fully operational as intended. This accounting standard is aimed at manufacturing, so as our focus is on providing public services we do not expect it to have any impact on our accounts.
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes the following changed standards:
  - IFRS 1 (First-time adoption)
    - This amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS. We do not expect this to have any impact on us as we have no plans to acquire subsidiaries with foreign operations.
  - IAS 37 (Onerous contracts)
    - The change clarifies what should be classified as an onerous cost. We do not have any onerous contracts so do not expect this to have any impact on us.
  - IAS 41 (Agriculture)
    - This accounting standard relates to how the harvest from farming should be valued. We do not carry out any farming so this will have no impact on us.

The Code only requires items to be mentioned here which will be adopted in 2022/23. However, it is also useful to note that the adoption of IFRS 16 (which is about accounting for leases) has been delayed again and we are currently planning to adopt it in 2024/25.

## Police Pension Fund Account

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### Police Pension Fund Account

| 2020/21 Police Pension Fund Account<br>£'000 |  | 2021/22<br>£'000 |
|--|--|------------------|
|  | <b>Contributions receivable</b>                      |                  |
|  | - from employer                                      |                  |
| (32,887)                                     | - normal   | (35,021)         |
|  | - early retirements                                  |                  |
| (1,352)                                      | - ill-health capital equivalent charges              | (1,538)          |
| (14,219)                                     | - from members                                       | (15,036)         |
|  | <b>Transfers in</b>                                  |                  |
| (1,010)                                      | - individual transfers in from other schemes         | (1,525)          |
|  | <b>Benefits payable</b>                              |                  |
| 85,119                                       | - pensions   | 86,997           |
| 15,913                                       | - commutations and lump sum retirement benefits      | 18,346           |
| 10   | - lump sum death benefits                            | -                |
|  | <b>Payments to and on account of leavers</b>         |                  |
| 44   | - refunds of contributions                           | 107              |
| 70   | - individual transfers out to other schemes          | 21               |
| <b>51,688</b>                                | <b>Net amount payable for the year</b>               | <b>52,351</b>    |
| (51,688)                                     | <b>Additional contribution from the Commissioner</b> | (52,351)         |
| -  |  | -                |
| <b>2020/21 Net Assets Statement</b>          |  | <b>2021/22</b>   |
| <b>£'000</b>                                 |  | <b>£'000</b>     |
|  | <b>Current Assets</b>                                |                  |
| -  | - contributions due from employer                    | -                |
| -  | - pensions paid to pensioners in advance             | -                |
|  | <b>Current Liabilities</b>                           |                  |
| -  | - unpaid pension benefits                            | -                |
| -  | - amount due to sponsoring department                | -                |
| -  | - other current liabilities                          | -                |
| -  |  | -                |



## Notes to the Police Pension Fund Account

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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 £3.3m in 2021/22. 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 2021/22. Whilst this contribution rate is unchanged from 2020/21, 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

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The Police Pension Fund Account has been prepared in accordance with the extant Police Pensions Regulations and the accounting policies detailed in Note 23.

Note 18 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 continued to have an enormous impact on public health, wellbeing and the day to day lives of all stakeholders during 2021/22. However there has not been a significant impact to the Police and Crime Commissioner either from a governance perspective or a financial management perspective. 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 2021/22, and there is no significant reliance on other income receivable.
- 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 have continued to be conducted remotely and streamed live on the PCC website.
- 1.5 Remote working and the utilisation of video conferencing technology has now become integrated into business practice and this has been utilised to ensure formal decisions have continued 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 2022 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 of the PCC.

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 A new Chief Executive was appointed in October 2021. To support them in the role of Monitoring Officer (MO), they have continued with the appointment of a legally qualified Deputy MO, 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. Following the election in May 2021, a new Police and Crime Plan was published in November 2021.

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 attends both formal public meetings and 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 and the Isle of Wight. Delivery of the Plan is monitored internally within the Office of the Police and Crime Commissioner and also through the scrutinising function of the Police and Crime Panel. Ultimately the Police and Crime Commissioner is held to account by the electorate.

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

3.4.1 Clear guidance and protocols 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 The Chief Executive commenced consultation on a significant organisation redesign to deliver the outcomes within the Police and Crime Plan. The new structure will be operational from 1 June 2022.

3.5.4 Implicit within the new structure 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 Risks jointly held with TVP through collaborations are reviewed at the DCC Collaboration Board and PCC Collaboration Board.

3.6.3 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.

3.6.4 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.
- 3.6.5 The Audit Plan remains fluid to ensure Internal Audit's ability to react to the changing needs of the Police and Crime Commissioner.
- 3.6.6 The Internal Audit plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an embedded Counter Fraud & Corruption Strategy and Policy and Anti Bribery Act Policy.
- 3.6.7 The delivery of the Internal Audit plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Joint Audit Committee and Police and Crime Commissioner.
- 3.6.8 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.
- 3.6.9 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.
- 3.6.10 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.
- 3.6.11 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. During the year, the PCC and Chief Constable agreed to vary the Terms of Reference specifically in relation to the tenure of the Joint Audit Committee chair, to support the continuity of the committee where it is considered in the interests of good governance to do so.
- 3.6.12 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.  
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 Commissioner's Oversight of Policing Services (COPS) meetings, a forum in which the Commissioner will publicly hold the Chief Constable to account on particular



issues raised by the public, 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 executive 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 2021/22 was 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.

### **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.

- 5.4 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.

### **6. Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance**

- 6.1 Following organisational restructure, the new Head of Business will implement a new annual skills audit to underpin the OPCC Annual Training & CPD Plan. The plan will include CPD for all staff on the Principles of Public Life ('Nolan') to promote a climate and culture of openness, support and respect. The Annual Training & CPD Plan will provide management development training, including in coaching leadership styles and financial management.
- 6.2 The new organisational structure will be operational from 1 June 2022 and the Chief Executive is reviewing governance arrangements for the Executive Leadership Team (ELT) and Senior Leadership Team (SLT) in readiness. Reporting into the ELT, reviews of the Scheme of Delegation & Consent and all organisational policies will then follow.
- 6.3 The new Police and Crime Plan continues to be implemented to establish the Commissioner's ambitions for delivering positive outcomes. An accompanying Implementation Plan is being finalised through the Chief Executive to ensure operational traction of all activities and actions contained therein. Accountability will be provided through the ELT and SLT respectively.
- 6.4 The Chief Executive will review the organisational approach to risk management, including the completion of strategic, operational and project-level risk registers, systems and processes. 2022/23 will see a continued focus on the Estates Strategy and Estates Improvement Plan.
- 6.5 The Head of Business will review the current approach to Performance and Development Reviews (PDRs), including goal setting, reward and recognition, and performance management. Good practice from partner organisations will be considered.
- 6.6 Holding the Chief Constable to account is a statutory requirement and the OPCC will provide the Commissioner with a new risk-based, formally documented Oversight & Scrutiny Programme.
- 6.7 The Chief Executive will roll out a new model of budget accountability to enhance the existing financial control and accountability via the ELT and SLT structures.
- 6.8 Our position in relation to Covid-19 is deemed stable with no foreseeable strategic risks to our business; however we will continue to review any legacy impact or new and emerging impact and take action as necessary to address any issues deemed

## Annual Governance Statement

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to impact on our business.

7. **In response to the Action Plan identified in the 2020/21 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 **Covid-19** – the PCC elections were rescheduled for May 2021 and successfully held with the appointment of a new Police and Crime Commissioner for a three-year term ending in May 2024. The business of the Office of the PCC continued to be successfully delivered, utilising a mix of remote and office-based working and decision making. The business recovery group has been stood down on the basis that the impact of Covid-19 on day-to-day business is minimal and/or managed.
- 7.3 The position in relation to Covid-19 and any legacy impact or new and emerging impact will continue to be reviewed and action taken as necessary to address any issues deemed to impact on our business.
- 7.4 **CIPFA FM Code** – the requirements of the Code were reviewed and considered, and no major gaps have been identified, based on the desktop review. We believe we are compliant with the Code.

### 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:



Andrew Lowe, Chief Finance Officer

Date: 12<sup>th</sup> May 2022

Signed:



Jason Kenny, Chief Executive

Date: 12<sup>th</sup> May 2022

Signed:



Donna Jones, Police and Crime Commissioner

Date: 12<sup>th</sup> May 2022

### 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 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Police and Crime Commissioner for Hampshire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Hampshire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Hampshire and Group Balance Sheet;
- Police and Crime Commissioner for Hampshire and Group Cash Flow Statement;
- related notes 1 to 25; and
- Police and Crime Commissioner for Hampshire Pension Fund Account Statements

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Hampshire and the Group as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22; and
- have been prepared properly in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended).

#### 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 the 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 AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



## Independent Auditor's Report

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### 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 and the Group's ability to continue as a going concern for a period 31 March 2024 .

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 and the Group's ability to continue as a going concern.

### Other information

The other information comprises the information included in the Statement of Accounts 2021/22, 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 2021/22.

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

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

We have nothing to report in this regard.

### 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 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);

## Independent Auditor's Report

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- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended); or
- we are not satisfied that the Police and Crime Commissioner and the Group have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

### Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 21, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts 2021/22, 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 2021/22, and for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines 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 and the Group'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 and the Group either intend to cease operations, or have no realistic alternative but to do so.

The Police and Crime Commissioner and the Group are 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.



## Independent Auditor's Report

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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 the Group 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 (as amended),
- 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 and the Group have 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 Police and Crime Commissioner and the Group are complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, 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 noncompliance. We corroborated this through our reading of the Police and Crime Commissioner's and the Group's committee minutes, through enquiry of employees to confirm Police and Crime Commissioner and the Group 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 and the Group'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 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 Police and Crime Commissioner's and the Group's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

## Independent Auditor's Report

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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. We also assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in December 2021, as to whether the Police and Crime Commissioner and the Group had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner and the Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner and the Group 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 (as amended) 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 and the Group'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 issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

## Independent Auditor's Report

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Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office

### Use of our report

This report is made solely to Police and Crime Commissioner for Hampshire and the Group, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) 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 and the Group, for our audit work, for this report, or for the opinions we have formed.

*Kevin Suter*  
*Ernst + Young LLP*

Kevin Suter (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton  
24 February 2023

## Glossary

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### **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

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### **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

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### **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 their 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).