



Statement of
Accounts
2022/23



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Narrative Statement

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 (PCC) for Hampshire and the Isle of Wight and the Group Accounts for the year ending 31 March 2023. 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 2022/23*. This narrative provides a brief explanation and overview of the financial performance and activities during 2022/23.

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 and Isle of Wight Constabulary)
- 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 2022/23.

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, and that as a consequence the term of office of the PCC for this current term was amended to 3 years (from 4) from May 2021. The current PCC is Donna Jones.

The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services in the Hampshire Police area. The current Chief Constable is Scott Chilton, who has been in post since 23rd February 2023.

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

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

The Net Revenue Budget for the Group for 2022/23 was £410m, of which £45m was under the PCC's direct control.

Narrative Statement

Introduction to Hampshire

In policing terms, Hampshire and Isle of Wight Constabulary is the second largest non-metropolitan police force in England and Wales and covers the county of Hampshire and 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 Isle of Wight 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.

Narrative Statement

The Police and Crime Commissioner

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

- Holding the Chief Constable to account
- Appointment / suspension / removal of the Chief Constable
- Setting the priorities for the Force and producing the Police and Crime Plan
- Attending the Police and Crime Panel
- Setting the annual budget and Council Tax precept
- Direct engagement with the public
- Publishing an annual report stating how priorities and targets have been met, and other information as specified by the Secretary of State to enable greater public awareness of police and crime performance in the area
- Collaborating for an efficient and effective Criminal Justice System for Hampshire and the Isle of Wight with partners such as the Youth Offending Team, Crown Prosecution Service and Prison Service etc.
- Commissioning 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, PCC Donna Jones has been in post since May 2021.

The Police and Crime Panel

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.

Narrative Statement

The Police and Crime Panel work through several sub/working groups to give greater visibility to the detail of the work undertaken by the Commissioner and their team.

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

- Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances
- Review the Annual Governance Statements (AGS) prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement
- Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements
- Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the Office of the PCC and Hampshire Constabulary
- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC and the Chief Constable in addressing 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. 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.

Narrative Statement

The PCC and Group's Financial Performance

Revenue Budget 2022/23

In February 2022, the PCC approved funding for the net revenue budget for 2022/23; the net revenue budget for the year was £411m for the Group, an increase of £27m on the previous year.

PCC Controlled Expenditure

The adjacent table provides a high-level analysis of the income and expenditure directly controlled by the Commissioner for 2022/23, in the format of the management accounting figures prepared for scrutiny by the PCC and shows a net underspend for the year of £3.5m:

Outturn 2022/23	Budget £'000	Actuals £'000	Variance £'000
Funding	(409,702)	(409,702)	0
Expenditure owned by the PCC			
Executive	1,315	772	(543)
PCC Business	1,254	1,332	78
Commissioning CJ & Partnerships	3,318	2,449	(869)
Estates	23,517	23,909	392
Capital Financing	2,944	2,944	0
Interest on balances	(500)	(3,111)	(2,611)
Contributions to/(from) reserves	13,189	13,235	46
Net expenditure owned by the PCC	45,037	41,530	(3,507)

Narrative Statement

The PCC and Group's Financial Performance

Group Level (PCC and Chief Constable)

The adjacent table provides a high-level comparison between the approved budget for 2022/23 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 £15.957m.

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 2022/23, the reported outturn position for the Group was net expenditure of £393.7m 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 £15.957m. Within this sum, £1.09m has been set aside as a contribution to the 2024/25 (£0.93m) and 2025/26 budget (£0.16) as approved by the PCC as part of the 2023/24 Precept, Budget and MTFS, and a further £2.53m has been requested to be drawn down in 2023/24 to fund carry forward requests for work which was in progress but not complete at year end.

Outturn 2022/23	Budget £'000	Actuals £'000	Variance £'000
Funding	(409,702)	(409,702)	0
Expenditure owned by the PCC			
Executive	1,315	772	(543)
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Estates	23,517	23,909	392
Capital Financing	2,944	2,944	0
Interest on balances	(500)	(3,111)	(2,611)
Contributions to/(from) reserves	13,189	13,235	46
Net expenditure owned by the PCC	45,037	41,530	(3,507)
Police Service			
Expenditure:			
Employees	307,223	294,570	(12,653)
Indirect Employee Costs	6,008	8,478	2,470
Premises	1,725	910	(815)
Transport	7,745	8,282	537
Supplies & Services	21,796	21,290	(506)
Third Party Payments	83,341	83,158	(183)
Support Services	3,774	3,959	185
Total Expenditure on Police Services	431,612	420,647	(10,965)
Income:			
External Income (incl Grants & Contributions)	(63,341)	(64,669)	(1,328)
Internal Income	(3,606)	(3,765)	(159)
Total Income on Police Services	(66,947)	(68,434)	(1,487)
Net Expenditure on Police Services	364,665	352,213	(12,452)
Net total expenditure	409,702	393,743	(15,958)
Net total funding/expenditure	0	(15,959)	(15,958)

Narrative Statement

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 £9.6m for 2022/23.

Total expenditure in 2022/23 was £5.4m. Of this, £1.5m was spent on buildings and £3.9m on vehicles. The capital expenditure was funded by capital receipts and revenue contributions; no internal or external borrowing was required to fund the capital programme in 2022/23.

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

2021/22 £m		2022/23 £m
	Expenditure:	
3.5	Land & Buildings	1.5
2.8	Vehicles (Including Boats) and Plant	3.9
6.3	Total	5.4
	Funded by:	
0.3	Government Grant	0.0
3.3	Capital Receipts	2.6
2.7	Revenue Contributions	2.8
6.3	Total	5.4

Narrative Statement

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 £89.9m for 2022/23. Debt (£29.7m) did not exceed the Capital Financing Requirement of £53.87m as at 31 March 2023.

Borrowing

The Prudential Code allows the Commissioner to borrow money if it is prudent, affordable and sustainable to do so. In accordance with her borrowing strategy for 2022/23 the Commissioner finances 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.

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 2022/23, leaving £29.35m as long-term borrowing shown on the balance sheet.

In addition, the PCC is internally borrowed in the sum of £24.17m.

Investment

The Commissioner has an investment portfolio consisting of reserves and short-term cash flows (including on-call cash investments). The PCC continues to invest according to a low risk, high quality lending list as outlined in the Investment Strategy for 2022/23.

Cash balances reached an average of £122.5m during the year and interest and dividends of £2.69m was generated from treasury management activity, which was an increase compared with the £0.5m achieved in 2021/22, with the average yield increasing from 0.53% to 2.19%. At 31 March 2023 the investment holding stood at £106.9m.

In efforts to bring inflation down the Bank of England's Monetary Policy Committee (MPC) increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December 2022 and February 2023 and then 25bps in March 2023, taking Bank Rate to 4.25. The increase in the Base rate during the year has been very beneficial for the PCC, providing significant unbudgeted investment income.

Narrative Statement

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 Fire Fighter 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 related to the Judges and Fire Fighter schemes.

The Government has now produced a number of Bills (which in some case have become Acts) 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 £1,320m from £4,132m at 31 March 2022 to £2,812m at 31 March 2023. The Commissioner's assessed share of the value of the plan assets of the Local Government Superannuation scheme showed a decrease of £16.6m while the assessed present value of the Commissioner's liabilities on all pension schemes decreased by £1,336m.

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

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

Narrative Statement

Reserves

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

All reserves are held by the Commissioner with two exceptions; the accumulated absences account and the pensions reserve. Both of these reserves are unusable (i.e., not cash-backed). The balance on the accumulated absences account at 31 March 2023 was £5.1m (£4.9m at 31 March 2022) and the balance on the pensions reserve was £2,812m (£4,132m at 31 March 2022).

Usable Reserves

Total usable reserves were £146.3m as at 31 March 2023, split as follows:

Usable Reserves	£m
General Fund Reserve	8.6
Earmarked Reserves	124.6
Usable by PCC	133.2
ACRO Reserves	13.1
Total Reserves	146.3

It is important to note that of these usable reserves, £13.1m belongs to the ACRO Criminal Records Office and associated activities, partly as a surety (£3.3m) but mainly to support its on-going activity (£9.8m); these reserves are not available for use by the PCC.

The General Fund reserve balance reduced by £4.657m since 31 March 2022.

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 2023/24 budget setting process shows how reserves will be used to support investment over the medium-term. The notes to the accounts (note 4) provide further details of the year end balances and the purpose of each usable reserve.

Narrative Statement

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 cannot 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 therefore not be appropriate for the PCC Statement of Accounts to be prepared on anything other than a going concern basis. Paragraph 3.4.2.23 of the Code confirms as a matter of fact that local authority (including 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 in the following narrative.

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.

As part of the assessment of the 2023/24 budget and the MTFS through until 2026/27, 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 2023/24 Budget report) together with the mitigations. This can be found at the following link:

[Hampshire PCC 2023/24 Budget and MTFS](#)

Narrative Statement

Financial Sustainability – Section 25 report

The issues considered within the Section 25 report were:

- robustness of estimates in the budget
- risks in the 2023/24 budget and the MTFS
- adequacy of reserves
- reliability / accuracy of budget estimates
- cash flow
- the position beyond 2023/24

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*
- *the Medium Term Financial Strategy (MTFS) includes prudent assumptions as to the level of future precept increases and police grant increases*
- *the PCC together with the Chief Executive and CFO will proactively manage and monitor all aspects of budget performance during the year*

In conclusion, the 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 2023/24'.

Narrative Statement

Financial Sustainability – Section 25 report continued

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 2024. The cash flow position remains very positive, and I have no concerns as to the cash position.'

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.'

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 £24.17m, so can support the cash position if necessary, through external borrowing.

Reserves

The PCC has healthy usable reserves (excl ACRO) of £133.17m, 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 that 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

Narrative Statement

Outlook

Budget 2023/24

Revenue

The revenue and capital budget for 2023/24 and Medium-Term Financial Strategy were approved by the Police and Crime Commissioner in February 2023 and published on the PCC's website.

The amount of funding raised through Council Tax is based on the precept increase agreed by the PCC, which for 2023/24 was for a precept increase of £15 on a Band D property in line with the referendum limit set by Government and taking into account the supportive views of the public consultation and the views of the Police and Crime Panel.

The revenue budget for 2023/24 at the Group level is £420m, as shown in the table to the right.

Capital

The approved capital programme for 2023/24 includes £20.5m of planned expenditure. Of this amount £17.5m relates to the built estate and £3m relates to replacement vehicles. This is funded by capital receipts and revenue contributions.

Budget 2023/24	£'000
Funding	
Government Grant	(239,756)
Council Tax Precept	(179,539)
Collection Fund Surplus	(520)
Total Funding	(419,815)
Expenditure	
PCC Controlled Budget	49,269
Hampshire Constabulary Budget	370,546
Net total expenditure for PCC Group	419,815
Net Revenue Position	0

Narrative Statement

Outlook continued

Medium-Term Financial Strategy

The medium-term financial strategy (MTFS) for the period 2023/24 – 2026/27 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 2024/25 onwards. The MTFS also assumes that Hampshire and Isle of Wight 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: 2024/25 £6.6m, 2025/26 £16.6m, 2026/27 £27.4m.

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 2023/24

For the position beyond 2023/24, the CFO set out in the Section 25 statement that:

‘Given the announcement of only a firm one-year settlement 2023/24, 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 2023/24. 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 and the Isle of Wight 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.

Narrative Statement

Performance

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

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

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

In April 2023, His 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 & Isle of Wight Constabulary keeps people safe and reduces crime. The full report is available online:

[PEEL 2021/22 – An inspection of Hampshire and Isle of Wight Constabulary - His Majesty's Inspectorate of Constabulary and Fire & Rescue Services \(HMICFRS\)](#)

The key observations of HM Inspector were:

These are the findings I consider most important from our assessments of the force over the past year:

- *Crimes reported by the public are accurately recorded, and in most cases, victims of crime receive an acceptable response*
- *We found good work with partners to protect victims of domestic abuse and child criminal exploitation*
- *Neighbourhood police officers are often taken away from their core tasks*
- *The force prioritises resources according to its understanding of risk, but it struggles to fully manage the wider effect of demand on the way it carries out its activities*

“Overall, we found that the force was managed efficiently. It has one of the lowest amounts of funding per head of population in England and Wales, which influences the decisions leaders have to make about where to focus resources.”

Narrative Statement

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.

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 Association of Chief Police Officers' Criminal Records Office (ACRO) 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 2023.

Narrative Statement

Preparation of the 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'). Additionally, the Commissioner, with her ultimate control over the Chief Constable's resources, must prepare group accounts. 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. 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 2023/24 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

The deadline for publishing the draft accounts has moved forward to 31st May 2023 (for the 2 financial years post Covid the deadline had moved to 31 July.) The deadline for publishing the audited accounts is currently under review by central government.

Narrative Statement

Preparation of the Statement of Accounts continued

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 to prepare the accounts so that they demonstrate:

a) Understandability

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

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

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

b) Relevance

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

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

c) Reliability

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

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

d) Comparability

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

The application of the terms, accounting policies and requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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.

Narrative Statement

Preparation of the Statement of Accounts continued

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

Compliance with International Financial Reporting Standards (IFRS) means 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 2023 was £5.1m (£4.902m as at 31 March 2022).

Uncertain Future Events

The United Kingdom exited the European Union on 31 January 2020. Transitional arrangements remain in place but the event has led to continued short-term increased political and economic uncertainty, further impacted by the Covid 19 crisis which has been the main focus of government. 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 and the Isle of Wight, c/o Finance Team, Police and Fire HQ, Leigh Road, Eastleigh, SO50 9SJ.

e-mail: OPCCFinance@hampshire.police.uk

Statement of Responsibilities

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

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 6 December 2024



6 December 2024

The Chief Finance Officer's Certificate

I certify that the Statement of Accounts for 2022/23 give a true and fair view of the financial position of the Commissioner and the group at 31 March 2023 and its income and expenditure for the year then ended on 31 March 2023.



6 December 2024

Movement in Reserves - Group

This statement shows the movement in the year in 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 'Total Comprehensive Income and Expenditure' 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	
Balance at 31 March 2021	(101,383)	0	0	(101,383)	4,203,623	4,102,240	
Movements during 2021/22							
Total Comprehensive Income and Expenditure	158,137	0	0	158,137	(444,311)	(286,174)	
Adjustments between accounting basis & funding basis under regulations	(174,968)	0	0	(174,968)	174,968	0	2
(Increase)/Decrease in year	(16,831)	0	0	(16,831)	(269,343)	(286,174)	
Balance at 31 March 2022	(118,214)	0	0	(118,214)	3,934,280	3,816,066	
Movements during 2022/23							
Total Comprehensive Income and Expenditure	141,929	0	0	141,929	(1,481,944)	(1,340,015)	
Adjustments between accounting basis & funding basis under regulations	(170,116)	0	0	(170,116)	170,116	0	2
Transfer of reserves to other Police Authority	110	0	0	110		110	
(Increase)/Decrease in year	(28,077)	0	0	(28,077)	(1,311,828)	(1,339,905)	
Balance at 31 March 2023	(146,291)	0	0	(146,291)	2,622,452	2,476,161	

Note Link
[Note 2](#)

Movement in Reserves - PCC

This 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 'Total Comprehensive Income and Expenditure' line shows the true economic cost of providing the Commissioner'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.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2021	(101,383)	0	0	(101,383)	(180,573)	(281,956)	
Movements during 2021/22							
Total Comprehensive Income and Expenditure	(17,343)	0	0	(17,343)	(21,414)	(38,757)	
Adjustments between accounting basis & funding basis under regulations	512	0	0	512	(512)	0	2
(Increase)/Decrease in year	(16,831)	0	0	(16,831)	(21,926)	(38,757)	
Balance at 31 March 2022	(118,214)	0	0	(118,214)	(202,499)	(320,713)	
Movements during 2022/23							
Total Comprehensive Income and Expenditure	(17,098)	0	0	(17,098)	(3,592)	(20,690)	
Adjustments between accounting basis & funding basis under regulations	(11,089)	0	0	(11,089)	11,089	0	2
Transfer of reserves to other Police Authority	110	0	0	110		110	
(Increase)/Decrease in year	(28,077)	0	0	(28,077)	7,497	(20,580)	
Balance at 31 March 2023	(146,291)	0	0	(146,291)	(195,002)	(341,293)	

Note Link
[Note 2](#)

Balance Sheet - Group

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

The net assets of the Group (assets less liabilities) are matched by the reserves held. Reserves are in two categories:

- Usable reserves are the 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.
- Unusable reserves are those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

Signed:



(Chief Finance Officer)
6 December 2024

Statement of Accounts 2022/23

31 March 2022		31 March 2023	Note
£'000		£'000	
254,101	Property, plant and equipment	245,008	17
0	Investment Property	200	
12,954	Long term investments	14,991	18
208	Long term debtors	122	18
267,263	Long Term Assets	260,321	
54,144	Short term investments	20,694	18
0	Assets held for sale	777	
821	Inventories	821	
35,455	Short term debtors	54,543	18
36,787	Cash and cash equivalents	73,542	19
127,207	Current Assets	150,377	
(173)	Short term borrowing	(524)	18
(790)	Other short-term liabilities	(896)	18
(45,915)	Short term creditors	(42,632)	18
(232)	Provisions	0	
(47,110)	Current Liabilities	(44,052)	
80,097	Net Current Assets	106,325	
(29,700)	Long term borrowing	(29,350)	18
(1,849)	Other long term liabilities	(1,142)	18
(4,131,877)	Net liability related to pension schemes	(2,812,315)	20
(4,163,426)	Long Term Liabilities	(2,842,807)	
(3,816,066)	Net Liabilities	(2,476,161)	
	Financed by:		
(118,214)	Usable reserves	(146,291)	4
3,934,280	Unusable reserves	2,622,452	3
3,816,066	Total Reserves	2,476,161	

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Balance Sheet - PCC

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

The net assets of the Commissioner (assets less liabilities) are matched by the reserves held. Reserves are in two categories:

- Usable reserves are the reserves that the Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
- Unusable reserves are those that the Commissioner 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'.

Signed:



(Chief Finance Officer)
6 December 2024

Statement of Accounts 2022/23

31 March 2022		31 March 2023	Note
£'000		£'000	
254,101	Property, plant and equipment	245,008	15
0	Investment Property	200	
12,954	Long term investments	14,991	16
208	Long term debtors	122	16
267,263	Long Term Assets	260,321	
54,144	Short term investments	20,694	16
0	Assets held for sale	777	
821	Inventories	821	
35,455	Short term debtors	54,543	16
36,787	Cash and cash equivalents	73,542	17
127,207	Current Assets	150,377	
(173)	Short term borrowing	(524)	16
(790)	Other short-term liabilities	(896)	14a
(41,013)	Short term creditors	(37,493)	16
(232)	Provisions	0	
(42,208)	Current Liabilities	(38,913)	
84,999	Net Current Assets	111,464	
(29,700)	Long term borrowing	(29,350)	16
(1,849)	Other long term liabilities	(1,142)	14a
(31,549)	Long Term Liabilities	(30,492)	
320,713	Net Assets/(Liabilities)	341,293	
	Financed by:		
(118,214)	Usable reserves	(146,291)	4
(202,499)	Unusable reserves	(195,002)	3
(320,713)	Total Reserves	(341,293)	

Note Links

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[Note 14a](#)

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Cash Flow Statement - Group

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group 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 (inflows)/outflows 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 (inflows)/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.

2021/22		2022/23	
£'000		£'000	<i>Note</i>
158,137	Net deficit on the provision of services	141,929	<i>CIES</i>
(194,836)	Adjustments for non-cash movements	(153,905)	<i>21b</i>
3,574	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	(1,881)	<i>21c</i>
(33,125)	Net cash flows from Operating Activities	(13,857)	
3,587	Investing Activities	(23,777)	<i>21d</i>
600	Financing Activities	879	<i>21e</i>
(28,938)	Net increase in cash and cash equivalents	(36,755)	
(7,849)	Cash and cash equivalents at the beginning of the reporting period	(36,787)	
(36,787)	Cash and cash equivalents at the end of the reporting period	(73,542)	<i>17</i>

Note Links

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Cash Flow Statement - PCC

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

The statement shows how the Commissioner generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash (inflows)/outflows arising from operating activities is a key indicator of the extent to which the operations of the Commissioner are funded by way of taxation and grant income or from the recipients of services provided by the Commissioner.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Commissioner'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 Commissioner.

2021/22		2022/23	
£'000		£'000	<i>Note</i>
(17,343)	Net surplus on the provision of services	(17,098)	<i>CIES</i>
(19,356)	Adjustments for non-cash movements	5,122	<i>22b</i>
3,574	Adjustment for items included in the net surplus on the provision of services that are investing or financing activities	(1,881)	<i>22c</i>
(33,125)	Net cash flows from Operating Activities	(13,857)	
3,587	Investing Activities	(23,777)	<i>22d</i>
600	Financing Activities	879	<i>22e</i>
(28,938)	Net increase in cash and cash equivalents	(36,755)	
(7,849)	Cash and cash equivalents at the beginning of the reporting period	(36,787)	
(36,787)	Cash and cash equivalents at the end of the reporting period	(73,542)	<i>17</i>

Note Links

[CIES](#)

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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.

Organisational restructure

Following a review of the Commissioner's operations, a re-grouping of the income and expenditure has taken place. This resulted in the PCC Office segment being further split into Executive and Business, while the Commissioning and Crime Prevention segments in 2021/22 have been combined to form the Commissioning CJ & Partnerships due to the close nature of the Commissioning work with Crime Prevention.

The CIES for 2022/23 has been presented on this basis and the prior year comparators for 2021/22 restated to match the new structure. This is shown in the Cost of Policing Services section of the CIES but has no impact in the overall Cost of Policing Services.

Gross expenditure £'000	2021/22	Net expenditure £'000		Gross expenditure £'000	2022/23	Net expenditure £'000	Note
	Gross Income £'000				Gross Income £'000		
484,350	(59,990)	424,360	Operational policing services	465,012	(68,448)	396,564	
898	(20)	878	Police and Crime Commissioner - Executive	772	0	772	
1,908	(21)	1,887	Police and Crime Commissioner - Business	1,350	(18)	1,332	
29,906	(502)	29,404	Estates	39,537	(600)	38,937	
10,463	(7,919)	2,544	Commissioning CJ & Partnerships	10,595	(8,146)	2,449	
19,995	(19,798)	197	Other items not allocated to services	24,537	(22,561)	1,976	
547,520	(88,250)	459,270	Cost of Policing Services	541,803	(99,773)	442,030	11
			Other income and expenditure:-				
52,351	(52,351)	0	Other operating income and expenditure	57,697	(57,697)	0	5
0	(1,462)	(1,462)	(Gain) / loss on disposal of asset	0	(163)	(163)	
92,242	(1,553)	90,689	Financing and investment income and expenditure	112,416	(3,175)	109,241	6
0	(390,360)	(390,360)	Taxation and non-specific grant income	0	(409,179)	(409,179)	7
144,593	(445,726)	(301,133)	Total other (income)/expenditure	170,113	(470,214)	(300,101)	
		158,137	(Surplus) or Deficit on the Provision of Services			141,929	
		(21,414)	(Surplus) or deficit on revaluation of PPE assets			(3,592)	
		(422,897)	Net (gain)/loss on the pension assets and liabilities			(1,478,352)	
		(444,311)	Other Comprehensive (Income)/Expenditure			(1,481,944)	
		(286,174)	Total Comprehensive (Income)/Expenditure			(1,340,015)	

Comprehensive Income and Expenditure Statement - PCC

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.

Organisational restructure

Following a review of the Commissioner's operations, a re-grouping of the income and expenditure has taken place. This resulted in the PCC Office segment being further split into Executive and Business, while the Commissioning and Crime Prevention segments in 2021/22 have been combined to form the Commissioning CJ & Partnerships due to the close nature of the Commissioning work with Crime Prevention.

The CIES for 2022/23 has been presented on this basis and the prior year comparators for 2021/22 restated to match the new structure. This is shown in the Cost of Policing Services section of the CIES but has no impact in the overall Cost of Policing Services.

Gross expenditure	2021/22			Gross expenditure	2022/23		Note
	Gross income	Net expenditure			Gross income	Net expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
898	(20)	878	Police and Crime Commissioner - Executive	772	0	772	
1,908	(21)	1,887	Police and Crime Commissioner - Business	1,350	(18)	1,332	
29,906	(502)	29,404	Estates	39,537	(600)	38,937	
10,463	(7,919)	2,544	Commissioning CJ & Partnerships	10,595	(8,146)	2,449	
43,175	(8,462)	34,713	Cost of Policing Services	52,254	(8,764)	43,490	11
			Other income and expenditure:-				
52,351	(52,351)	0	Other operating income and expenditure	57,697	(57,697)	0	5
	(1,462)	(1,462)	(Gain) / loss on disposal of asset		(163)	(163)	
1,337	(1,553)	(216)	Financing and investment income and expenditure	2,371	(3,175)	(804)	6
0	(390,360)	(390,360)	Taxation and non-specific grant income	0	(409,179)	(409,179)	7
53,688	(445,726)	(392,038)	Total other (income)/expenditure	60,068	(470,214)	(410,146)	
		(357,325)	(Surplus) or Deficit on the Provision of Services before funding			(366,656)	
		339,982	Intra-group funding			349,558	
		(17,343)	(Surplus) or Deficit on the Provision of Services			(17,098)	
		(21,414)	(Surplus) or deficit on revaluation of PPE assets			(3,592)	
		(21,414)	Other Comprehensive (Income)/Expenditure			(3,592)	
		(38,757)	Total Comprehensive (Income)/Expenditure			(20,690)	

1. Expenditure and Funding Analysis - Group

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.

2021/22			2022/23		
Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis	Net expenditure in the CIES	Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see note 2)	Net expenditure in the CIES
£'000	£'000	£'000	£'000	£'000	£'000
341,121	83,239	424,360	351,264	45,300	396,564
878	0	878	772	0	772
1,887	0	1,887	1,332	0	1,332
19,306	10,098	29,404	23,909	15,028	38,937
2,544	0	2,544	2,449	0	2,449
(1,139)	1,336	197	(1,706)	3,682	1,976
364,597	94,673	459,270	378,020	64,010	442,030
(381,429)	80,295	(301,133)	(406,207)	106,106	(300,101)
(16,832)	174,968	158,137	(28,187)	170,116	141,929
(101,383)		Opening General Fund (including earmarked reserves) balance at 1 April	(118,214)		
(16,831)		Plus net (surplus)/deficit on the provision of services	(28,187)		
(118,214)		Closing General Fund (including earmarked reserves) balance at 31 March	(146,401)		

1. Expenditure and Funding Analysis - PCC

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.

2021/22			2022/23		
Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis	Net expenditure in the CIES	Net Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see note 2)	Net expenditure in the CIES
£'000	£'000	£'000	£'000	£'000	£'000
878	0	878	772	0	772
1,887	0	1,887	1,332	0	1,332
19,306	10,098	29,404	23,909	15,028	38,937
2,544	0	2,544	2,449	0	2,449
24,615	10,098	34,713	28,462	15,028	43,490
(381,429)	(10,610)	(392,038)	(406,207)	(3,939)	(410,146)
(356,814)	(512)	(357,325)	(377,745)	11,089	(366,656)
339,982	0	339,982	349,558		349,558
(16,832)	(512)	(17,343)	(28,187)	11,089	(17,098)
(101,383)			(118,214)		
(16,831)			(28,187)		
(118,214)			(146,401)		

2. Adjustments Between Accounting Basis and Funding Under Regulations

The tables that follow represent the adjustments for the Group as a whole. Most 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.

2022/23	Adjustments for capital purposes (note a) £'000	Net change for the pensions adjustments (note b) £'000	Other adjustments (note c) £'000	Total Adjustments £'000
Adjustments between accounting and funding basis:-				
Operational policing services	0	45,063	237	45,300
Police and Crime Commissioner - Executive	0	0	0	0
Police and Crime Commissioner - Business	0	0	0	0
Estates	15,028	0	0	15,028
Commissioning CJ & Partnerships	0	0	0	0
Other items not allocated to services	0	3,682	0	3,682
Net cost of services	15,028	48,745	237	64,010
Other income and expenditure from the funding analysis	(5,501)	110,045	1,562	106,106
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	9,527	158,790	1,799	170,116
Note a) Adjustments for capital purposes:				
Charges to services for depreciation and impairment	8,385			8,385
Revaluation losses on property, plant & equipment	6,015			6,015
Service revenue expenditure funded from capital under statute	351			351
Current value of assets disposed	2,369			2,369
Statutory minimum revenue provision for capital financing	(2,547)			(2,547)
Movement in value of short term liability relating to finance lease asset	277			277
Revenue contributions to capital	(2,791)			(2,791)
Total transferred to capital adjustment account (including note i)	12,059			12,059
Transfer asset sale proceeds to capital receipts reserve	(2,532)			(2,532)
Note a) Total	9,527			9,527
Note b) Adjustments for pensions:				
Current service cost of funded local government pensions		102,533		102,533
Past service cost of funded local government pensions		3,682		3,682
Interest on net pension liability		110,045		110,045
Total transferred to Pension Reserve		216,260		216,260
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(57,470)		(57,470)
Note b) Total		158,790		158,790
Note c) Other adjustments:				
Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account			237	237
Movement in fair value of financial instruments transferred to the Financial instrument adjustment account			1,038	1,038
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			524	524
Note c) Total			1,799	1,799
Total adjustments between accounting and funding basis under statute				170,116

2. Adjustments Between Accounting Basis and Funding Under Regulations

2021/22	Adjustments for capital purposes (note a) £'000	Net change for the pensions adjustments (note b) £'000	Other adjustments (note c) £'000	Total Adjustments £'000
Adjustments between accounting and funding basis:-				
Operational policing services	0	82,737	502	83,239
Police and Crime Commissioner - Executive	0	0	0	0
Police and Crime Commissioner - Business	0	0	0	0
Estates	10,098	0	0	10,098
Commissioning CJ & Partnerships	0	0	0	0
Other items not allocated to services	0	1,336	0	1,336
Net cost of services	10,098	84,073	502	94,673
Other income and expenditure from the funding analysis	(6,587)	90,905	(4,023)	80,295
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	3,511	174,978	(3,521)	174,968
Note a) Adjustments for capital purposes:				
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)
Note a) Total	3,511			3,511
Note b) Adjustments for pensions:				
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)
Note b) Total		174,978		174,978
Note c) Other adjustments:				
Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account			502	502
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments 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)
Note c) Total			(3,521)	(3,521)
Total adjustments between accounting and funding basis under statute				174,968

3. Unusable Reserves

Group	31 March	Movement	31 March	Note
	2022		2023	
	£'000	£'000	£'000	
Revaluation Reserve	(89,969)	(735)	(90,704)	3a
Capital Adjustment Account	(108,337)	6,670	(101,667)	3b
Pensions Reserve	4,131,877	(1,319,562)	2,812,315	3c
Accumulated Absences Account	4,902	237	5,139	3d
Collection Fund Adjustment Account	(3,239)	524	(2,715)	3e
Financial Instrument Adjustment Account	(954)	1,038	84	3f
	3,934,280	(1,311,828)	2,622,452	

PCC	31 March	Movement	31 March	Note
	2022		2023	
	£'000	£'000	£'000	
Revaluation Reserve	(89,969)	(735)	(90,704)	3a
Capital Adjustment Account	(108,337)	6,670	(101,667)	3b
Collection Fund Adjustment Account	(3,239)	524	(2,715)	3e
Pooled Fund Adjustment Account	(954)	1,038	84	3f
	(202,499)	7,497	(195,002)	

3. Unusable Reserves

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.

Capital Adjustment Account

2021/22 £'000		2022/23 £'000	2022/23 £'000
(109,755)	Balance at 1 April		(108,337)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
7,773	• Charges for depreciation and impairment of non-current assets	8,385	
2,319	• Revaluation losses on Property, Plant and Equipment	6,015	
409	• Revenue expenditure funded from capital under statute	351	
(403)	• Reduction/(increase) in value of short term liability relating to finance lease asset	277	
1,721	• 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	2,369	
11,819	Sub-Total		17,397
(2,093)	Adjusting amounts written out of the Revaluation Reserve		(2,857)
9,726	Net written out amount of the cost of non-current assets consumed in the year		14,540
	Capital financing applied in the year:		
(3,263)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(2,619)	
(2,694)	• Use of the Capital (Revenue Contributions) Reserve to finance new capital expenditure	(2,791)	
(311)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	
(2,121)	• Statutory provision for the financing of capital investment charged against the General Fund balance	(2,547)	
(8,389)	Sub-Total		(7,957)
81	Write-down of capital debtors		87
(108,337)	Balance at 31 March		(101,667)

Revaluation reserve

2021/22 £'000		2022/23 £'000
(70,648)	Balance at start of year	(89,969)
(21,414)	Revaluations during year	(3,592)
0	Impairments of previously revalued assets	0
765	Disposal of revalued assets	1,366
1,328	Depreciation of revaluations	1,491
(89,969)	Balance at end of year	(90,704)

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.

3. Unusable Reserves

3c Pensions Reserve

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

2021/22 £'000		2022/23 £'000
4,379,796	Balance at start of year	4,131,877
(350,501)	Actuarial losses/(gains) on pensions assets and liabilities	(1,458,869)
(51,259)	Government contributions to Police Officer schemes	(56,563)
(21,137)	Return on plan assets	37,080
226,225	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	216,260
(51,247)	Employer's pension contributions and direct payments to pensioners payable in the year	(57,470)
4,131,877	Balance at end of year	2,812,315

3d Accumulated Absences Account

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

3e Collection Fund Adjustment Account

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

3f Financial Instrument Adjustment Account

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

4. Usable Reserves

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

	Balance 1 April 2021	Movement in 2021/22	Balance 31 March 2022	Movement in 2022/23	Balance 31 March 2023	Note
	£'000	£'000	£'000	£'000	£'000	
Revenue Reserves						
A. General Fund Balance	(13,103)	(108)	(13,211)	4,657	(8,554)	a
B. PCC Earmarked Revenue Reserves						
Fully committed to Existing Spend Programmes						
Carry Forward Reserve	(809)	18	(791)	(1,734)	(2,525)	b
Estates Reserve	(15,451)	(17,627)	(33,078)	(21,402)	(54,480)	c
IT Services Reserve	(22,570)	(1,959)	(24,529)	(2,662)	(27,191)	d
Replacement Programme Reserve	(4,644)	711	(3,933)	(4,945)	(8,878)	e
Revenue Grants Unapplied	(1,980)	1,479	(501)	68	(433)	f
	(45,454)	(17,378)	(62,832)	(30,675)	(93,507)	
Departmental/Trading Reserves						
Forfeit Reserve	(867)	(105)	(972)	(34)	(1,006)	g
Netley Business Plan	(190)	73	(117)	0	(117)	h
Safer Roads Reserve	(2,620)	(838)	(3,458)	1,699	(1,759)	i
	(3,677)	(870)	(4,547)	1,665	(2,882)	
Risk Reserves						
Insurance Reserve	(1,477)	0	(1,477)	0	(1,477)	j
Council Tax Reserve	0	(2,139)	(2,139)	0	(2,139)	k
Grant Equalisation Reserve	(6,000)	0	(6,000)	0	(6,000)	l
Operation Magenta Reserve	(5,938)	(2,327)	(8,265)	(3,855)	(12,120)	m
Pension Remedy Reserve	(3,000)	0	(3,000)	0	(3,000)	n
	(16,415)	(4,466)	(20,881)	(3,855)	(24,736)	
Corporate Reserves						
Commissioner's Reserve	(714)	(342)	(1,056)	(980)	(2,036)	o
Transformation Reserve	(11,718)	7,476	(4,242)	2,786	(1,456)	p
	(12,432)	7,134	(5,298)	1,806	(3,492)	
Total Earmarked Revenue Reserves Available	(77,978)	(15,580)	(93,558)	(31,059)	(124,617)	
C. Other Earmarked Revenue Reserves						
ACRO General Reserve	(6,976)	(1,143)	(8,119)	(1,675)	(9,794)	q
ACRO Surety	(2,000)	0	(2,000)	0	(2,000)	r
NaVCIS Surety	(1,326)	0	(1,326)	0	(1,326)	s
	(10,302)	(1,143)	(11,445)	(1,675)	(13,120)	
Total Usable Reserves	(101,383)	(16,831)	(118,214)	(28,077)	(146,291)	

4. Usable Reserves

Note	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.

4. Usable Reserves

Note	Earmarked revenue reserves are held by the Commissioner for the following purposes:
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.
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 and Income Expenditure

2021/22		2022/23
£'000		£'000
(52,351)	Home Office Police Pension Fund Top-up Grant	(57,697)
52,351	Transfer of Home Office Grant to the Police Pension Fund	57,697
<u>0</u>		<u>0</u>

6. Financing and Investment Income and Expenditure

Financing and investment income and expenditure – Group

2021/22 £'000		2022/23 £'000
1,337	Interest payable and similar charges	1,333
90,905	Pensions interest cost and expected return on pension assets	110,045
(768)	Interest receivable and similar income	(3,175)
(784)	Pooled investments (gain) or loss	1,038
(1)	Expected credit losses	0
90,689		109,241

Financing and investment income and expenditure – PCC

2021/22 £'000		2022/23 £'000
1,337	Interest payable and similar charges	1,333
(768)	Interest receivable and similar income	(3,175)
(784)	Pooled investments (gain) or loss	1,038
(1)	Expected credit losses	0
(216)		(804)

7. Grant Income

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 (CIES), 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 most specific grants and contributions are recorded in the Chief Constable's CIES. The following table shows the analysis across the group.

7. Grant Income

2021/22	2021/22		2022/23	2022/23
PCC	CC		PCC	CC
£'000	£'000	Credited to Services	£'000	£'000
0	(2,377)	Counter-Terrorism Policing Grant	0	(2,229)
0	(6,500)	Op Magenta Special Grant	0	(7,790)
(4,314)	0	Restorative Justice/Victims Support grant	(5,034)	0
(880)	0	Violence Reduction Units	(1,414)	0
(1,290)	0	Safer Streets Fund	(876)	0
(684)	0	Serious Violence Youth Intervention Programmes	(12)	0
(736)	0	Domestic Abuse Perpetrator Programme Fund	(747)	0
0	0	ATOM funding	(62)	0
0	0	National Maritime Assessment Centre	0	(306)
0	0	National Law Enforcement Data Programme	0	(272)
0	0	Drug Testing on Arrest Grant	0	(57)
0	(99)	Pension Remedy Grant	0	0
0	(136)	Op Cobb (Badger Cull) Grant	0	0
0	(19)	ESMCP Grant	0	0
0	(35)	County Lines Social Media Grant	0	(84)
0	(403)	Police Surge Funding Grant	0	(547)
0	(2,805)	Uplift Enablers Grant	0	(4,682)
0	(50)	Ports COVID Policing Grant	0	0
0	(30)	Digital Mobile Working Grant	0	0
0	(389)	Contributions to National Wildlife Crime Unit (ACRO)	0	(590)
0	(36)	Sexual exploitation in the Aid sector (ACRO)	0	(119)
0	(28)	Western Balkans Project (ACRO)	0	(83)
0	(174)	Pakistan Project (ACRO)	0	(233)
0	(22)	Carisecure project (ACRO)	0	0
0	(134)	Historic DAF Grant (ACRO)	0	(223)
0	(28)	Miscellaneous grants	(18)	(46)
(7,904)	(13,265)	Total	(8,163)	(17,261)
(21,169)		Total grants credited to services in the group	(25,424)	

2021/22	2021/22		2022/23	2022/23
PCC	CC	Credited to Taxation and Non-Specific Grant Income	PCC	CC
£'000	£'000		£'000	£'000
(161,106)	0	Council Tax Precept	(165,667)	0
(71,343)	0	Formula funding	0	0
(139,332)	0	Police Grant	(224,865)	0
(12,944)	0	Council tax legacy grant	0	0
(2,988)	0	Police Pension grant (previously credited to services)	(2,988)	0
(197)	0	Covid Council Tax Loss Grant	0	0
(2,139)	0	Revenue Support Grant	(12,944)	0
(311)	0	Government Grant to Finance Capital Expenditure	0	0
(390,360)	0	Total credited to taxation and non-specific income	(406,464)	0

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.

8. Officer and Staff Remuneration

Excluding Redundancy and Termination Payments

Remuneration Band	2021/22			2022/23		
	No of employees			No of employees		
	CC	PCC	Group Total	CC	PCC	Group Total
£50,000 - £54,999	417	3	420	524	3	527
£55,000 - £59,999	272	0	272	297	1	298
£60,000 - £64,999	138	4	142	164	2	166
£65,000 - £69,999	41	0	41	63	1	64
£70,000 - £74,999	6	1	7	23	0	23
£75,000 - £79,999	17	0	17	9	0	9
£80,000 - £84,999	6	0	6	12	1	13
£85,000 - £89,999	10	0	10	7	0	7
£90,000 - £94,999	4	0	4	6	0	6
£95,000 - £99,999	2	0	2	6	0	6
£100,000 - £104,999	3	0	3	3	0	3
£105,000 - £109,999	0	0	0	2	0	2
£110,000 - £114,999	1	0	1	0	0	0
Totals	917	8	925	1,116	8	1,124

Including Redundancy and Termination Payments

Remuneration Band	2021/22			2022/23		
	No of employees			No of employees		
	CC	PCC	Group Total	CC	PCC	Group Total
£50,000 - £54,999	417	3	420	526	4	530
£55,000 - £59,999	272	0	271	298	1	299
£60,000 - £64,999	138	4	142	164	2	166
£65,000 - £69,999	41	0	41	63	1	64
£70,000 - £74,999	6	1	7	23	0	23
£75,000 - £79,999	17	0	17	9	0	9
£80,000 - £84,999	6	0	6	12	1	13
£85,000 - £89,999	10	0	10	7	0	7
£90,000 - £94,999	4	0	4	6	0	6
£95,000 - £99,999	2	0	2	6	0	6
£100,000 - £104,999	3	0	3	3	0	3
£105,000 - £109,999	0	0	0	2	0	2
£110,000 - £114,999	1	0	1	0	0	0
Totals	917	8	924	1,119	9	1,128

*Note - These tables do not include the senior employees stated separately

8. Officer and Staff Remuneration

2022/23

Post holder information

	Salary, fees and allowances £	Bonuses £	Expenses Allowance £	Compensation for loss of employment £	Employer's Pension contributions £	Total Remuneration including pensions contributions £	Note
Office of the PCC							
PCC For Hampshire & Isle of Wight	88,442	0	0	0	14,770	103,212	
Chief Exec (PCC)	93,932	0	0	0	1,349	95,281	
Constabulary							
Chief Constable - Olivia Pinkney (01/04/2022 - 23/02/2023)	182,553	0	0	21,723	0	204,276	
Chief Constable - Scott Chilton (23/02/2023 - 31/03/2023)	18,599	0	0	0	0	18,599	
Acting Chief Constable - Benjamin Snuggs (12/09/2022 - 09/12/2022)	51,392	0	0	0	17,156	68,548	
Deputy Chief Constable (01/04/2022 - 11/09/2022 & 10/12/2022 - 31/03/2023)	101,480	0	0	0	29,767	131,247	
Assistant Chief Constable (01/04/2022 - 11/09/2022 & 10/12/2022 - 05/03/2023)	73,133	0	0	0	20,777	93,910	
Acting Deputy Chief Constable (12/09/2022 - 09/12/2022 & 06/03/2023 - 31/03/2023)	45,751	6,973	0	0	15,610	68,334	
Assistant Chief Constable	114,795	0	10	0	35,119	149,924	
Assistant Chief Constable (27/03/2023 - 31/03/2023)	1,719	0	0	0	511	2,230	
Assistant Chief Constable	107,658	0	0	0	32,909	140,567	
Assistant Chief Constable	111,437	0	0	0	34,078	145,515	
	990,891	6,973	10	21,723	202,046	1,221,643	1,2

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 here provides the relevant disclosure for 2022/23 and comparative information for 2021/22 is provided on the next page. 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.

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 £59,218, 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 £127,676 which includes all employer oncosts.

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8. Officer and Staff Remuneration

**2021/22
Post holder information**

	Salary, fees and allowances £	Expenses Allowance £	Compensation for loss of employment £	Benefits in Kind £	Employer's Pension contributions £	Total Remuneration including pensions contributions £	Note
Office of the PCC							
PCC For Hampshire & Isle of Wight (01/04/2021 - 12/05/2021)	10,022	0	0	0	1,674	11,696	
PCC For Hampshire & Isle of Wight (13/05/2021 - 31/03/2022)	76,678	0	0	0	12,805	89,483	
Chief Exec (PCC) (01/04/2021 - 31/07/2021)	34,302	0	51,454	0	5,728	91,484	
Chief Exec (PCC) (20/10/2021 - 31/03/2022)	41,301	0	0	0	6,897	48,198	
Constabulary							
Chief Constable - Olivia Pinkney (01/04/2021 - 31/03/2022)	196,323	703	0	703	27,314	225,043	
Deputy Chief Constable (01/04/2021 - 22/10/2021)	82,256	1,260	0	0	24,722	108,238	
Deputy Chief Constable (03/09/2021 - 31/03/2022)	83,442	0	0	10,067	25,875	119,384	
Assistant Chief Constable (01/04/2021 - 02/09/2021)	50,802	0	0	0	15,399	66,201	
Assistant Chief Constable (14/03/2022 - 31/03/2022)	5,163	0	0	737	1,584	7,484	
Assistant Chief Constable (01/04/2021 - 31/03/2022)	112,636	0	0	0	11,615	124,251	
Assistant Chief Constable (01/04/2021 - 31/03/2022)	63,608	25	0	15,123	18,127	96,883	3
Assistant Chief Constable (01/04/2021 - 31/03/2022)	110,556	0	0	10,926	33,931	155,413	
Assistant Chief Constable - 01/04/2021 - 31/03/2022	117,818	0	0	0	34,936	152,754	
	984,907	1,988	51,454	37,556	220,607	1,296,512	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.

9. Termination Benefits

Termination Benefits

Termination benefits are amounts payable because 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

The exit package cost includes compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

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 2022/23 (£nil in 2021/22).

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £60,000	2	7	31	14	33	21	404	312
£60,001 - £150,000	0	0	2	2	2	2	199	204
Totals	2	7	33	16	35	23	603	516

10. External Audit Costs

The external audit costs incurred by the Group 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 are detailed in the table.

Fees paid by the Commissioner and the Chief Constable in 2022/23 were in line with the scale fee.

2021/22 £'000		2022/23 £'000
	Police and Crime Commissioner:	
32	Fees payable to appointed auditor for external audit services carried out for the year	40
0	Scale fee variations for prior year's external audit services paid to the appointed auditor	11
	Chief Constable:	
14	Fees payable to appointed auditor for external audit services carried out for the year	17
0	Scale fee variations for prior year's external audit services paid to the appointed auditor	9
46		77

11. Nature of Expenses - Group

As disclosed in the note to the CIES, during 2022/23 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 table to the right provides a subjective analysis of the income and expenditure items in the Cost of Services.

- 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 further analysed by service in the table to the right.

2021/22 Expenditure in the CIES		2022/23		Expenditure in the CIES	Note
		Expenditure chargeable to the General Fund Balance	Adjustments between accounting and funding basis (see below)		
£'000		£ 000	£ 000	£'000	
388,806	Employee Benefit Expenses	319,394	48,982	368,376	a
149,025	Other Service Expenses	158,399	0	158,399	b
9,689	Depreciation and Impairment	0	15,028	15,028	c
547,520	Total Expenditure	477,793	64,010	541,803	
(60,224)	Grants, contributions and reimbursements	(70,817)	0	(70,817)	
(28,026)	Fees, charges and other service income	(28,956)	0	(28,956)	
(88,250)	Total Income	(99,773)	0	(99,773)	
459,270	Net Cost of Services	378,020	64,010	442,030	

2021/22 £'000		2022/23 £'000
(13,063)	Operational policing services	(12,502)
(452)	Police and Crime Commissioner - Estate	(491)
(14,511)	Other items not allocated to services	(15,963)
(28,026)	Total income from external customers analysed by service	(28,956)

12. Nature of Expenses - PCC

2021/22 Expenditure in the CIES £'000		2022/23 Expenditure in the CIES £'000	Note
3,393	Employee Benefit Expenses	2,661	a
30,093	Other Service Expenses	34,565	b
9,689	Depreciation and Impairment	15,028	c
43,175	Total Expenditure	52,254	
(8,010)	Grants, contributions and reimbursements	(8,273)	
(452)	Fees, charges and other service income	(491)	
(8,462)	Total Income	(8,764)	
34,713	Net Cost of Services	43,490	

As disclosed in the note to the CIES, during 2022/23 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:

- 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, £491,000 in 2022/23 (£452,000 in 2021/22).

13. Related Parties

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

The UK Government exerts significant influence through legislation and grant funding. The value of grants received is shown in the Income and Expenditure Account and further details of specific additional grants received are given in note 6.

The Chief Constable makes contributions to pension schemes for both uniformed officers and non-uniformed staff. The Police Pension Schemes are administered by the Chief Constable and the Chief Constable paid £39.3m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£39.6m in 2021/22). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £13.8m in 2022/23 (£13.3m in 2021/22).

13. Related Parties

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

The Code also requires members of the Office of the Police and Crime Commissioner, Chief Officers in the Constabulary and certain other senior officers to declare if there were any related party (e.g. close family or business associates) transactions due to their ability to influence spending decisions. There were no related party transaction disclosures in 2022/23 (none in 2021/22).

The Commissioner and Chief Constable are party to a number of joint working arrangements, providing a wide range of operational policing and business support services both within Hampshire and throughout the South East Region. The key collaborations are as follows:-

Activity	Partners	Lead/ Host	PCC share of costs (£m)
Joint working for support services	Hampshire County Council (HCC), Hampshire and IOW Fire and Rescue Services (HIWFRS)	HCC	9.2
Joint ICT/Information Management Department	Thames Valley Police (TVP)	TVP	24.6
South East Organised Regional Organised Crime Unit (SEROUCU)	South East Region Forces (TVP, Surrey, Sussex)	TVP	5.4
Joint Operations Unit	Thames Valley Police (TVP)	HC	31.0

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.

14. 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 and this is calculated in a manner consistent with Paragraph 90 of the Prudential Code (2021)

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.

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.

£5.4m of capital expenditure on property, plant and equipment, vehicles and a finance lease was incurred and is shown in the table on the next page.

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 2022/23 (Nil in 2021/22).

14. Capital Financing Requirement

2021/22		2022/23
£'000		£'000
54,669	<i>Opening Capital Financing Requirement</i>	56,415
0	Opening balance adjustment - finance lease	(403)
	<i>Capital investment</i>	
3,533	Operational assets	3,212
3,868	Right of use finance lease asset	277
2,325	Non-operational assets	1,847
409	Revenue Expenditure funded from capital under statute	351
	<i>Sources of finance</i>	
(3,263)	Capital receipts	(2,619)
(311)	Government grants and contributions	0
0	Donated assets	0
(2,694)	Use of reserves (Revenue contributions to capital)	(2,791)
(2,121)	Sums from revenue (Minimum revenue provision - MRP)	(2,547)
56,415	<i>Closing Capital Financing Requirement</i>	53,742
	<i>Explanation of movements in year</i>	
1,746	Increase/ (decrease) in underlying need to borrow	(2,673)
1,746	<i>Increase/ (decrease) in Capital Financing</i>	(2,673)

15. 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.

The Commissioner as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

15. Leases

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 2023 was £4.995m (£5.115m at 31 March 2022).

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 £2.037m. The net value of the equipment assets included in the service at 31 March 2023 was £2.081m.

2021/22 £'000		2022/23 £'000
3,392	Balance outstanding at 1 April	2,639
(403)	(Decrease) / Increase in lease liability	277
(350)	Payments during the year	(879)
2,639	Balance outstanding at 31 March	2,037

The outstanding liability to the supplier is:

	Principal £'000	Interest £'000	Total £'000
Not later than one year	895	39	934
Later than one year and not later than three years	1,142	27	1,169
Total	2,037	66	2,103

16. 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 £3.336m (£3.058m in 2021/22).

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

31 March 2022 £'000		31 March 2023 £'000
2,772	Not later than one year	3,370
8,687	Later than one year and not later than five years	11,189
50,120	Later than five years	51,774
61,579	Total	66,333

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

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

Recognition

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

Impairment

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

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

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

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.

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

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 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.

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

Componentisation

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

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

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

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

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

Disposals and assets held for sale

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

When the asset is disposed of, or decommissioned, the carrying value of the asset is written out to the Other Operating Income and Expenditure line within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. Any revaluation gains accumulated for the asset in the Asset Revaluation Reserve are written out to the Capital Adjustment Account by way of a transfer between the accounts.

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

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

	Land and Buildings £'000	Vehicles and Plant £'000	Furniture and Equipment £'000	Assets under construction £'000	Surplus Assets £'000	Total £'000	Finance lease £'000
Cost or valuation							
At 31 March 2022	241,802	22,478	4,416	2,199	10,281	281,176	3,465
Additions in year	1,076	2,136	0	1,847	0	5,059	277
Revaluation increases/(decreases) recognised in the Revaluation Reserve	926	0	0	0	(869)	57	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,149)	0	0	0	0	(7,149)	0
Derecognition - Disposals	0	(1,843)	0	0	(2,000)	(3,843)	0
Derecognition - Other	0	0	(4,041)	0	0	(4,041)	0
Assets reclassified (to)/from held for sale	(660)	0	0	0	0	(660)	0
Assets reclassified (to)/from investment properties	0	0	0	0	(100)	(100)	0
Other movements in cost or valuation	0	760	0	(760)	0	0	0
At 31 March 2023	235,995	23,531	375	3,286	7,312	270,499	3,742
Accumulated depreciation and Impairment							
At 31 March 2022	(11,243)	(13,678)	(4,284)	0	(76)	(29,281)	(1,259)
Depreciation Charge	(4,781)	(2,864)	(38)	0	(23)	(7,706)	(679)
Depreciation written out on revaluation	3,053	0	0	0	0	3,053	0
Depreciation written out to the Surplus/Deficit on Provision of Services	784	0	0	0	0	784	0
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	277
Derecognition - Disposals	0	1,474	0	0	0	1,474	0
Derecognition - Other	0	0	4,041	0	0	4,041	0
Assets reclassified (to)/from investment properties	63	0	0	0	0	63	0
At 31 March 2023	(12,124)	(15,068)	(281)	0	(99)	(27,572)	(1,661)
Net Book Value							
At 31 March 2023	223,871	8,463	94	3,286	7,213	242,927	2,081
At 31 March 2022	230,559	8,800	132	2,199	10,205	251,895	2,206

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.

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

	Land and Buildings £'000	Vehicles and Plant £'000	Furniture and Equipment £'000	Assets under construction £'000	Surplus Assets £'000	Total £'000	Finance lease £'000
Cost or valuation							
At 31 March 2021	230,892	21,705	4,536	691	8,270	266,094	3,868
Additions in year	1,523	2,010	0	2,310	15	5,858	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18,280	0	0	0	(3,481)	14,799	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(156)	0	0	0	(1,760)	(1,916)	(403)
Derecognition - Disposals	-	(2,039)	0	0	(1,500)	(3,539)	0
Derecognition - Other	0	0	(120)	0	0	(120)	0
Other movements in cost or valuation	(8,737)	802	0	(802)	8,737	0	-
At 31 March 2022	241,802	22,478	4,416	2,199	10,281	281,176	3,465
Accumulated depreciation and impairment							
At 31 March 2021	(12,975)	(13,521)	(3,949)	0	(294)	(30,739)	(581)
Depreciation Charge	(4,695)	(1,911)	(455)	0	(33)	(7,094)	(678)
Depreciation written out on revaluation	5,218	0	0	0	1,396	6,614	-
Derecognition - Disposals	0	1,754	0	0	64	1,818	0
Derecognition - Other	0	0	120	0	0	120	0
Other movements in depreciation and impairment	1,209	0	0	0	(1,209)	0	0
At 31 March 2022	(11,243)	(13,678)	(4,284)	0	(76)	(29,281)	(1,259)
Net Book Value							
At 31 March 2021	230,559	8,800	132	2,199	10,205	251,895	2,206
At 31 March 2020	217,917	8,184	587	691	7,976	235,355	3,287

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

Capital commitments

As at 31 March 2023 the Commissioner had committed capital expenditure of £7.68m.

£3.86m is committed for vehicle purchases and £3.82m is in relation to ongoing works for the Estates Change Programme.

18. Financial Instruments

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

Financial Assets

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

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

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

As an exception to the above, at initial recognition an authority may make an irrevocable election to present changes in the fair value of investments in equity instruments through other comprehensive income rather than through profit and loss. This is dependent on these investments being held for strategic rather than trading purposes. Such investments are then classified as Fair value through other comprehensive income.

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

Classification category	Subsequent measurement basis	Presentation of unrealised gains and losses
Amortised cost	Amortised cost	A disclosure note
Fair value through other comprehensive income	Fair value	The "Other comprehensive income" section of the Comprehensive Income and Expenditure Statement (CIES)
Fair value through profit and loss	Fair value	The "Financing and investment income and 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.

18. Financial Instruments

Financial liabilities

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

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

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

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

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

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

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

18. Financial Instruments

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

Financial Assets	Long Term		Short Term	
	31/03/2022 £'000	31/03/2023 £'000	31/03/2022 £'000	31/03/2023 £'000
Investments:				
At amortised cost				
- Principal	2,000	5,074	54,092	20,520
- Accrued interest	0	0	55	178
- Loss Allowance	0	0	(3)	(4)
At Fair Value through Profit & Loss				
- Fair value	10,954	9,917	0	0
Total investments	12,954	14,991	54,144	20,694
Cash & cash equivalents:				
- Cash (including bank accounts)			2,937	2,228
- At amortised cost			3,020	5,834
- At Fair Value through Profit & Loss			30,830	65,480
Total cash and cash equivalents	0	0	36,787	73,542
Loans and receivables:				
- trade debtors	208	122	4,521	14,864
Total financial assets	13,162	15,113	95,452	109,100

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.

Financial Liabilities	Long Term		Short Term	
	31/03/2022 £'000	31/03/2023 £'000	31/03/2022 £'000	31/03/2023 £'000
Loans at amortised cost:				
-Principal sum borrowed	(29,700)	(29,350)	0	(350)
-Accrued interest	0	0	(173)	(174)
Total borrowing	(29,700)	(29,350)	(173)	(524)
Liabilities at amortised cost:				
-Finance leases	(1,849)	(1,142)	(790)	(896)
-Trade creditors	0	0	(27,567)	(22,908)
Total other liabilities	(1,849)	(1,142)	(28,357)	(23,804)
Total	(31,549)	(30,492)	(28,530)	(24,328)

18. Financial Instruments

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 2023, 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 2023, using the following methods and assumptions:

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

Liabilities

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

Assets

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

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

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

The fair value of the remaining housing assistance loans is £0.12m (£0.21m at 31 March 2022). This is now the same as the carrying value.

18. Financial Instruments

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

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

	Fair Value level	Balance Sheet		Fair Value	
		31/03/2022 £'000	31/03/2023 £'000	31/03/2022 £'000	31/03/2023 £'000
Financial Liabilities					
Long term loans from PWLB	2	(29,873)	(29,874)	(34,368)	(28,116)
Total loans borrowed		(30,125)	(29,874)	(34,368)	(28,116)
Liabilities for which fair value is not disclosed*		(42,553)	(24,946)		
Total financial liabilities		(72,678)	(54,820)	(34,368)	(28,116)
<i>Recorded on balance sheet as:</i>					
Short term creditors		(27,567)	(22,908)		
Short term borrowing		(173)	(524)		
Deferred liability repayable within one year		(790)	(896)		
Long term borrowing		(29,700)	(29,350)		
Deferred liabilities		(1,849)	(1,142)		
Total financial liabilities		(60,079)	(54,820)		
Financial Assets					
Held at fair value:					
Money market funds	1	30,830	65,480	30,830	65,480
Equity, bond, and multi-asset funds	1	6,371	5,225	6,371	5,225
Property funds	2	4,583	3,828	4,583	3,828
Held at amortised cost:					
Corporate & government bonds	1	0	5,074	0	5,138
Long-term loans to local authorities and housing associations	2	2,000	0	2,071	0
Total		43,784	79,607	43,855	79,671
Assets for which fair value is not disclosed*		64,830	43,742		
Total financial assets		108,614	123,349		
<i>Recorded on balance sheet as:</i>					
Long term investments		12,954	14,991		
Long term debtors		208	122		
Short term investments		54,144	20,694		
Cash and cash equivalents		36,787	73,542		
Short term debtors		4,521	14,864		
Total financial assets		108,614	124,213		

18. Financial Instruments

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 2022 £'000		31 March 2023 £'000
4,521	Financial instrument debtors	14,864
30,934	Non-financial instrument debtors	39,679
35,455	Total debtors and prepayments	54,543

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 2023 (£325,000 as at 31 March 2022).

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.

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.

Group:

31 March 2022 £'000		31 March 2023 £'000
(27,567)	Financial instrument creditors	(22,908)
(18,348)	Non-financial instrument creditors	(19,724)
(45,915)	Total short term creditors	(42,632)

PCC

31 March 2022 £'000		31 March 2023 £'000
(27,567)	Financial instrument creditors	(22,908)
(13,446)	Non-financial instrument creditors	(14,585)
(41,013)	Total short term creditors	(37,493)

18. Financial Instruments

Financial liabilities at amortised cost (Long-term borrowing)

The Commissioner's borrowing strategy for 2022/23 was set in February 2022. 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.

The OPCC's borrowing strategy has been to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. In recent years, short-term interest rates have been much lower than long-term rates, meaning it has been more cost effective in the short-term to use internal resources. Over the course of 2022/23, as interest rates continued to increase, the use of internal resources in lieu of borrowing has been kept under review, but it remained the case that the use of internal resources remained a more cost effective option rather than committing to new longer term borrowing.

Through the use of internal resources, 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 2022/23 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.

18. Financial Instruments

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.

18. Financial Instruments

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 £16m 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 £8m applies. The OPCC also sets limits on investments in certain sectors. No more than £40m in total can be invested for a period longer than one year.

The credit quality of £5m 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 2023 by type of investment counterparty:

Credit Rating	Long-term		Short-term	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£'000	£'000	£'000	£'000
AAA	0	5,074	10,064	0
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	13,008	14,306
A+	0	0	9,530	5,091
A	0	0	4,022	27
A-	0	0	0	0
AAA Money market funds	0	0	30,830	65,480
Unrated local authorities	2,000	0	20,541	7,104
Unrated pooled funds	10,954	9,053	0	0
Total Investments	12,954	14,127	87,995	92,008

18. Financial Instruments

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 2023 is as follows:

Time to maturity (years)	Discounted (principal)		Undiscounted (principal plus interest)	
	31/03/2022	31/03/2023	31/03/2022	31/03/2023
	£'000	£'000	£'000	£'000
Not over one year	0	(350)	(1,276)	(1,622)
Between one and two years	(350)	(350)	(1,615)	(1,611)
Between two and five years	(350)	0	(4,081)	(3,732)
Between five and 10 years	(4,000)	(8,000)	(10,107)	(13,971)
Between 10 and 20 years	(25,000)	(21,000)	(28,560)	(23,493)
Total	(29,700)	(29,700)	(45,639)	(44,429)

18. Financial Instruments

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 2023, all of the £29.7m of principal borrowed was at fixed rates, £101.8m of the OPCC's investment balance at 31 March 2023 was exposed to variable interest rates. The OPCC's investments in diversified income pooled funds (£4m at 31 March 2023) 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	2
Increase in interest receivable on variable rate investments	(762)
Decrease in fair value of investments held at FVPL	160
Impact on (Surplus) or Deficit on the Provision of Services	(600)
Decrease in fair value of investments held at FVOCI	0
Impact on Comprehensive Income and Expenditure	(600)

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.

19. 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.

2021/22 £'000		2022/23 £'000
8,221	Cash in hand	7,011
3,020	Cash equivalents measured at amortised cost	5,834
30,830	Cash equivalents measured at fair value through profit & loss	65,480
(5,284)	Bank overdraft	(4,783)
36,787	Total	73,542

20. 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:

- 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.

20. IAS19 (Pensions Accounting) Entries and Disclosures

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 transactions presented in the table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Unfunded Police Pension Schemes		LGPS (Police Staff)		Injury Pensions (police officers)		All schemes - Summary	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Comprehensive Income and Expenditure Statement								
<i>Cost of Services</i>								
- Current service cost	91,723	65,285	39,342	34,967	2,919	2,281	133,984	102,533
- Past service costs	1,336	3,424	0	258	0	0	1,336	3,682
<i>Financing and Investment Income and Expenditure</i>								
Net interest expense	82,516	100,764	5,949	6,316	2,440	2,965	90,905	110,045
Total Charge to the Surplus or Deficit on the Provision of Services	175,575	169,473	45,291	41,541	5,359	5,246	226,225	216,260
<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 amount included in net interest expense)	0	0	(21,137)	37,080	0	0	(21,137)	37,080
- Government contributions to Police Officer schemes	(51,259)	(56,563)					(51,259)	(56,563)
- Actuarial (Gains)/Losses arising:-								
- from changes in financial assumptions	(253,896)	(1,496,460)	(56,952)	(305,058)	(7,464)	(42,610)	(318,312)	(1,844,128)
- from changes in demographic assumptions	(38,168)	0	(6,946)	(5,567)	(1,127)		(46,241)	(5,567)
- from changes in actuarial experience	11,230	346,382	2,544	37,936	278	6,508	14,052	390,826
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(156,518)	(1,037,168)	(37,200)	(194,068)	(2,954)	(30,856)	(196,672)	(1,262,092)
<i>Movement in Reserves Statement</i>								
Reverse charge to Provision of Services	(175,575)	(169,473)	(45,291)	(41,541)	(5,359)	(5,246)	(226,225)	(216,260)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>								
Employer's contributions to the scheme	36,354	40,108	11,634	13,815	0	0	47,988	53,923
Benefits paid direct to beneficiaries	0	0	0	0	3,259	3,547	3,259	3,547
Charge on General Fund	36,354	40,108	11,634	13,815	3,259	3,547	51,247	57,470

20. IAS19 (Pensions Accounting) Entries and Disclosures

Pensions assets and liabilities recognised in the Balance Sheet

The nature of the schemes is explained in note 13 to these accounts and further information is also given in the police pension fund account. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

There are no material prepaid or accrued pensions contributions at 31 March 2023.

The nature of the three police pension schemes in operation is explained in note to these accounts. In addition to the police pension schemes the costs of injury pensions falls upon the income and expenditure account.

The amounts included in the Balance Sheet arising from the Chief Constable's obligation in respect of his defined benefit plan are as follows:-

	Police Pension Schemes		Injury Pensions (police officers)		Local Govt Pension Scheme		Total	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	3,780,033	2,702,755	111,586	77,183	687,476	462,981	4,579,095	3,242,919
Fair value of plan assets	0	0	0	0	(447,218)	(430,606)	(447,218)	(430,606)
Net liability arising from the defined benefit obligation	3,780,033	2,702,755	111,586	77,183	240,258	32,375	4,131,877	2,812,313

20. IAS19 (Pensions Accounting) Entries and Disclosures

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

	Unfunded Police Pension Schemes		Local Govt Pension Scheme		Injury Pensions (police officers)	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Opening fair value of assets	0	0	410,352	447,218	0	0
Interest income	0	0	8,693	12,174	0	0
Remeasurement gains and (losses):-						
- the return on plan assets (excluding the amount included in the net interest expense)	51,259	56,563	21,137	(37,080)	0	0
Employer contributions	36,354	40,108	11,601	13,786	3,259	3,547
Contributions by scheme participants	14,926	15,587	5,389	5,601	0	0
Benefits Paid	(102,539)	(112,258)	(9,954)	(11,093)	(3,259)	(3,547)
Closing fair value of assets	0	0	447,218	430,606	0	0

20. IAS19 (Pensions Accounting) Entries and Disclosures

Reconciliation of the Movements in the Present Value of Scheme (Plan) Liabilities

	Unfunded Police Pension Schemes		Local Govt Pension Scheme		Injury Pensions (police officers)		Total	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Opening Balance - 1 April	(3,972,905)	(3,780,033)	(699,444)	(687,476)	(117,799)	(111,586)	(4,790,148)	(4,579,095)
Current Service Cost	(91,723)	(65,286)	(39,342)	(34,967)	(2,919)	(2,281)	(133,984)	(102,534)
Interest Cost	(82,516)	(100,764)	(14,642)	(18,490)	(2,440)	(2,965)	(99,598)	(122,219)
Contributions from scheme participants	(14,926)	(15,587)	(5,389)	(5,601)	0	0	(20,315)	(21,188)
Actuarial gains and (losses) arising:-								
- from changes in actuarial experience	253,896	1,496,461	56,952	305,058	7,464	42,610	318,312	1,844,129
- from changes in demographic assumptions	38,168	0	6,946	5,567	1,127	0	46,241	5,567
- from changes in financial assumptions	(11,230)	(346,382)	(2,544)	(37,936)	(278)	(6,508)	(14,052)	(390,826)
Benefits Paid	102,539	112,258	9,987	11,122	3,259	3,547	115,785	126,927
Past service costs	(1,336)	(3,424)	0	(258)	0	0	(1,336)	(3,682)
Closing balance - 31 March	(3,780,033)	(2,702,757)	(687,476)	(462,981)	(111,586)	(77,183)	(4,579,095)	(3,242,921)

20. IAS19 (Pensions Accounting) Entries and Disclosures

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

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

- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary. The last triennial valuation was March 2023;
- 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 2024 are £14.7m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £89.2m. This figure includes both the Chief Constable's contribution and the Top-Up Grant from the Home Office. In addition, the Chief Constable expects to pay £1.2m directly to beneficiaries of injury pensions.

20. IAS19 (Pensions Accounting) Entries and Disclosures

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 2023.

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 here:

31 March 2022		31 March 2023
2.9%	Rate of Inflation (CPI) (LGPS)	2.6%
3.0%	Rate of Inflation (CPI) (Police Officer Schemes)	2.7%
3.9%	Rate of increase in salaries (LGPS)	3.6%
4.0%	Rate of increase in salaries (Police Officer Schemes)	3.7%
2.9%	Rate of increase in pensions (LGPS)	2.6%
3.0%	Rate of increase in pensions (Police Officer Schemes)	2.7%
2.7%	Rate for discounting scheme liabilities (LGPS)	4.6%
2.7%	Rate for discounting scheme liabilities (Police Officer Schemes)	4.7%
	Longevity at 65 for current Pensioners (years):	
22.9	Men (LGPS)	23.3
25.4	Women (LGPS)	25.7
22.1	Men (Police Pension Schemes)	22.2
24.2	Women (Police Pension Schemes)	24.3
	Longevity at 65 for future Pensioners (years):	
24.7	Men (LGPS)	23.8
27.1	Women (LGPS)	26.7
23.8	Men (Police Pension Schemes)	23.9
26.0	Women (Police Pension Schemes)	26.1

20. IAS19 (Pensions Accounting) Entries and Disclosures

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 2023 and the projected service cost for the year ending 31 March 2024 is set out here:-

	LGPS			Police Schemes		
	+ 0.1% p.a.	Baseline	- 0.1% p.a.	+ 0.1% p.a.	Baseline	- 0.1% p.a.
Adjustment to discount rate						
* Present value of total obligations (£M)	452.56	462.74	472.92	2,655.00	2,702.76	2,750.90
* % change in present value of total obligations	-2.2%		2.2%	-1.8%		1.8%
* Projected service cost (£M)	14.02	14.69	15.38	23.78	25.06	26.39
* % change in projected service cost	-4.6%		4.7%	-5.1%		5.3%
Rate of general increase in salaries						
* Present value of total obligations (£M)	463.20	462.74	462.28	2,072.76	2,702.76	2,702.76
* % change in present value of total obligations	0.1%		-0.1%	0.0%		0.0%
* Projected service cost (£M)	14.69	14.69	14.69	25.06	25.06	25.06
* % change in projected service cost	0.0%		0.0%	0.0%		0.0%
Rate of increase to pensions in payment and deferred pensions						
* Present value of total obligations (£M)	472.46	462.74	453.49	2,440.90	2,702.76	2,655.00
* % change in present value of total obligations	2.1%		-2.0%	-9.7%		-1.8%
* Projected service cost (£M)	15.38	14.69	14.02	26.39	25.06	23.78
* % change in projected service cost	4.7%		-4.6%	5.3%		-5.1%
Adjustment to mortality age rating assumption						
* Present value of total obligations (£M)	474.77	462.74	450.71	2,773.03	2,702.76	2,632.48
* % change in present value of total obligations	2.6%		-2.6%	2.6%		-2.6%
* Projected service cost (£M)	15.24	14.69	14.15	26.14	25.06	23.98
* % change in projected service cost	3.7%		-3.7%	4.3%		-4.3%

20. IAS19 (Pensions Accounting) Entries and Disclosures

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 2022 %		31 March 2023 Quoted %	31 March 2023 Unquoted %	31 March 2023 Total %
55.7	Equities	42.0	15.6	57.6
18.0	Government bonds	16.5	0	16.5
6.9	Property	1.4	5.4	6.8
0	Corporate bonds	0	0	0
9.2	Multi Asset Credit	0	0	0
0.9	Cash	1.1	0	1.1
9.3	equities)	0	18.0	18.0
100.0		61.0	39.0	100.0

21. 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.

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.

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 2022).

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 2023, 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.

21. Provisions, Contingent Liabilities and Contingent Assets

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 Sergeant 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 £1.320m from £4,132m at 31 March 2022 to £2.812m at 31 March 2023. The Commissioner’s assessed share of the value of the plan assets of the Local Government Superannuation scheme showed an decrease of £16.6m while the assessed present value of the Commissioner’s liabilities on all pension schemes decreased by £1.336m.

22. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on XX XX 2024.

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

23. Cash Flow Statement – Notes (Group)

The cash flows for operating activities include the following items:

2021/22 £'000		2022/23 £'000
(797)	Interest received	(3,052)
1,339	Interest paid	1,332
542		(1,720)

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

2021/22 £'000		2022/23 £'000
(194,836)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(156,620)
	Analysis:-	
(174,978)	Pensions	(158,790)
(7,773)	Depreciation and impairment charged to CIES	(8,385)
(2,319)	Revaluation adjustments	(6,015)
	- Increase/Decrease in impairment for bad debts	-
18,946	Increase/(Decrease) in Debtors	9,198
(27,693)	(Increase)/Decrease in Creditors	10,547
	- Increase/(Decrease) in Inventories	-
(82)	(Increase)/Decrease in Provisions	232
(1,721)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(2,369)
784	Movement in the value of financial instruments	(1,038)
	- Property, plant & equipment written off as REFCUS	-
	Other non-cash items charged to the net surplus or deficit on the provision of services	
(194,836)		(156,620)

23. Cash Flow Statement – Notes (Group)

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

2021/22 £'000		2022/23 £'000
3,574	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,881)
	Analysis:-	
3,263	Proceeds from the sale of PP&E, investment property and intangible assets	2,619
311	Capital grant (included within investing activities)	0
0	Any other items for which the cash effects are investing or financing cash flows	0
0	Reclassification of short-term investments to cash	(4,500)
3,574		(1,881)

Investing activities

2021/22 £'000		2022/23 £'000
	Cash outflows	
5,858	Purchase of property, plant and equipment, investment property and intangible assets	5,176
228,072	Purchase of short-term and long-term investments	103,263
0	Other payments for investing activities	0
	Cash inflows	
(3,263)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,619)
(226,689)	Proceeds from short-term and long-term investments	(129,517)
(391)	Other receipts from investing activities	(80)
3,587	Net cash outflow/(inflow) from investing activities:	(23,777)

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23. Cash Flow Statement – Notes (Group)

Cashflows from Financing activities

2021/22 £'000		2022/23 £'000
	Cash outflows	
350	Cash payments for the reduction of the outstanding liabilities relating to finance leases	879
25,250	Repayment of short- and long-term borrowing	0
0	Other payments for financing activities - interest paid	0
	Cash inflows	
(25,000)	Cash receipts of short- and long-term borrowing	0
0	Other receipts from financing activities - interest received	0
600	Net cash outflow/(inflow) from financing activities:	879

24. Cash Flow Statement – Notes (PCC)

The cash flows for operating activities include the following items:

2021/22 £'000		2022/23 £'000
(797)	Interest received	(3,052)
1,339	Interest paid	1,332
0	Dividends received	0
542		(1,720)

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

2021/22 £'000		2022/23 £'000
(19,356)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	5,122
	Analysis:-	
	- Pensions	-
(7,773)	Depreciation and impairment charged to CIES	(8,385)
(2,319)	Revaluation adjustments	(6,015)
6,599	Increase/(Decrease) in Debtors	19,088
(14,844)	(Increase)/Decrease in Creditors	3,609
	- Increase/(Decrease) in Inventories	-
(82)	(Increase)/Decrease in Provisions	232
(1,721)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(2,369)
784	Movement in the value of financial instruments	(1,038)
	- Property, plant & equipment written off as REFUS	-
	- *Other non-cash items charged to the net surplus or deficit on the provision of services	-
(19,356)		5,122

24. Cash Flow Statement – Notes (PCC)

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

2021/22 £'000		2022/23 £'000
3,574	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,881)
	Analysis:-	
3,263	Proceeds from the sale of PP&E, investment property and intangible assets	2,619
311	Capital grant (included within investing activities)	0
0	Any other items for which the cash effects are investing or financing cash flows	0
0	Reclassification of short-term investments to cash	(4,500)
3,574		(1,881)

Investing activities

2021/22 £'000		2022/23 £'000
	Cash outflows	
5,858	Purchase of property, plant and equipment, investment property and intangible assets	5,176
228,072	Purchase of short-term and long-term investments	103,263
0	Other payments for investing activities	0
	Cash inflows	
(3,263)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,619)
(226,689)	Proceeds from short-term and long-term investments	(129,517)
(391)	Other receipts from investing activities	(80)
3,587	Net cash outflow/(inflow) from investing activities:	(23,777)

24. Cash Flow Statement – Notes (PCC)

Financing activities

2021/22 £'000		2022/23 £'000
	Cash outflows	
350	Cash payments for the reduction of the outstanding liabilities relating to finance leases	879
25,250	Repayment of short- and long-term borrowing	0
0	Other payments for financing activities - interest paid	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
	Cash inflows	
(25,000)	Cash receipts of short- and long-term borrowing	0
0	Other receipts from financing activities - interest received	0
600	Net cash outflow/(inflow) from financing activities:	879

25. Statement of Accounting Policies and Estimation Techniques and Critical Judgements in Applying Accounting Policies

General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2022/23). 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 2025. 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.

25. Statement of Accounting Policies and Estimation Techniques and Critical Judgements in Applying Accounting Policies

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.
- 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.

25. Statement of Accounting Policies and Estimation Techniques and Critical Judgements in Applying Accounting Policies

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

25. Statement of Accounting Policies and Estimation Techniques and Critical Judgements in Applying Accounting Policies

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 2022/23. 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.

25. Statement of Accounting Policies and Estimation Techniques and Critical Judgements in Applying Accounting Policies

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 2022/23 Statement of Accounts:-

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

25. Statement of Accounting Policies and Estimation Techniques and Critical Judgements in Applying Accounting Policies

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

26. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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 2023 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the 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' liabilities of changes in individual assumptions can be measured.

For instance, a 0.1% increase in the discount rate would result in a decrease in the Police Pension Scheme liabilities of 2.0% and a decrease in the Local Government Superannuation Scheme liabilities of 2.6%. However, the assumptions interact in complex ways and more details are provided in the IAS 19 disclosures at note 19.

Property, Plant and Equipment Valuations

The Commissioner requests valuations of PPE on a 5 year rolling programme, unless events indicate that a valuation is required ahead of the next planned valuation. Valuations are undertaken by qualified valuers within Hampshire County Council's Property Team 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.

A 1% change in the value of property would result in an increase / decrease of £2.3m. This does not impact the usable reserves available to the Authority.

27. Accounting Standards that have been issued but not yet 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 Code only requires items to be mentioned here which will be adopted in 2023/24. However, it is also useful to note that we are planning to adopt IFRS 16 (which is about accounting for leases) in 2024/25.

The additional disclosures that will be required in the 2023/24 financial statements in respect of accounting changes introduced in the 2023/24 Code are:

- Definition of Accounting Estimates (Amendments to IAS 8)
 - The International Accounting Standards Board (IASB) has revised its definition of “accounting estimate” to make it clearer. We do not expect it to result in any changes to how we make accounting estimates, so no impact on the accounts is foreseen.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
 - This change relates to how assets and liabilities should be accounted for when an organisation acquires or obtains control of another organisation. We are not planning to take over any other organisations so do not expect this change to have any impact.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
 - The IAS 1 amendment slightly changes the criteria for which accounting policies an organisation should disclose in its accounts. Policies should now be disclosed if they are “material”, rather than the previous criteria of being “significant”. The changes to the IFRS Practice Statement 2 are intended to help organisations identify if an accounting policy is material. We will review our policies but do not expect it to result in any major changes to what we publish in the accounts.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
 - These amendments clarify how organisations should account for deferred tax on transactions such as leases and decommissioning obligations. The Police and Crime Commissioner is exempt from corporation tax. If we established any trading companies (subject to forthcoming legislation expected to permit this) they would not be exempt from corporation tax, so they could be affected by this change. However, any impact would still be immaterial to our accounts.

Pension Fund Account

2021/22 Police Pension Fund Account		2022/23
£'000		£'000
	Contributions receivable	
	- from employer	
(35,021)	- normal contributions	(36,684)
(1,538)	- ill-health capital equivalent charges	(2,657)
(15,036)	- from members	(15,721)
	Transfers in	
(1,525)	- individual transfers in from other schemes	(736)
	Benefits payable	
86,997	- pensions	93,057
18,346	- commutations and lump sum retirement benefits	20,174
0	- lump sum death benefits	123
	Payments to and on account of leavers	
107	- refunds of contributions	139
21	- individual transfers out to other schemes	2
52,351	Net amount payable for the year	57,697
(52,351)	Additional contribution from the Commissioner	(57,697)
0		0
	2021/22 Net Assets Statement	2022/23
£'000		£'000
	Current Assets	
0	- pensions paid to pensioners in advance	8,436
	Current Liabilities	
0	- amount due to sponsoring department	(8,436)
0		0

Notes to the Pension Fund Account

The Pension Fund financial statements do not take account of any liabilities to pay pensions and other benefits after the period end.

Most payments and employer contributions in respect of the police pension schemes are reported in the Police Pension Fund Account. Other pension costs are charged to the Comprehensive Income and Expenditure Statement. This includes the on-going costs and commuted lump sums in respect of officers who are awarded injury pensions, which totalled £3.5m in 2022/23. 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 2022/23. Whilst this contribution rate is unchanged from 2021/22, 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).

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

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 The vast majority of funding for policing is received from Government Grant and Council Tax and there were no reductions to those amounts in 2022/23; there is no significant reliance on other income.

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 are conducted on-line and in person as part of a hybrid approach.

1.5 Video conferencing technology has now become integrated into business practice and this has been utilised to complement in person meetings where appropriate, and thus 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, as well as its activities through which it accounts to, engages with and leads within 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, the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 Ongoing review of these controls has initiated a review of the risk framework which will continue through this financial year, with an internal audit checkpoint in Q2. A significant focus of improvement is the joint understanding of interdependent risk with Hampshire and Isle of Wight Constabulary.

2.4 The previous governance framework has been in place for the year ending 31 March 2023 and up to date of approval of the statement of accounts.

Annual Governance Statement

2.5 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.

2.6 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.

2.7 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. This is reinforced through the new organisational values that have been developed through staff engagement sessions at all levels.

3.1.2 The Police and Crime Commissioner is committed to the highest ethical standards and has adopted a governance framework to reinforce 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 and are constantly reviewed to ensure they are translated into delivery. The Scheme of Delegation is one such example that is under review.

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.

Annual Governance Statement

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 An implementation plan has been established and is managed through programme and project management to ensure every element of the Police and Crime Plan is tracked, monitored and delivered.

3.2.3 Risks and issues are managed through project leads within the OPCC and escalated through Senior Responsible Owners (SRO's) to executive-level governance within the Implementation Board | Oversight and Scrutiny (IBOS). This ensures programme and project risk factors are considered, recorded and, where required, addressed.

3.2.4 The implementation plan also captures and discharges the associated PCC's statutory responsibilities within the Police Reform and Social Responsibility Act 2011 (oversight & scrutiny – 'holding to account' arrangements). This enables delivery on the priorities of the Police and Crime Plan and ensures alignment with the strategic direction of the OPCC.

3.2.5 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.

3.2.6 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.

3.2.7 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. This was demonstrated in the public survey and consultation for the 2023/24 precept and budget review. The survey was both efficient and effective in reaching a return of over double that of previous years. Public views and comments were captured for crimes and incidents that are of most concern to residents and businesses within Hampshire and the Isle of Wight. This is used as supporting evidence for the PCC's approach and decision making for future activity.

3.2.8 Openness is directly linked to accessibility and, in response to a Government Digital Service report, significant work was undertaken in improving access to our public digital content and compliance with the Accessibility Regulations 2018. This is under constant review.

Annual Governance Statement

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.

3.3.2 The Police and Crime Commissioner is currently reviewing the Police Estates Strategy and, specifically, economic sustainability and social and environmental benefits are at the forefront of that work.

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 ensures that decisions are 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 by the Police and Crime Panel. The budget is set in the context of achieving the Police and Crime Plan. Consultation for the 2023/24 precept and budget review took place, and crimes and incidents that are of most concern to residents and businesses within Hampshire and the Isle of Wight were captured and formed part of the Police and Crime Panel scrutiny.

3.4.3 A medium term financial strategy, capital programme and reserves strategy are updated each year together with relevant resource forecasts. This takes full account of the changing regulatory, environmental, demographic, economic and demand factors 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 levels. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation. Police and Crime Plan risks and issues are tracked, monitored and controlled through the project leads within the OPCC. Where appropriate, these are escalated through Senior Responsible Owners (SRO's) to executive-level governance within the Implementation Board | Oversight and Scrutiny (IBOS). This ensures programme and project risk factors are considered, recorded and, where required, addressed.

Annual Governance Statement

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 on the capability of leadership. Each individual has regular 1:1 meetings with their line manager and a new Personal & Development Review (PDR) process will be launched Q1 – Q2 in support of this. Supportive leadership in the OPCC promotes performance and talent management linked to organisational values and objectives.

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 organisational redesign to deliver the outcomes within the Police and Crime Plan. This new structure was launched in June 2022 and is now operational within the business. It remains under constant review as per 3.5.2.

3.5.4 Implicit within the new structure is an emphasis on the need for high performance, of which resilience and continuing professional development play key parts; both feature in the regular discussions between managers and staff. This is linked to how support is identified and delivered and a training needs analysis, commissioned in Q3 2022/23, will provide part of that package to staff.

3.5.5 As part of assessing overall capacity, and linked to ensuring clear accountabilities and managing strategic risk, the OPCC (working alongside the Constabulary) have reviewed the existing shared service arrangements in place with Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Service; the partnership currently provides a range of both non-transactional and transactional Finance, Human Resources and Property services to both the OPCC and the Constabulary.

3.5.6 The review has concluded that there would be a benefit to bringing back in house the non-transactional elements of the above services, whilst retaining the current transactional services within the partnership. Notice has now been given to Hampshire County Council as the host employer that non-transactional Finance, Human Resources and Property services will be brought in house, and a timeline is under discussion which will see these services transfer back to the OPCC during 2023/24.

Annual Governance Statement

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 into the Joint Audit Committee. The Joint Audit Committee has provided guidance and advice for the enhancement of the risk management arrangements which, as previously commented on, has led to a wider risk framework review.

3.6.2 Risks jointly held with TVP through collaborations are reviewed and monitored by the PCC and Chief Constable at the Joint Collaboration Governance Board, and are also reviewed at the Deputy Chief Constable Collaboration Board. The Chief Executive is also present at these meetings.

3.6.3 The Internal Audit Plan provides the mechanism through which the Chief Executive, CFO and PCC 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.

3.6.6 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 Police (TVP), the Joint Audit Committee has access to and receives 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 is 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.

Annual Governance Statement

3.6.11 The Joint Audit Committee has 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 previous 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 in order to support the continuity of the committee where it was considered to be in the interests of good governance to do so. This has proved to be very effective but, to remain current, the successful recruitment of two new members took place in Q4. The Terms of Reference will continue to be regularly reviewed to ensure they remain effective.

3.6.12 The Police and Crime Panel publicly hold the Commissioner to account for performance and formally provide a role in scrutinising and commenting upon the Commissioner's precept proposals, including a power to veto the proposed precept.

3.6.13 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 publicly holds the Chief Constable to account on particular issues raised by the public. In addition, the Commissioner meets regularly in private with the Chief Constable to discuss performance.

3.6.14 An OPCC Oversight, Performance and Scrutiny (OPS) framework has been developed and built on existing arrangements for holding to account. This includes Policing Protocol 2011 legal responsibilities and is aligned to the Association of Police and Crime Commissioners (APCC) tool kit(s) and good practice.

3.6.15 The risk of cyber-attack continues to grow across the public sector and in UK Policing. This is not just from criminal organisations but also state actors. The OPCC IT platform is provided by and shared with the Constabulary in collaboration with TVP. In response, during 2022/23 they have implemented a Cyber Threat & Response Management Board to provide a comprehensive bilateral response to our cyber threat & response position ensuring agreed and appropriate solutions and remediation plans are in place and actively progressing, additionally informing the Force(s) and OPCC Executive of strategic outcomes and ensuring learning activities are cascaded to respective departments.

3.6.16 The Police and Crime Commissioner has strong financial management arrangements at both the strategic and operational levels, and consistently obtains unqualified opinions for its annual accounts and value for money assessment. The Section 151 Officer is a member of the OPCC 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.

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

3.6.18 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.

Annual Governance Statement

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. This has been strengthened through the earlier referenced Accessibility Regulations work.

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.

Annual Governance Statement

4. Obtain assurances on the effectiveness of key controls

4.1 Key controls relating to risks, internal control (including financial management), and governance processes have been identified for review and an Enterprise Risk Management approach adopted. This work, shared and supported by the JAC, will reaffirm a 3 lines model approach to risk management. By taking a holistic approach, managers will be supported by risk professionals in the identification, management and recording of risk. This will ensure a top down and bottom up view that will provide a shared understanding of risk, consolidated into the strategic risk register at a corporate level. In consideration of JAC advice and the internally initiated risk review, a working group has been set up to better represent joint and interdependent risk across both the OPCC and the Constabulary.

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 CFO reviewed compliance with the CIPFA Financial Management Code, which was required to be adopted formally from 2021/22. The FM Code is a self-assessment of financial management within an organisation. The CFO documented compliance with the Code and self-assessed the OPCC as being fully compliant with its requirements. Compliance was subsequently reviewed, tested and confirmed through an Internal Audit review, with an audit assurance rating of 'Substantial'.

Annual Governance Statement

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 The Police and Crime Commissioner has included within the 2023/24 internal audit plan (current as of April 2023) an audit to review the effectiveness of controls in place designed to mitigate risk(s) in the achievement of the following key objectives:

- appropriate governance is in place to ensure existing and emerging statutory and general responsibilities of the PCC are identified and expectations for meeting them are clearly outlined
- governance framework provides oversight and processes to ensure that duties have been met and can be substantiated
- management reporting on the activity and progress provides assurance that statutory and general duties are being carried out in line with requirements.

The scope of the audit is to focus on the governance in place for the identification of existing and emerging statutory and general responsibilities.

This will include a review of the framework and regular reporting that is in place for providing oversight of the duties being carried out. This will seek to provide sufficient assurance that the PCC duties are being met.

5.3 Each team within the Office of the Police and Crime Commissioner is developing a better understanding of operational risk to support the existing development of strategic risk. The new framework has been identified and will develop over Q1 and Q2 as previously mentioned. The Internal Audit plan and reports have assisted the review and development of an improved framework which will improve identification and decision making.

5.4 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.

5.5 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.

5.6 In line with the Internal Audit Charter, the key elements of the corporate governance framework are risk assessed and reviewed periodically by Internal Audit.

Annual Governance Statement

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

6.1 As set out in paragraphs 3.5.5 and 3.5.6, the OPCC, along with Hampshire & Isle of Wight Constabulary, has given formal notice to Hampshire County Council that it will depart Shared Services arrangements for the provision of non-transactional services relating to Finance, Human Resources and Property Management. Arrangements for off-boarding and on-boarding of staff and the development of new services continue to be considered by the '4 Chiefs Governance Board'. Transactional services for Finance and HR will remain in place through the Shared Services Integrated Business Centre.

6.2 Launch of the new Performance and Development Review (PDR) process and accompanying management governance systems.

6.3 Review the training needs analysis and to agree the resultant risk-based approach to training, continuing professional development and discharge of statutory functions.

6.4 Adoption of the joint risk management approach by both Hampshire & Isle of Wight Constabulary and the Office of the Police and Crime Commissioner, as well as the delivery of accompanying training for relevant staff and managers.

6.5 Implementation of improved mechanisms to better interpret and present risk data to the Joint Audit Committee.

6.6 Continue to review and develop the OPCC's approach to organisational learning.

6.7 Undertake internal audit and review of organisational health and safety procedures, estates responsibilities and specified information order compliance, and to implement subsequent improvements as required.

7. In response to the Action Plan identified in the 2021/22 Annual Governance Statement:

7.1 Annual skills audit - following organisational restructure, the new Head of Business has implemented a new annual skills audit to underpin the OPCC Annual Training & CPD Plan. The results of a training needs analysis in Q3 are being used to inform training prioritisation through a learning and professional development strategy. This supports last year's action 6.1 with a framework and the forum to focus on what the OPCC and our staff need most. This will include core mandatory requirements, specialist training and CPD for all staff. This will support the development of values and a new PDR process that promotes a culture of openness, support and respect. Leadership and management training is also being prioritised as part of the plan to ensure the right level of preparedness at all levels.

7.2 Review governance arrangements - the new organisational structure is now operational and the Chief Executive has commenced the review of governance arrangements and terms of reference for the Executive Leadership Team (ELT) and Senior Leadership Team (SLT). Reporting into the ELT, reviews of the Scheme of Delegation & Consent and all organisational policies are, as previously mentioned, also under review.

7.3 Finalise Police and Crime Plan Implementation Plan - the Police and Crime Plan 2021-2024 continues to be implemented to establish the Commissioner's ambitions for delivering positive outcomes.

- An implementation plan has now been established and is managed through programme and project management to ensure every element of the Police and Crime Plan is tracked, monitored and delivered.
- Risks and issues are managed through project leads within the OPCC and escalated through Senior Responsible Owners (SRO's) to executive-level governance within the Implementation Board | Oversight and Scrutiny (IBOS). This ensures programme and project risk factors are considered, recorded and, where required, addressed.

Annual Governance Statement

- The Implementation Plan also captures and discharges the associated PCC's statutory responsibilities within the Police Reform and Social Responsibility Act 2011 (oversight & scrutiny – 'holding to account' arrangements). This enables delivery on the priorities of the Police and Crime Plan and ensures alignment with the strategic direction of the OPCC.

7.4 Review the organisational approach to risk management - as previously mentioned, the approach to risk has been reviewed and is being improved in response to action 6.4 from the previous annual governance statement. This approach links to industry best practice and is already developing a better understanding of the risk picture at all levels, as well as joint risk with Hampshire and Isle of Wight Constabulary. Mechanisms to better interpret and present risk data to the JAC are being progressed with planned implementation through Q2. This action links to action plan points 6.4 and 6.5 for 2023/2024.

7.5 Review the approach to Performance and Development Reviews - the development of a meaningful framework of performance and talent management is already in progress. A simple but effective process that focusses on quarterly reviews and regular conversations linked to personal and organisational objectives is in development with proposed workshop support. A governance process is being developed alongside to ensure completion and to support line managers in its application.

7.6 Formally document new Risk Based Oversight & Scrutiny Programme - the OPCC Oversight, Performance and Scrutiny (OPS) framework has been implemented and built on existing arrangements for holding to account. This includes The Policing Protocol 2011 legal responsibilities to:

- scrutinise, support and challenge the overall performance of the Force including against the priorities agreed within the Police and Crime Plan

- hold the Chief Constable (CC) to account for the performance of the Force's officers and staff
- maintain an efficient and effective police force for the area
- hold the CC to account for the exercise of the functions of the office of CC and the functions of the persons under the direction and control of the CC

The OPS framework advocates four principles for effective 'holding to account' arrangements:

- provides a constructive "critical friend" challenge
- amplifies the voices and concerns of the public
- led by independent people who take responsibility for their role
- drives improvement in public services

7.7 Roll out a new model of budget accountability - the Chief Finance Officer has rolled out budget management training to enhance financial control and accountability, and to deliver the budget accountability model

7.8 Review any legacy impact of COVID - our position post-COVID19 has been reviewed and 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 to impact on our business.

Annual Governance Statement

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.



Police and Crime Commissioner
6 December 2024



Chief Finance Officer
6 December 2024



Chief of Staff
6 December 2024

Independent Auditors Report – Group and Commissioner

INDEPENDENT AUDITOR'S REPORT TO THE POLICE & CRIME COMMISSIONER FOR HAMPSHIRE & ISLE OF WIGHT

Disclaimer of opinion

We were engaged to audit the financial statements of the Police & Crime Commissioner for Hampshire & Isle of Wight ('the Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- Police & Crime Commissioner for Hampshire & Isle of Wight and Group Movement in Reserves Statement,
- Police & Crime Commissioner for Hampshire & Isle of Wight and Group Balance Sheet,
- Police & Crime Commissioner for Hampshire & Isle of Wight [and Group] Cash Flow Statement
- Police & Crime Commissioner for Hampshire & Isle of Wight and Group Comprehensive Income and Expenditure Statement
- the related notes 1 to 27 including a summary of significant accounting policies,
- and include the Police Pension Fund Account comprising the Fund Account, the Net Assets Statement, and the related notes

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 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

The backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority.

We report to you if:

- 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)
 - 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)

- we are not satisfied that the Group and the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

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Independent Auditors Report – Group and Commissioner

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 24, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts 2022/23, which includes the Group and Authority financial statements and the Police pension fund 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 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), 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 Group and the Authority'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 Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Authority 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 Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether the Police & Crime Commissioner for Hampshire & Isle of Wight had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police & Crime Commissioner for Hampshire & Isle of Wight put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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 & Crime Commissioner for Hampshire & Isle of Wight 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 Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Independent Auditors Report – Group and Commissioner

Certificate

We certify that we have completed the audit of the accounts of the Police & Crime Commissioner for Hampshire & Isle of Wight 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 the Police & Crime Commissioner for Hampshire & Isle of Wight, as a body, 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 & Crime Commissioner for Hampshire & Isle of Wight, as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Southampton

9 December 2024

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 19 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

Glossary

Agency Services

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

Amortisation

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Chief Financial Officer (CFO)

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

Collection Fund Adjustment Account

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

Credit Arrangements

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

Creditors

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

Current service costs

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

Debtors

Individuals or organisations who owe the Commissioner money.

Glossary

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.

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.

Glossary

Revaluation Reserve

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

Revenue Contributions to Capital Outlay (RCCO)

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

Revenue Expenditure

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

Reserves

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