



Chief Constable for Hampshire

Draft Statement of Accounts

2019/20

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Introduction

The Statement of Accounts sets out the overall financial position of the Chief Constable of Hampshire Constabulary for the year ending 31 March 2020. 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 2019/20*. This narrative provides a brief explanation and overview of the financial performance and activities during 2019/20.

The Chief Constable

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

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

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

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

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

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

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

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



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

Statement of Accounts

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

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

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

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

The Chief Constable's Statement of Accounts for 2019/20 consists of the following:

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

Relationship between Accounting Statements

The different accounting statements are linked in several important ways.

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

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

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

Changes to the Accounts

Due to the disruption caused by coronavirus, the statutory dates for publishing the accounts were changed this year. The deadline for publishing the draft accounts was moved to 31 August, although our draft accounts were published in early June. The deadline for publishing the audited accounts has been moved to 30 November. It was not until near the end of the 2019/20 financial year that coronavirus began to cause severe disruption, so most of the financial impact will be shown in accounts for 2020/21 rather than 2019/20, as the impact in 2019/20 was not material.

Significant changes in accounting policies

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

Underlying accounting principles

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

a) Understandability

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

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

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

b) Relevance

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

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

c) Reliability

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

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

d) Comparability

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

Review of the year

Financial Overview (including economic climate)

In February 2019, the Commissioner approved funding for a net revenue budget for 2019/20 for the Group of £337.3m, an increase of £22.3m on the previous year. This increase was funded through an increase in the Band D precept of £24. Combined with the increase in council tax base and collection fund surplus, this created an increase of funding through council tax of £18.5m and an increase of Government grant of £3.8m.

Pensions

The revaluation of the police pension scheme used a reduced discount rate, resulting in the employer contribution rate being increased from 24.2% to 31.0% of pensionable pay for 2019/20. There is no change to the pensions earned or paid to police officers, so the increase in employer contribution rates will mean that police forces are paying more towards the overall cost of the police pension schemes underwritten and owned by the Home Office. A new specific grant towards pension costs of £3m was received in 2019/20. Along with the general grant increase of £4m, this assisted in funding additional employer contributions for police officers of circa £7.5m.

The Commissioner's net pension liability is included in the balance sheet in accordance with accounting standards including an estimate of the impact of the McCloud judgement that concluded the transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. The Government's application to appeal the decision was denied by the Supreme Court on 27 June 2019. Consequently, the Government has stated its intention to engage fully with the Employment Tribunal to agree how the discrimination will be remedied for all the main public service pension schemes, including Police. The actuary has modelled the assumed remedy with reference to developments in the Employment Tribunals of other public service schemes.

Overall, the net pension liability has decreased by £200m from £3,794m at 31 March 2019 to £3,594m at 31 March 2020. The Commissioner's assessed share of the value of the plan assets of the Local Government Superannuation scheme showed a decrease of £9m while the assessed present value of the Commissioner's liabilities on all pension schemes decreased by £209m.

The large negative IAS19 pension reserve is mainly due to the police pension scheme being an unfunded scheme i.e. with no fund assets to offset future liabilities when existing police officers have all retired. The difference between pension fund outgoings and incomings is

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met by top-up grant from the Home Office. Therefore, the statutory arrangements for funding the liability mean that the Commissioner's and the Group's financial position remains sound.

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

Reserves

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

All reserves are held by the Commissioner with two exceptions; the accumulated absences account and the pensions reserve. Both of these reserves are unusable (i.e. not cash-backed). The balance on the accumulated absences account at 31 March 2020 was £4.340m (£4.197m at 31 March 2019) and the balance on the pensions reserve was £3,598m (£3,729.4m at 31 March 2019).

Material Assets Acquired or Liabilities Incurred

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

Unusual Charges or Credits within the accounts

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

Significant Provisions or Contingencies

As a result of the adoption of International Financial Reporting Standards (IFRS), the Constabulary is required to accrue for any annual leave, flexitime and time off in lieu which had been earned but not taken at 31 March each year. The amount accrued at 31 March 2020 was £4,340m (£4.197m as at 31 March 2019).

Uncertain Future Events

The United Kingdom exited the European Union on 31 January 2020. Transitional arrangements remain in place but the event has led to continued short term increased political and economic uncertainty, further impacted by the Covid 19 crisis which has been the main focus of government. The eventual position on Brexit (including whether the UK exits the EU with or without a trade deal) post 31 December 2020 does have the potential to impact the PCC's and Group's finances going forward and the estimates and assumptions which impact on the accounts and the Medium Term Financial Strategy. However, it is too early to predict the impact on the financial statements, as the long term effects are still uncertain, and there is likely to be significant ongoing uncertainty for some time. The PCC and Chief Constable will continue to review the impact in the coming months.

Collaborative working

The Commissioner and the Constabulary continue to work with police bodies, including the National Police Air Service, Police ICT Company, the South East Region Organised Crime Unit and Counter Terrorism Policing South East. There is increasing national co-ordination through the Policing Vision 2025 and Police Transformation Fund. A South East Region Integrated Processes (SERIP) team has been created to co-ordinate collaboration within the region.

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

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

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

The Constabulary has an active programme of collaboration with Hampshire Fire and Rescue Services. This already includes the sharing of buildings, including a shared headquarters.

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

The Constabulary entered into a joint working arrangement in 2014/15 with Hampshire County Council and Hampshire Fire and Rescue Service for the provision of professional support services including finance, human resources, facilities management and procurement across the three organisations. Internal audit and pensions services have subsequently been added. The services are hosted but not controlled by Hampshire County Council as they are delivered with joint direction, governance, control and senior management with each organisation accounting for its share of the costs.

Hampshire Constabulary is collaborating with Hampshire County Council on a joint laboratory facility and with the University of Portsmouth on a shared Digital Forensics centre of excellence.

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The ACPO Criminal Records Office and its associated national units are hosted by Hampshire. Collaborative agreements in respect of ACRO are in place with all 43 forces in England and Wales as at 31 March 2020.

Performance

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

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

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

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

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

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

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

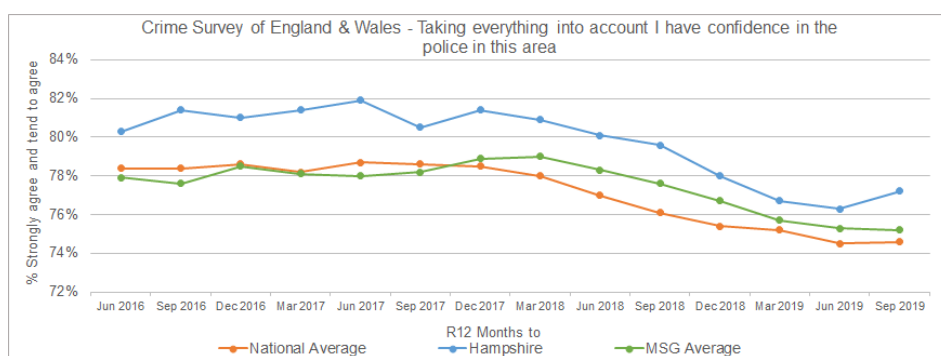
"The force has successfully addressed many of those areas where we identified it could do better in our previous inspections. We have seen improvements in how it investigates and records crime, protects vulnerable people and treats its staff and the public. In other areas, work is in progress."

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

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

The Constabulary monitors operational performance through the Force Performance Group. Five key metrics are used that cover confidence and satisfaction, commission rates, outcomes and wellbeing. As an example, the public confidence chart from the National Crime Survey is shown below:

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

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

Comparison of accounts with the revenue outturn

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

This is a different basis to the way the management accounts are produced. For the purpose of setting the council tax precept each year certain charges, such as depreciation of assets and the accrual of retirement benefits, should not be borne by the general fund. The management accounts which are reported to the Commissioner and Chief Constable throughout the year exclude such charges and accounting adjustments and are used to monitor the budget, as well as informing the setting of the precept for the following year. The management accounts provide for the cost of financing capital expenditure, revenue contributions and actual in year employer's contributions to the pension fund instead of the charges for the pension scheme and depreciation.

As the accounts are prepared in accordance with the requirement of IAS 19 the cost of retirement benefits are recognised within the Comprehensive Income and Expenditure Statement and the liability relating to pensions schemes is included within the long term liabilities on the Balance Sheet. These liabilities totalled £3,594m at 31 March 2020 which has resulted in an overall negative balance of £3,598m. However, finance is only required for the police pensions when the amounts are actually paid.

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Revenue Expenditure

In 2019/20, the reported outturn position was net expenditure of £327m on policing services for the people of Hampshire and the Isle of Wight, for the costs of the Office of the Police and Crime Commissioner and for commissioning services in accordance with the Police and Crime Plan objectives.

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

The summary below shows net contributions to reserves of £3.4m. This is before adding the general underspend and any transfers to reserves for holding account balances. Taking into account all reserve movements in the course of the year and at the year-end, including usable reserves which were used in the financing of the capital programme, total usable reserves had increased by £9.21m at 31 March 2020.

Outturn 2019/20	Budget	Actuals	Variance
	£'000	£'000	£'000
Funding	(337,297)	(337,297)	0
Expenditure owned by the PCC			
Office of the PCC	2,219	2,214	(5)
Commissioning	2,281	2,276	(4)
Estates	17,709	16,656	(1,053)
Capital Financing	3,086	3,083	(3)
Interest on balances	(500)	(700)	(200)
Contributions to/(from) reserves	3,410	3,410	(0)
Net expenditure owned by the PCC	28,205	26,940	(1,265)
Police Service			
ITD	19,549	19,797	248
Contact Management	22,167	24,164	1,998
R&P	47,371	44,870	(2,501)
P&N	50,214	45,484	(4,729)
Investigations	75,802	72,971	(2,832)
JOU	22,237	23,575	1,338
Support Services	58,646	57,980	(666)
Corporate	13,107	11,556	(1,551)
Net Police Service	309,092	300,397	(8,696)
Net total expenditure	337,297	327,336	(9,961)
Net total funding/expenditure	0	(9,961)	(9,961)

Reconciliation to the Comprehensive Income and Expenditure Statement

The table below reconciles the management accounts, as per the previous table, with the financial accounts presented herein.

	Actuals as per outturn report £'000	Adjustments between accounting and funding basis £'000	Adjustments for other items to match CIES presentation £'000	Net cost of services in the CIES £'000
Expenditure owned by the PCC				
Office of the PCC	2,214	-	-	2,214
Commissioning	2,276	-	-	2,276
Estates	16,656	9,340	-	25,996
Capital Financing	3,083	-	(3,083)	0
Interest on balances	(700)	-	700	(0)
Contributions to/from reserves	3,410	-	(3,410)	0
Net expenditure owned by the PCC	26,940	9,340	(5,793)	30,487
Police Service				
ITD	19,797	-	-	19,797
Contact Management	24,164	-	-	24,164
R&P	44,870	-	-	44,870
P&N	45,484	-	-	45,484
Investigations	72,971	-	-	72,971
JOU	23,575	-	-	23,575
Support Services	57,980	-	-	57,980
Corporate	11,556	31,323	(6)	42,873
Net Police Service	300,397	31,323	(6)	331,714
Other items not allocated to services	-	2,401	923	3,324
Net cost of Policing Services	327,336	43,064	(4,876)	365,524
Other (income)/expenditure	-	82,991	(331,669)	(248,678)
(Surplus)/deficit on the provision of services	327,336	126,055	(336,545)	116,846

This table shows that there was a deficit of £148.0m on the provision of services for 2019/20 in the statutory financial statements for the group as a whole (£222.3m deficit in 2018/19). This reflects the different basis on which the Statement of Accounts is prepared. Thus, the difference from the net position reported in the summary compared to the figures reported to the Chief Constable is due to a number of items which are not included in the management accounting reports. The principal differences between the statutory and the management accounts (i.e. the revenue budget) in 2019/20 are in respect of the depreciation and impairment of assets, the actuarially-assessed charges for police and staff pensions which are earned in the year, an adjustment in respect of capital grants received from the Government and the balances on the collection fund accounts held by the billing authorities.

Future Prospects

Budget 2020/21, Capital Programme and Medium Term Financial Strategy

The revenue and capital budget for 2020/21 and Medium Term Financial Strategy were approved by the Police and Crime Commissioner in February 2020 and published on the PCC's website.

The budget for 2020/21 includes a precept rise of £10 on a Band D property in line with the referendum limit set by Government and taking into account the supportive views of the public consultation and the views of the Police and Crime Panel. A fully balanced budget of £367m was set for 2020/21. However, whilst the MTFs shows a balanced budget position for 2021/22, the position for 2022/23 and 2023/24 is that all other things being equal, further savings would be required in those years to balance the budget.

The capital programme for 2020/21 includes £15.8m of planned expenditure. Of this amount £13.5m relates to new estate and £2.3m relates to replacement vehicles. This is funded by £16.6m of in-year capital receipts, £0.3m from capital grant and £3.6m from revenue contributions. If all the capital receipts are realised then there will be a surplus of £4.7m to contribute towards capital spend in future years.

Going concern

The negative impact of Covid-19 on the finances of organisations, both public and private, has been well documented.

In the public sector the significant pressures experienced have led to many organisations raising concerns as to their financial stability and sustainability, and it has been noted that in some of these organisations it may be necessary for Chief Financial Officers to issue Section 114 notices.

As neither a Police and Crime Commissioner nor a Constabulary can be created or dissolved without statutory prescription, the going concern assumption in the Accounting Code of Practice therefore assumes that both the Hampshire Police and Crime Commissioner and Hampshire Constabulary continue to operate for the foreseeable future, and that the accounts are therefore presented on a going concern basis. Whilst there is no statutory change to this position, the impact of Covid-19 on the going concern of the both the PCC and the Constabulary has been reviewed and is set out below

In comparative terms, whilst policing has been impacted by Covid-19, the financial impact thus far has been limited compared with many other public sector bodies.

In Hampshire, the CFOs of both the PCC and the Constabulary have reviewed the impact of Covid-19 to date, and also the potential impact in the medium term, and have drawn the conclusion that whilst additional costs have been incurred, the overall financial risks presented by Covid-19 are not proving to be significant, and can be managed within the overall resources available including if necessary from reserves. The CFOs are content that the PCC and Constabulary will continue to operate on a going concern basis for the foreseeable future.

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This review of going concern in light of Covid-19 is in addition to but supported by the conclusions the PCC CFO set out in his recent Section 25 statement, which was completed alongside the PCC setting the precept and budget for 2020/21, and the medium term financial strategy for the period 2021/22 - 2023/24. That budget report and Section 25 statement included the following conclusions:

'The PCC CFO's assessment is that the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates'

'The budget report for 2020/21 and the MTFS have been based on prudent funding assumptions, which should mean that PCC is well placed to respond to and manage changes in funding'

'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'

It is the view of the both the PCC CFO and the Constabulary CFO that the above conclusions remain valid, particularly as the cost impact of Covid-19 on policing in Hampshire is not significant and is manageable within the overall resources available.

Whilst the current and forecast medium term financial position remains stable, the PCC and Constabulary CFOs will continue to evaluate any evolving financial impact from Covid-19 on the sector in general and Hampshire in particular, and will review any impact for financial sustainability going forward.

Treasury Management Strategy

The Capital and Investment Strategy and Treasury Management Strategy are both approved annually by the Police and Crime Commissioner and published on the website. These documents contain a more detailed explanation of the economic outlook and the agreed prudential indicators. The authorised limit for external debt was £93.1m for 2019/20 and is £86.5m for 2020/21. Debt (£31m) did not exceed the Capital Financing Requirement of £56.17m at 31 March 2020.

Environment

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

Further Information

Further information on these accounts is available from the Chief Finance Officer, Hampshire Constabulary, c/o Hampshire County Council, The Castle, Winchester, SO23 8UB,

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

The Chief Constable's Responsibilities

The Chief Constable is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

Certification of Accounts

The Chief Finance Officer's Statement

I certify that the Statement of Accounts for 2019/20 give a true and fair view of the financial position of the Chief Constable at 31 March 2020 and the income and expenditure for the year then ended.

Signed: Richard Croucher CPFA

Date: 30 November 2020

Movement in Reserves Statement

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2018	-	-	-	-	3,580,535	3,580,535	
Movements during 2018/19							
Total Comprehensive Income and Expenditure	214,189	-	-	214,189	3,303	217,492	
Adjustments between accounting basis & funding basis under regulations	(214,189)	-	-	(214,189)	214,189	-	2
(Increase)/Decrease in year	0	-	-	0	217,492	217,492	
Balance at 31 March 2019	0	-	-	0	3,798,027	3,798,027	
Movements during 2019/20							
Total Comprehensive Income and Expenditure	123,714	-	-	123,714	(323,506)	(199,792)	
Adjustments between accounting basis & funding basis under regulations	(123,714)	-	-	(123,714)	123,714	-	2
(Increase)/Decrease in year	0	-	-	0	(199,792)	(199,792)	
Balance at 31 March 2020	0	-	-	0	3,598,235	3,598,235	

Balance Sheet

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

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

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

31 March 2019		31 March 2020	Note
£'000		£'000	
(4,197)	Short term creditors	(4,340)	
(4,197)	Current Liabilities	(4,340)	
(3,793,830)	Net liability related to pension schemes	(3,593,895)	13
(3,793,830)	Long Term Liabilities	(3,593,895)	
(3,798,027)	Net Liabilities	(3,598,235)	
	Financed by:		
-	Usable reserves	-	
3,798,027	Unusable reserves	3,598,235	3
3,798,027	Total Reserves	3,598,235	

Signed: *Richard Croucher CPFA*

(Chief Finance Officer)

Date: 30 November 2020

Cash Flow Statement

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

2018/19		2019/20	
£'000		£'000	<i>Note</i>
214,189	Net (surplus) or deficit on the provision of services	123,714	<i>CIES</i>
(214,189)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(123,714)	16
-	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-	
- Net cash flows from Operating Activities		-	
- Investing Activities		-	
- Financing Activities		-	
- Net (increase) or decrease in cash and cash equivalents		-	
- Cash and cash equivalents at the beginning of the reporting period		-	
- Cash and cash equivalents at the end of the reporting period		-	

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Police and Crime Commissioners raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

During 2019/20 the service segments used by the PCC and Constabulary were updated and the new segments are presented in the Comprehensive Income and Expenditure Statement (CIES) below. This supports accountability and transparency as it reflects the way in which the services are operated and performance is managed.

To reflect this change in the CIES the prior year figures have been restated under the new service segments. The overall deficit on provision of services for the Chief Constable, PCC and the group as a whole remains unchanged, however the net cost of Policing Services has increased by £2.76m in the Chief Constable's accounts. The most significant contributing factor to this increase is the inclusion within Operational Policing services of the £2.53m expenditure on national policing initiatives, such as the National Police ICT systems, which has previously been reported within other operating income and expenditure within the PCC's accounts.

2018/19 - Restated			2019/20			Note
Gross expenditure	Gross Income	Net expenditure	Gross expenditure	Gross Income	Net expenditure	
£'000	£'000	£'000	£'000	£'000	£'000	
364,359	(43,679)	320,680	384,918	(53,204)	331,714	
114,189	(14,795)	99,395	22,611	(19,287)	3,324	
478,548	(58,474)	420,074	407,529	(72,491)	335,038	10
56,620	(56,620)		51,278	(51,278)	-	4
91,680	-	91,680	89,990		89,990	5
-	-		-	-	-	
148,300	(56,620)	91,680	141,268	(51,278)	89,990	
		511,754			425,028	
		(297,565)			(301,314)	
		214,189			123,714	
		3,303			(323,506)	
		3,303			(323,506)	
		217,492			(199,792)	

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1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (Principally government grants and council tax precept) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

As disclosed within the note to the CIES, during 2019/20 the service segments used by the PCC and Constabulary were updated and the new segments are presented in the CIES, including the update of the prior year figures. The prior year figures disclosed in the EFA have therefore also been updated to reconcile to the new CIES presentation, with the net deficit on the provision of services to the general fund remaining unchanged.

2018/19 - Restated			Expenditure and Funding Analysis - CC			2019/20		
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		
294,861	25,819	320,680	Operational policing services	300,391	31,323	331,714		
2,705	96,690	99,395	Other items not allocated to services	923	2,401	3,324		
297,565	122,509	420,074	Net cost of Policing Services	301,314	33,724	335,038		
-	91,680	91,680	Other income and expenditure	-	89,990	89,990		
297,565	214,189	511,754	(Surplus) or deficit on the provision of services	301,314	123,714	425,028		
(297,565)	-	(297,565)	Intra-group funding	(301,314)	-	(301,314)		
0	214,189	214,189	Net (Surplus)/deficit on the provision of services	0	123,714	123,714		
-			Opening General Fund (including earmarked reserves) balance at 1 April	-				
-			Plus net (surplus)/deficit on the provision of services	-				
-			Closing General Fund (including earmarked reserves) balance at 31 March	-				

2 Adjustments between accounting and funding basis

2019/20	Adjustments for capital purposes	Net change for the pensions adjustments (note a)	Other adjustments (note b)	Total Adjustments
£'000	£'000	£'000	£'000	£'000
Adjustments between accounting and funding basis analysis:-				
Operational policing services		31,180	143	31,323
Other items not allocated to services		2,401		2,401
Net cost of services	-	33,581	143	33,724
Other income and expenditure from the funding analysis		89,990		89,990
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	-	123,571	143	123,714
Note a) Adjustments for pensions:				
Current service cost of funded local government pensions		83,827		83,827
Past service cost of pensions		2,401		2,401
Interest on net pension liability		89,990		89,990
Total transferred to Pension Reserve		176,218		176,218
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(52,647)		(52,647)
Note a) Total		123,571		123,571
Note b) Other adjustments:				
Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account			143	143
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account			-	-
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account			-	-
Note b) Total			143	143
Total adjustments				123,714
(note i) transfer from capital grants unapplied reserve				-
Total adjustments between accounting and funding basis under statute				123,714

Notes to the Core Financial Statements

2018/19	Adjustments for capital purposes	Net change for the pensions adjustments (note a)	Other adjustments (note b)	Total Adjustments
	£'000	£'000	£'000	£'000
Adjustments between accounting and funding basis analysis:-				
Operational policing services	-	25,730	89	25,819
Other items not allocated to services	-	96,690	-	96,690
Net cost of services	-	122,420	89	122,509
Other income and expenditure from the funding analysis	-	91,680	-	91,680
Difference between the General Fund surplus or deficit and the Comprehensive Income and Expenditure surplus or deficit	-	214,100	89	214,189
Note a) Adjustments for pensions:				
Current service cost of funded local government pensions		70,030		70,030
Past service cost of funded local government pensions		96,690		96,690
Interest on net pension liability		91,680		91,680
Total transferred to Pension Reserve		258,400		258,400
Employer's contributions payable to the pension fund transferred from the Pension Reserve		(44,300)		(44,300)
Note a) Total		214,100		214,100
Note b) Other adjustments:				
Difference between accrued cost of employee holiday benefits and those taken, transferred to the accumulated Absences Account			89	89
Amortisation of premiums and discounts on financial instruments transferred to the Financial Instruments Adjustment Account			-	-
Difference between accrued income from council tax and business rates and that required by statute to be paid over by Billing Authorities, transferred to the Collection Fund Adjustment Account			-	-
Note b) Total			89	89
Total adjustments				214,189
(note i) transfer from capital grants unapplied reserve				-
Total adjustments between accounting and funding basis under statute				214,189

3 Unusable Reserves

	31 March 2019 £'000	Movement £'000	31 March 2020 £'000	Note
Pensions Reserve	3,793,830	(199,935)	3,593,895	3a
Accumulated Absences Account	4,197	143	4,340	3b
	3,798,027	(199,792)	3,598,235	

3a Unusable Reserves – Pensions Reserve

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

2018/19 £'000	2019/20 £'000
3,576,427 Balance at start of year	3,793,830
3,400 Actuarial losses/(gains) on pensions assets and liabilities	(323,506)
258,303 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	176,218
(44,300) Employer's pension contributions and direct payments to pensioners payable in the year	(52,647)
3,793,830 Balance at end of year	3,593,895

3b Unusable Reserves – Accumulated Absences Account

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

4 Other operating income/expenditure

2018/19 £'000		2019/20 £'000
(56,621)	Home Office Police Pension Fund Top-up Grant	(51,278)
56,621	Transfer of Home Office Grant to the Police Pension Fund	51,278
<u>-</u>		<u>-</u>

5 Financing and investment income and expenditure

2018/19 £'000		2019/20 £'000
91,680	Pensions interest cost and expected return on pension assets	89,990
<u>91,680</u>		<u>89,990</u>

6 Government Grants and Contributions

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

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

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

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

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

2018/19 CC £'000	2019/20 CC £'000
Credited to Taxation and Non-Specific Grant Income	
- Council Tax Precept	-
- Formula funding	-
- Police Grant	-
- Council tax legacy grant	-
- Government Grant to Finance Capital Expenditure	-
- Other capital contributions	-
- Total	-
Grants Credited to Services	
(496) Contributions to National Wildlife Crime Unit (ACRO)	(301)
(2,017) Counter-Terrorism Policing Grant	(2,691)
(253) Cybercrime Grant	(270)
- Early Intervention Youth Funding	
(554) Home Office grants to ACPO Criminal Records Office	(2,861)
(120) Home Office Prevent grant	-
(406) Innovation Fund	-
Learning development for police officers providing input	
- in schools	(150)
(44) Local Criminal Justice Board funding	-
- Multi Agency Stalking Intervention Programme	(185)
(220) NHS Medical in custody grant	-
- Police Pension Grant	(2,988)
(415) Contributions to National Police Freedom of Information and Data Protection Unit (ACRO - formerly FOI Central Referral Unit)	-
- Restorative Justice/Victims Support grant	-
- Serious Violence Fund	(1,260)
- Uplift Enablers Grant	(747)
- Violence Reduction Units	(880)
(1,122) Miscellaneous grants	(29)
(5,647) Total	(12,362)

7 Officer and Staff Remuneration

Employee Benefits

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

Benefits Payable During Employment

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

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

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

Employee costs - i.e. total remuneration - include salary and taxable allowances paid to officers and staff. It does not include employer pension contributions, nor does it show remuneration net of employees' pension contributions. Where appropriate, compensation for loss of employment is also included. The numbers also include people who are seconded to national roles but whose costs are reimbursed.

Remuneration Band	2018/19	2019/20
	Number of employees	Number of employees
£50,000 - £54,999	263	300
£55,000 - £59,999	158	197
£60,000 - £64,999	66	76
£65,000 - £69,999	17	14
£70,000 - £74,999	7	12
£75,000 - £79,999	8	7
£80,000 - £84,999	13	9
£85,000 - £89,999	5	10
£90,000 - £94,999	4	3
£95,000 - £99,999	2	1
£100,000 - £104,999	-	2
£105,000 - £109,999	1	1
£110,000 - £114,999	-	1
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£135,000 - £139,999	-	-
£190,000 - £194,999	-	-
Totals	544	633

*Note – This does not include the named officers/posts on page 30

Remuneration for relevant police officers and senior employees

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

The table below provides the relevant disclosure for 2019/20 and comparative information for 2018/19 is provided in the second table. Where there have been changes in personnel during the current and prior year the part year remuneration is shown on an individual basis over more than one line. This will mean that certain posts are not comparable.

Notes to the Core Financial Statements

2019/20 Disclosure

Post holder information

	£	£	£	£	£	£	£	£	Note
	Salary, fees and allowances	Bonuses	Expenses Allowance	Compensation for loss of employment	Benefits in Kind	Other payments (Police officers only)	Employer's Pension contributions	Total Remuneration including pensions contributions	
Constabulary									
Chief Constable - 1/4/2019 - 31/3/2020 Olivia Pinkney	189,685	-	1,353	-	2,125	-	57,178	250,341	1
Deputy Chief Constable - 1/4/2019 - 31/3/2020	140,654	-	-	-	5,671	-	42,905	189,230	
Assistant Chief Constable - Local Policing - 1/4/2019 - 31/3/2020	119,634	-	1,077	-	6,976	-	35,690	163,377	
Assistant Chief Constable - Crime, Criminal Justice and Intelligence - 1/4/2019 - 31/3/2020	116,131	-	-	-	2,711	-	35,690	154,532	
Assistant Chief Constable - Operations - 1/4/2019 - 31/3/2020	117,770	-	-	-	1,561	-	35,690	155,021	
Assistant Chief Constable - 12/8/2019 - 31/3/2020	68,763	-	-	-	-	-	20,305	89,068	
	752,637	-	2,430	-	19,044	-	227,458	1,001,569	

Note 1: The Chief Finance Officer for Hampshire Constabulary is employed by Hampshire County Council as part of the shared services arrangement. The Officer providing this function is included within the remuneration details disclosed by Hampshire County Council. A recharge is made to the Constabulary from the County Council in respect of the cost of the Chief Finance Officer. This charge was £117,003 (This figure includes all employer on costs).

Notes to the Core Financial Statements

2018/19 Disclosure

Post holder information

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

Note 1: The Chief Finance Officer for Hampshire Constabulary is employed by Hampshire County Council as part of the shared services arrangement. The Officer providing this function is included within the remuneration details disclosed by Hampshire County Council. A recharge is made to the Constabulary from the County Council in respect of the cost of the Chief Finance Officer. This charge was £113,865 (This figure includes all employer on costs).

8 Termination Benefits

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

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

Exit Packages in Bands of £20,000

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	-	4	20	-	20	4	164	37
£20,001 - £40,000	-	-	-	1	-	1	-	20
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Totals	-	4	20	1	20	5	164	57

In addition to the payments made to staff leaving the organisation, the Chief Constable also made payments to the Local Government Pension Scheme which it bears as the employer for the early retirement of eligible staff who are made redundant. Charges to the Comprehensive Income and Expenditure Statement to cover the actual or expected payments due amounted to £86k in 2019/20 (£66k in 2018/19).

9 External audit costs

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

2018/19 £'000		2019/20 £'000
	Chief Constable:	
14	Fees payable to EY with regard to external audit services carried out by the appointed auditor for the year	14
-	- Other services provided by EY	-
<u>14</u>		<u>14</u>

10 Nature of expenses

As disclosed in the note to the CIES, during 2019/20 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:

2018/19 Expenditure in the CIES £'000		2019/20 Expenditure in the CIES £'000
	Note	
382,290	Employee Benefit Expenses	270,954
96,258	Other Service Expenses	136,575
478,548	Total Expenditure	407,529
(34,300)	Grants, contributions and reimbursements	(48,736)
(24,174)	Fees, charges and other service income	(23,755)
(58,474)	Total Income	(72,491)
<u>420,074</u>	Net Cost of Services	<u>335,038</u>

- a) Employee benefit expenses include pay, employer national insurance contributions, employer pension contributions and other employee benefits. Accounting adjustments are then made under IAS19 so that the expenditure in the CIES reflects the current service cost of the benefit granted in the period, rather than the payments made.
- b) Other service expenses include costs relating to premises, transport, supplies and services. An accounting adjustment is made so that the charge to the CIES also includes revenue expenditure charged to capital under statute (REFCUS).

11 Income received from external customers

2018/19 £'000		2019/20 £'000
(24,174)	Operational policing services	(9,063)
	- Other items not allocated to services	(14,692)
(24,174)	Total income from external customers analysed by service	(23,755)

12 Related Parties

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

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

The Chief Constable makes contributions to pension schemes for both uniformed officers and non-uniformed staff. The Police Pension Schemes are administered by the Chief Constable and the Chief Constable paid £32.6m to the Police Pension Fund as contributions in respect of existing officers and those retiring due to ill-health in the year (£26.0m in 2018/19). The Local Government Pension Scheme is administered by Hampshire County Council and the Chief Constable made employer's contributions of £17.1m in 2019/20 (£15.8m in 2018/19).

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 2019/20 (none in 2018/19).

Notes to the Core Financial Statements

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

Activity	Partners	Lead/Host	PCC share of costs £m
Joint working for support services	Hampshire County Council (HCC), Hampshire Fire and Rescue Services (HFRS)	HCC	7.3
Joint ICT/Information Management Department	Thames Valley Police (TVP)	TVP	18.3
South East Organised Regional Organised Crime Unit (SEROUCU)	South East Region Forces (TVP, Surrey, Sussex)	TVP	3.2
Joint Operations Unit	Thames Valley Police (TVP)	TVP	25.0

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.

13 IAS19 (Pensions Accounting) entries and disclosures

Participation in pension schemes

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

The Chief Constable participates in three post employment schemes:

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

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

Transactions relating to retirement benefits

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

Notes to the Core Financial Statements

	Unfunded Police Pension Schemes		LGPS (Police Staff)	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	48,840	58,037	19,790	23,703
- Past service costs	88,820	2,181	7,870	220
- (Gain)/loss from settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	85,890	84,533	4,250	3,991
Total Charge to the Surplus or Deficit on the Provision of Services	223,550	144,751	31,910	27,914
<i>Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	-	-	(21,180)	28,163
- Actuarial (Gains)/Losses arising:-				
- from changes in financial assumptions	148,660	(186,911)	21,940	(19,025)
- from changes in demographic assumptions	(132,430)	(41,031)	(20,910)	(11,822)
- from changes in actuarial experience	4,920	(145,908)	800	19,206
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	244,700	(229,099)	12,560	44,436
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(223,550)	(144,751)	(31,910)	(27,914)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions to the scheme	26,010	32,607	15,750	17,114
Benefits paid direct to beneficiaries	-	-	-	-
Charge on General Fund	26,010	32,607	15,750	17,114

[table continues on the next page]

Notes to the Core Financial Statements

	Injury Pensions (police officers)		All schemes - Summary	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
- Current service cost	1,400	2,087	70,030	83,827
- Past service cost	-	-	96,690	2,401
- (Gain)/loss from settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure</i>				
Net interest expense	1,540	1,466	91,680	89,990
Total Charge to the Surplus or Deficit on the Provision of Services	2,940	3,553	258,400	176,218
<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	-	-	(21,180)	28,163
- Actuarial (Gains)/Losses arising:-				
- from changes in financial assumptions	3,740	(2,234)	174,340	(208,170)
- from changes in demographic assumptions	(2,240)	410	(155,580)	(52,443)
- from changes in actuarial experience	100	35,646	5,820	(91,056)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	4,540	37,375	261,800	(147,288)
<i>Movement in Reserves Statement</i>				
Reverse charge to Provision of Services	(2,940)	(3,553)	(258,400)	(176,218)
<i>Actual Amount charged against the General Fund Balance for pensions in the year</i>				
Employer's contributions payable to the scheme	-	-	41,760	49,721
Benefits paid direct to beneficiaries	2,540	2,926	2,540	2,926
Charge on General Fund	2,540	2,926	44,300	52,647

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

Pensions assets and liabilities recognised in the Balance Sheet

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

There are no material prepaid or accrued pensions contributions at 31 March 2020.

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

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

Value at year ending	Police Pension Schemes		Injury Pensions (police officers)	
	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m
Present value of the defined benefit obligation	3,563.13	3,301.42	62.55	97.00
Fair value of plan assets	-	-	-	-
Net liability arising from the defined benefit obligation	3,563.13	3,301.42	62.55	97.00

Value at year ending	Local Govt Pension Scheme		Total	
	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m
Present value of the defined benefit obligation	499.14	517.77	4,124.82	3,916.19
Fair value of plan assets	(330.99)	(322.30)	(330.99)	(322.30)
Net liability arising from the defined benefit obligation	168.15	195.47	3,793.83	3,593.89

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

	Unfunded Police Pension Schemes		Local Govt Pension Scheme	
	2018/19 £m	2019/20 £m	2018/19 £m	2019/20 £m
Opening fair value of assets	-	-	291	331
Interest income	-	-	8	8
Remeasurement gains and (losses):-				
- the return on plan assets (excluding the amount included in the net interest expense)	56	51	21	(28)
- other	-	-	-	-
Employer contributions	26	33	16	17
Contributions by scheme participants	14	13	4	4
Settlements	-	-	-	-
Benefits Paid	(96)	(97)	(9)	(10)
Closing fair value of assets	-	-	331	322

	Injury Pensions (police officers)	
	2018/19 £m	2019/20 £m
Opening fair value of assets	-	-
Interest income	-	-
Remeasurement gains and (losses):-		
- the return on plan assets (excluding the amount included in the net interest expense)	-	-
Employer contributions	3	3
Contributions by scheme participants	-	-
Settlements	-	-
Benefits Paid	(3)	(3)
Closing fair value of assets	-	-

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

	Unfunded Police Pension Schemes		Local Govt Pension Scheme	
	2018/19 £m	2019/20 £m	2018/19 £m	2019/20 £m
Opening Balance - 1 April	(3,344)	(3,563)	(462)	(499)
Current Service Cost	(49)	(58)	(20)	(24)
Interest Cost	(86)	(85)	(12)	(12)
Contributions from scheme participants	(14)	(13)	(4)	(4)
Remeasurement (gains) and losses:				
Actuarial gains and (losses) arising:-				
- from changes in actuarial experience	(205)	136	(22)	19
- from changes in demographic assumptions	132	41	21	12
- from changes in financial assumptions	(5)	146	(1)	(19)
Liabilities extinguished on settlements	-	-	-	-
Benefits Paid	96	97	9	10
Past service costs	(89)	(2)	(8)	-
Closing balance - 31 March	(3,564)	(3,301)	(499)	(517)
	Injury Pensions (police officers)		Total	
	2018/19 £m	2019/20 £m	2018/19 £m	2019/20 £m
Opening Balance - 1 April	(61)	(63)	(3,867)	(4,125)
Current Service Cost	(1)	(2)	(70)	(84)
Interest Cost	(2)	(1)	(100)	(98)
Contributions from scheme participants	-	-	(18)	(17)
Remeasurement (gains) and losses:				
Actuarial gains and (losses) arising:-				
- from changes in actuarial experience	(4)	2	(231)	157
- from changes in demographic assumptions	2	-	155	53
- from changes in financial assumptions	-	(36)	(6)	91
Liabilities extinguished on settlements	-	-	-	-
Benefits Paid	3	3	108	110
Past service costs	-	-	(97)	(2)
Closing balance - 31 March	(63)	(97)	(4,126)	(3,915)

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

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

- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary. The last triennial valuation was March 2019;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid;
- finance is only required to be raised to cover police pensions when the pensions are actually paid. At present, 100% of the difference between what is paid out to retired members and the sum of contributions from current members and the Chief Constable is met by additional grant from the Home Office.

The regular contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2021 are £11.2m. In addition, Strain on Fund Contributions may be required.

Total expected contributions for the Police Pension Schemes are £81.06m. This figure includes both the Chief Constable's contribution and the Top-Up Grant from the Home Office. In addition, the Chief Constable expects to pay £1.2m directly to beneficiaries of injury pensions.

Basis for estimating assets and liabilities

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

The Chief Constable employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2020.

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

Sensitivity of assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions shown previously. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The approximate impact of changing the key assumptions on the present value of the defined benefit obligation as at 31 March 2020 and the projected service cost for the year ending 31 March 2021 is set out below:-

Baseline:-

Police Schemes

Present Value of total obligation (excluding injury benefits) @ 31 March 2020 = £3,301.42M

Projected Service cost 2020/21 = £57.07M

Local Government Superannuation Scheme

Present Value of total obligation (funded scheme only) @ 31 March 2020 = £517.46M

Projected Service cost 2020/21 = £22.90M

	LGPS		Police Schemes	
	+ 0.1% p.a.	- 0.1% p.a.	+ 0.1% p.a.	- 0.1% p.a.
Adjustment to discount rate				
* Present value of total obligations (£M)	504.08	531.19	3,233.18	3,370.16
* % change in present value of total obligations	-2.6%	2.7%	-2.1%	2.1%
* Projected service cost (£M)	21.98	23.86	54.84	59.34
* % change in projected service cost	-4.0%	4.2%	-3.9%	4.0%
Rate of general increase in salaries				
* Present value of total obligations (£M)	518.85	516.08	3,350.33	3,252.64
* % change in present value of total obligations	0.3%	-0.3%	1.5%	-1.5%
* Projected service cost (£M)	22.90	22.90	57.29	56.85
* % change in projected service cost	0.0%	0.0%	0.4%	-0.4%
Rate of increase to pensions in payment and deferred pensions				
* Present value of total obligations (£M)	529.71	516.08	3,359.16	3,244.07
* % change in present value of total obligations	0.3%	-0.3%	1.7%	-1.7%
* Projected service cost (£M)	22.90	22.90	59.17	55.00
* % change in projected service cost	0.0%	0.0%	3.7%	-3.6%
Adjustment to mortality age rating assumption				
	-1 year	+1 year	-1 year	+1 year
* Present value of total obligations (£M)	533.31	501.70	3,407.07	3,195.78
* % change in present value of total obligations	3.1%	-3.0%	3.2%	-3.2%
* Projected service cost (£M)	23.74	22.07	59.41	54.78
* % change in projected service cost	3.7%	-3.6%	4.1%	-4.0%

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 2019 %	31 March 2020 Quoted %	31 March 2020 Unquoted %	31 March 2020 Total %
60.4 Equities	44.1	8.6	52.7
22.7 Government bonds	21.8	-	21.8
7.6 Property	0.8	6.5	7.3
5.2 Corporate bonds	0.0	-	0.0
2.3 Cash	2.0	-	2.0
1.8 Other (hedge funds, currency holdings, futures, private equities)	14.1	2.1	16.2
100.0	82.8	17.2	100.0

14 Contingent liabilities

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

At the balance sheet date there were a number of potential liabilities in respect of events which are alleged to have happened in the past and where claims have been received from various third parties for damages and costs. Some of these relate to operational matters where liability has been alleged to have occurred in the past. These claims take some time to be settled but if they were to be settled all in the same year, insurance cover is in place to meet the costs of aggregate claims over a certain level; below this level (which is a combined £1.63m across the major categories of insurance) existing budgets or, exceptionally, the insurance reserve will cover the shortfall. However, it is considered extremely unlikely that all outstanding claims will be found against the Chief Constable and would, additionally, be settled in the same year.

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

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

There are some claims which have been received for which the Chief Constable, through the Commissioner, is not insured and, again, the reserve or existing budgets would cover any awards of costs and damages. It is not certain that these or related events which might

arise in the future would lead to rulings against the Commissioner or will lead to claims which are substantial. The insurance reserve to cover uninsured losses has remained at £1.47m (from £1.47m at 31 March 2019).

15 Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 November 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

16 Notes to the cash flow statement

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

2018/19 £'000		2019/20 £'000
214,189	Net (surplus) or deficit on the provision of services	123,714
(214,189)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(123,714)
-	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
- Net cash flows from Operating Activities		-
- Investing Activities		-
- Financing Activities		-
- Net (increase) or decrease in cash and cash equivalents		-
- Cash and cash equivalents at the beginning of the reporting period		-
- Cash and cash equivalents at the end of the reporting period		-

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

2018/19 £'000		2019/20 £'000
(214,189)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(123,714)
Analysis:-		
(214,100)	Pensions	(123,571)
(89)	(Increase)/Decrease in Creditors	(143)
(214,189)		(123,714)

17 Statement of Accounting Policies and Estimation Techniques

17.1 General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2019). This code is recognised by statute as representing proper accounting practices. Any significant non-compliance is explained in the following notes. The accounts have been compiled by applying the most appropriate policies and estimation techniques, taking into account the accounting concepts of qualitative characteristics of financial information (i.e. relevance, reliability, comparability and understandability), materiality and the pervasive accounting concepts (i.e. accruals, going concern and primacy of legislative requirements). All material income and expenditure including receipts, grants and employee costs have been accrued to the financial year to which they relate.

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

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

17.2 Accruals of Income and Expenditure

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

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

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

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

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

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

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

17.4 VAT

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

17.5 Rounding convention

Amounts reported in the financial statements may be rounded as appropriate. As most figures are reported in £'000's, figures will be rounded to the nearest £1,000. Where figures are shown in £'s, they will be rounded to the nearest £1. In some instances, the 'totals' in the tables which are presented are the rounded additions of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. This will only give minor differences and the overall total is more accurate in such instances.

18 Critical Judgements in Applying Accounting Policies

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

Going Concern

Local authorities cannot be created or dissolved without statutory prescription, therefore within CIPFA's Accounting Code of Practice there is a presumption that the PCC's and CC's accounts will be prepared on a going concern basis while as long as a local authority's services will continue to operate.

Whilst there is no statutory change to this position, the financial impact of Covid-19 is potentially significant.

For 2019/20, the impact of Covid-19 was not significant given that the pandemic and resultant UK lockdown only occurred towards the end of the financial year.

Since March 2020, the PCC and CC recognise that Covid-19 has brought additional financial challenges, but to date, these challenges have been managed. The level of sickness and absence relating to Covid-19 has also been within the normal levels expected and with a number of training events and conferences cancelled officer and staff availability has been good. Lockdown saw a reduction in reported crime but crime has gradually increased to normal levels by the end of the summer.

An assessment has been made of the Covid-19 impact on the PCC and CC budgets for the next two financial years. The forecast outturn position for 2020/21 is an underspend of £1.7m. This assumes Covid-19 costs (£1.6m to end of September 2020) and lost income (£4.6m to end of September) continue for the entire financial year and that the Force is over its officer establishment by 99 officers as at 31 March 2021.

The largest financial impact relates to lost income (£4.619m). The major losses on income relate to ACRO and Driver Awareness Training. Both of these activities generate income to cover costs. They have already generated reserves that can be used to assist with the current position and will be expected to generate income again in the future to recover costs. However, the timelines are unknown and the position will take longer to recover if Covid-19 conditions persist. The Government has introduced a scheme that enables some lost income to be reclaimed which will help to reduce the amount that those ventures need to take from their reserves or regenerate in the future. The claim for April to July 2020 has been submitted, totalling £2.058m. The Home Office has informed us that claims for August onwards will be requested later in the year so more grant is expected to follow. It should also

be noted that the majority of the lost income relates to ACRO and ACRO is a national collaboration underwritten by all PCCs and forces in the UK so Hampshire has a very small share of any ultimate liability.

Additional expenditure (£1.588m) has been consumed within the revenue budget. Reimbursement for all medical grade protective equipment (£0.218m) has been confirmed and is expected in November. All new protective equipment is being supplied nationally at no cost to Hampshire Constabulary. Overtime costs have been absorbed within existing overtime budgets and ICT resources have been re-prioritised to accelerate Covid-19 related activity such as greater remote working. There are opportunity costs to the prioritisation of resources for Covid-19 purposes but it is possible to manage down cost through that approach. The Government confirmed in October 2020 that the PCC for Hampshire will receive £0.778m of the national £30m to deliver COVID-19 enforcement plans.

It is possible that further costs could be incurred in the second half of 2020/21 as a second lockdown occurs, however, there will be no local costs for protective equipment and the additional overtime will now be funded by the enforcement plan grant. Therefore, any remaining impact on the 2020/21 budget is expected to be absorbable. The same assumptions are made for 2021/22. For 2021/22, a balanced budget is planned. If Government decisions on funding are reversed then the Force can look at options for service delivery but should the need arise, usable reserves, which are currently £68.9m, would ensure that the PCC and CC would remain a going concern for the foreseeable future.

In the short term, covering the going concern period of 12 months from the date of the auditors report, we are confident we do remain a going concern and there are no material uncertainties.

The current predicted level of reserves is expected to be:

	31 March 2020	31 March 2021	31 March 2022
General Fund	£18.9m	£7.1m	£7.1m
Earmarked reserves	£50.0m	£36.1m	£27.6m

This remains above the Chief Financial Officer's recommended minimum level of reserves which is £5.5 million.

The PCC and CC have also assessed their cashflow and liquidity. Based on the same assumptions there are no concerns identified. The cash impact of the additional expenditure, losses and other pressures has been modelled and profiled across the same period to understand the cash flow impact.

The closing cash balance remains positive throughout the next 12 months with an average balance of cash and cash equivalents held at the end of each month exceeding £29 million. There is no need to borrow for general cash management and liquidity purposes. We have also assessed there is significant headroom and opportunities to fund the capital programme through borrowing if it is required, although this is not currently planned.

This demonstrates that there is sufficient liquidity over the 12 month period from the date of the approval of the accounts. Therefore, at the date these accounts are approved, we are assured the PCC and CC remain a going concern.

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

- The Chief Constable is classed as a local authority, allowing her to benefit from the statutory overrides contained in the Accounts and Audit Regulations 2015;
- Clearer guidance on the accounting arrangements from CIPFA in the form of Local Authority Accounting Panel (LAAP) Bulletins and other communiqués now in place. This guidance aims to draw a distinction between both the form and substance of the arrangements between the two parties, the nature of control being a balance between strategic and operational control and the fact that, whilst the Commissioner can remove the Chief Constable post holder, he cannot remove the role itself;
- A Stage 2 transfer scheme was approved by the Home Office Police Minister in 2014, with an agreed commencement date of 1 May 2014. Rather than make any fundamental change to the nature of the interrelationship between the Police and Crime Commissioner and the Chief Constable, as separate 'corporations sole' under a 'group' accounting arrangement (with the PCC having primacy), the Stage 2 transfer merely formalised certain aspects such as the having the majority of officers and staff under the command and control of the Chief Constable and the assets being owned exclusively by the Commissioner.

As a result of the above, we have reviewed the various aspects of the relationship between the Commissioner and the Chief Constable in order to determine how to account for these in the 2019/20 Statement of Accounts:-

Notes to the Core Financial Statements

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

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

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

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

The items in the Chief Constable's Balance Sheet at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of net liability to pay pensions depends upon a number of complex judgements in relation to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Chief Constable receives annual forecasts and regular reviews of all of its assets and liabilities from an independent actuary to ensure that the accounts contain realistic estimates of the overall impact of these pensions' liabilities.	<p>The effects of the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumptions would result in a decrease in the Police Pension Schemes liabilities of 2.1% and a decrease in the Local Government Pension Scheme liabilities of 2.6%.</p> <p>However, the assumptions interact in complex ways. More details are provided in the IAS19 disclosures at note 13.</p>

20 Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The additional disclosures that will be required in the 2020/21 financial statements in respect of accounting changes introduced in the 2020/21 Code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
 - The amendments clarify that an organisation applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The impact is not expected to be material, as our main role is to provide public services rather than involvement in joint ventures.
- The Annual Improvements to IFRS Standards 2015–2017 Cycle introduces four changes. None of them are expected to be material, as our main role is to provide public services rather than involvement in joint operations, we do not pay dividends, and we already fully report borrowing costs.
 - IFRS 3 Business Combinations - An organisation should remeasure its previously held interest in a joint operation when it obtains control of it.
 - IFRS 11 Joint Arrangements – An organisation should not remeasure its previously held interest in a joint operation when it obtains joint control of it.
 - IAS 12 Income Taxes – An organisation should account for all income tax consequences of dividend payments in the same way.
 - IAS 23 Borrowing Costs – An organisation should treat as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
 - This specifies how organisations determine pension expenses when changes to a defined benefit pension scheme occur. If any relevant changes occur to the pension schemes we are involved with, we will ensure that the appropriate accounting standards are used.

The adoption of IFRS 16, which makes some changes to how leases are accounted for, has been delayed until 2021/22.

Pension Fund Account

2018/19 Police Pension Fund Account		2019/20
£'000	Contributions receivable	£'000
	- from employer	
(24,123)	- normal	(30,434)
(1,677)	- early retirements	(1,999)
(13,535)	- ill-health capital equivalent charges	(13,279)
	- from members	
	Transfers in	
(234)	- individual transfers in from other schemes	(436)
	Benefits payable	
79,147	- pensions	82,618
16,897	- commutations and lump sum retirement benefits	14,335
99	- lump sum death benefits	117
	Payments to and on account of leavers	
37	- refunds of contributions	16
10	- individual transfers out to other schemes	340
56,621	Net amount payable for the year	51,278
(56,621)	Additional contribution from the Commissioner	(51,278)
-		-
	2018/19 Net Assets Statement	2019/20
£'000		£'000
	Current Assets	
-	- contributions due from employer	-
-	- pensions paid to pensioners in advance	-
	Current Liabilities	
-	- unpaid pension benefits	-
-	- amount due to sponsoring department	-
-	- other current liabilities	-
-		-

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

Most payments and employer contributions in respect of the police pension schemes are reported in the Police Pension Fund Account. Other pension costs are charged to the Comprehensive Income and Expenditure Statement. This includes the on-going costs and commuted lump sums in respect of officers who are awarded injury pensions, which totalled £3.0m in 2019/20. 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.

Pension Fund Account

The Scheme Manager of the Police Pension Fund is the Chief Constable. The administration of the fund is carried out by the County Council as part of the joint working arrangements. The administrator makes all payments to existing and new pensioners and maintains the necessary records of entitlement. The Commissioner provides the funds to make payments to pensioners and for transfers out of the scheme. The Commissioner's budget and current serving officers make contributions into the fund and at present 100% of any shortfall between this income and the payments made is met by a grant from the Home Office.

A Police Pensions Board was introduced in April 2015 in accordance with the Public Services Pensions Act 2013. The Board is chaired by the Chief Constable's Chief Finance Officer and has equal membership from the employer and employee side.

The Police Pension Fund makes payments to officers who retire from the scheme whilst in the employment of the Chief Constable or who have previously worked for the Chief Constable and who have a deferred pension. This is based on the length of service and pensionable pay at the point of retirement. Officers may choose to commute part of their benefit into a lump sum and to receive a reduced on-going pension. Benefits are also paid to dependents when an officer dies in service or after retirement.

Employees make the following contributions:-

- 1987 Scheme 14.25%-15.05%
the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary. The last triennial valuation was March 2019;
- 2006 Scheme 11.00%-12.75%
- 2015 Scheme 12.44%-13.78%

The employer made a contribution of 31% of pensionable salary and benefits in 2019/20, and increase of 6.8% from 2018/19. The Chief Constable received a £2.99m grant to be used towards the increase in the contribution rate.

The employee's contribution is set nationally by the Home Office and is subject to a triennial revaluation by the Government Actuary's Department (GAD).

The Police Pension Fund Account has been prepared in accordance with the extant Police Pensions Regulations and the accounting policies detailed in Note 17.

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

Annual Governance Statement for Hampshire Constabulary

1. Scope of Responsibility

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

2. The purpose of Corporate Governance

- 2.1 The governance framework comprises the systems, processes, cultures and values by which the Constabulary is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Constabulary to monitor the achievements of the Constabulary's strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Constabulary's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Hampshire Constabulary for the year ending 31 March 2020 and up to the date of approval of the annual report and the statement of accounts.
- 2.4 The Constabulary has approved and adopted a Scheme of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The Scheme of Corporate Governance is periodically reviewed at the Joint Audit Committee. Agendas and minutes of the Joint Audit Committee are published on the website.
- 2.5 The CIPFA/SOLACE framework identifies seven principles of good governance:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement

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

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

3. Core Principles of good governance

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

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

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

3.1.3 The Ethics Committee advises the Chief Constable on items that require ethical consideration and promotes the Code of Ethics within the Constabulary.

3.1.4 The Constabulary has an Environmental Strategy that promotes sustainability. Environmental factors are considered in force policies and procedures, for example, air travel.

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

3.2 Ensuring openness and comprehensive stakeholder engagement.

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



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

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

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

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

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

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

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

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

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

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

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

- 3.6.2 Each part of the Constabulary has its own Board to identify and manage risks within their part of the organisation and escalate those to the strategic risk register for consideration at the Risk and Learning Board where they meet the threshold.
- 3.6.3 An Information Governance Board is in place that is chaired by the Senior Information Risk Officer and reports into the Risk and Learning Board. A new Joint ICT Governance Board has been introduced to provide greater insight to ICT forward planning and the associated risks.
- 3.6.4 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources.
- 3.6.5 The Internal Audit Plan was developed to operate at a strategic level providing a value adding, and proportionate, level of assurance aligned to the Constabulary's key risks and objectives. This includes a periodic review of the Constabulary's risk management processes.
- 3.6.6 The Audit Plan remains fluid to ensure Internal Audit's ability to react to the changing needs of the Constabulary.
- 3.6.7 The Internal Audit Plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an embedded Counter Fraud & Corruption Strategy and Policy and Anti Bribery Act Policy.
- 3.6.8 The delivery of the Internal Audit Plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Joint Audit Committee, Police and Crime Commissioner and Chief Constable.
- 3.6.9 The Joint Audit Committee is well established and provides independent advice to the Chief Constable and Police and Crime Commissioner. Members of the Joint Audit Committee have no executive responsibility for the management of the organisation, thus ensuring that they are sufficiently independent to scrutinise and challenge matters brought to their attention. This year, the Committee has been provided with an enhanced allowance and training budget, enabling members to attend internal meetings of both the Constabulary and the OPCC to observe decision making processes in action.
- 3.6.10 The Joint Audit Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment. The terms have been reviewed this year to extend the maximum tenure of the Chair, recognising that the current tenure length would have a negative impact on the efficient operation of the Committee.
- 3.6.11 The Constabulary has a well-developed and effective scrutiny function via the Police and Crime Commissioner.
- 3.6.12 The Constabulary has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and value for money assessment. The Section 151 Officer is a member of the Chief Officers Group and Force Executive. All formal financial decision making has the benefit of the advice and review of the Chief Financial Officer or their representative.

- 3.6.13 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.
- 3.6.14 Financial management in key risk areas across the Constabulary focusses on activity and performance management alongside the budget management processes and the financial management framework throughout all tiers of the organisation is appropriately advised and supported by the Finance function.
- 3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.**
- 3.7.1 The decision making guidance, protocols and templates referred to in the Scheme of Corporate Governance and the involvement of senior officers, legal officers and finance officers ensures that public reports are written in a clear and accessible way with sufficient information to enable members of the public to formulate informed opinions on the matters for decision.
- 3.7.2 The corporate Force Performance Group framework provides a transparent cycle of reporting on core performance metrics. Performance information is published online and is easily accessible to staff, partners and the public.
- 3.7.3 The 'Internal Audit Charter' is presented annually for review by the Joint Audit Committee. The Charter makes provision that where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to the Joint Audit Committee.
- 3.7.4 The ongoing work of internal Audit is presented through a quarterly progress report to the Joint Audit Committee providing an overview of service performance; delivery against the plan; and progress made by the organisation in the implementation of management actions agreed to mitigate risks identified through internal audit work.
- 3.7.5 Representatives of External Audit routinely attend Joint Audit Committee meetings and present all External Audit reports. Any recommendations for corrective action detailed within External Audit reports are highlighted to the Joint Audit Committee who will track through to implementation. This is achieved through the clear and concise nature of the minutes to each meeting.
- 3.7.6 The Internal Audit Plan includes provision to review the Constabulary's approach to governance, risk and controls for partnership working. Such reviews are formally reported through the Joint Audit Committee with any significant issues highlighted accordingly.
- 3.7.7 Where appropriate Internal Audit will gain assurances from third parties to contribute to their overall assurance opinion.
- 4 Obtain assurances on the effectiveness of key controls**
- 4.1 Key controls relating to risks, internal control (including financial management), and governance processes are identified by managers as part of the governance framework and recorded on risk registers. These are consolidated into the strategic risk register at a corporate level.
- 4.2 Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and also carries out tests to confirm the level of compliance. Together the results of each review enable an audit opinion on

effectiveness to be provided to management, and any actions for improvement to be agreed.

- 4.3 External sources of assurance include the annual opinion and value for money conclusion by external auditors, and statutory inspections by Her Majesty's Inspector of Constabulary and Fire and Rescue Service (HMICFRS). These reports are subject to consideration by senior management and appropriate responses are agreed to any recommendations for improvements. The reports are normally approved in public and published. External sources of validation are being increasingly used to inform assessment of the organisations performance.
- 4.4 In conjunction with specialist Internal Audit support, the Constabulary has also applied the CIPFA Counter Fraud self-assessment tool to identify potential opportunities for enhancement.

5 Evaluate assurances and identify gaps in control/assurance

- 5.1 The Constabulary has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify weaknesses in controls.
- 5.2 Reports on collaborated functions are received from the host force. Reports in relation to IT and Information Management are received from the Thames Valley Police internal auditor. These are reported to the Joint Audit Committee and incorporated by the Chief Internal Auditor into the annual internal audit opinion. Queries and concerns will normally be resolved during the course of the Joint Audit Committee through the attendance of the Thames Valley Police internal auditor. If there are any outstanding queries, the Police and Crime Commissioner and Chief Constable can raise those through the Collaboration Board.
- 5.3 Each board within the Constabulary has assessed risk and reported significant risks via the governance framework for inclusion within the Strategic Risk Register. The Internal Audit Plan and reports have assisted the assessment of risk in business areas that are higher risk.
- 5.4 The Constabulary has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the officers within the Constabulary who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.5 The Chief Internal Auditor has evaluated the reports from the internal and external assurance providers which have also been reported to the Joint Audit Committee. This Annual Governance Statement sets out the Constabulary's arrangements for receiving reports and identifying weaknesses in internal control.
- 5.6 In line with the Internal Audit Charter, the key elements of the corporate governance framework are risk assessed and reviewed periodically by Internal Audit.

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

- 6.1 COVID-19 presents issues for the Constabulary to manage and new powers for policing. A Gold Group is in place to manage internal issues to allow the

Constabulary to continue with business as usual. This includes managing human resources, providing PPE and testing. There is also an ongoing need to understand and implement the new police powers that have been issued to assist the nation in managing the COVID-19 pandemic. There are no identified weaknesses but the scale of the issue will create risks and issues that will require dynamic decision making. Operationally, measures have been put in place to ensure that business can be conducted as usual, adjusted for COVID-19 requirements such as PPE and social distancing. The SIRO has reviewed and signed off changes to ICT that allow greater remote working but maintain the expected levels of control for police information. There has been no adverse impact on policing services as staffing levels have remained high and overall demand is down so the operational position is sustainable. It is unclear how much funding will be receivable from Government but current spending and income losses extrapolated for the financial year could be absorbed within the current level of reserves if that becomes necessary. There is no cashflow issue for the Force. Therefore, the overall financial position remains sustainable, despite the challenges. There are no significant changes in governance or internal controls.

- 6.2 The Government's Uplift programme together with the Police and Crime Commissioner's support provides additional officers and staff to the Constabulary. There is a challenge in recruiting the numbers of new recruits required on top of replacing leavers. There are unknowns on future numbers and funding that will require careful management. The new Police Education Qualification Framework (PEQF) is a significant undertaking that will allow the Constabulary to recruit larger numbers of officers, using higher education institutions. The rapid recruitment of additional personnel will facilitate service improvement. Summer resourcing remains an annual risk. The Constabulary faces increases in demand in the summer which is more challenging to respond to with the reduced resources available. A gold group was set up to consider how resource can be best used through this period to meet the demand and how demand may be reduced. Additional staff have been approved in the 2020/21 budget to assist with meeting that peak demand. Liaison with public event organisers has resulted in a planned reduced police presence at some events and greater use of the Special Constabulary is planned to assist but internal resources will still need to be redistributed to best meet the forecast demand. Timelines for internal activity are arranged around the peak demand periods, for example, less training provided in the summer. This is made possible by the central resource management now in place.
- 6.3 The Constabulary has undertaken and will continue to undertake comprehensive demand mapping and forecasting to assess the current and future delivery and skills gaps. An updated People Strategy will identify the skill sets required to deliver performance now and in the future and put in place a programme of work to recruit and train personnel in the required roles and with the required skill sets. This is fully integrated to the change programmes and medium term financial strategy to ensure that the plans are deliverable, affordable and sustainable.
- 6.4 Hampshire Constabulary went live with the new Contact Management Platform solution in January 2020. The new software and the way in which it is used is a key tool for service delivery, especially for emergency 999 calls. CMP needs to be embedded and the business benefits delivered in order to ensure continuous improvement.

7 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored

In response to the Action Plan identified in the 2018/19 Annual Governance Statement:

- 7.1 Sufficient funding and savings were delivered in 2019/20 to balance the budget without causing significant additional risk to performance. The funding landscape was changed by the Uplift programme with more investment coming to policing. Efficiencies are still required and the Constabulary will still seek to make the best use of resources, however, there is less pressure to make savings to balance the budget. Costs associated with COVID-19 may impact on Government funding plans which may mean further savings will be required.
- 7.2 The summer resourcing plans were largely successful for 2019 but some non-emergency 101 calls could not be answered within the expected timeframes due to an increase in demand, well above the levels previously experienced. A Gold Group was created to understand the level of risk. Changes were made, including dissuading internal staff and partners from using the 101 phone line as a switchboard to access police personnel. Performance improved to an acceptable level, but additional resources are added in the 2020/21 budget to reduce the risk of a reoccurrence as well as an investment in technology that will shift the demand to online.
- 7.3 The Constabulary has developed greater capacity for demand forecasting. Short term demand forecasting is acknowledged as good by HMICFRS but more work needs to be done to better forecast demand for the medium term. National progress remains slow, so the Constabulary is putting in place its own arrangements to improve medium term demand forecasting.

Declaration

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

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

Signed:

Signed:

Chief Constable

Chief Finance Officer

Date: 22 September 2020

Date: 22 September 2020

Independent Auditors Report

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Independent Auditors Report

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Agency Services

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

Amortisation

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Chief Financial Officer (CFO)

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

Collection Fund Adjustment Account

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

Credit Arrangements

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

Creditors

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

Current service costs

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

Debtors

Individuals or organisations who owe the Chief Constable money.

Depreciation

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

Expected loss allowance

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

Fair value

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

Financial Instruments Adjustment Account

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

Financial Year

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

Fixed Assets

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

Government Grants

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

Minimum Revenue Provision (MRP)

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

Past service cost

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

Precept

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

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).