Statement of Accounts

2020/21

The Chief Constable of Hertfordshire Constabulary

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Organisational Overview and External Environment

Hertfordshire police area covers 634 square miles, 70% of the county is designated as rural, whilst four centres of population, Hemel Hempstead, St Albans, Stevenage and Watford, have between 50,000-100,000 residents. The standard of living is mostly high, with low unemployment and residents are generally healthy, well-educated and well paid, however there are areas of relative deprivation and social exclusion. The current estimated population of 1.18m, continues to increase, having already increased by approximately 64,872 (5.8%) since 2011. Some 19.2% of Hertfordshire residents are from ethnic minority groups.

The constabulary maintains a strong local policing focus through ten Community Safety Partnerships aligned to local authority areas. Each has dedicated neighbourhood, local response and crime teams, supported by inter-agency partnerships and centralised specialist support. There is significant collaboration, chiefly through its strategic alliance with Bedfordshire and Cambridgeshire police forces, which provides protective services and a range of other operational and support functions that increase effectiveness and efficiency. The Chief Constable and Police and Crime Commissioner are also working closely with local partner organisations – the Hertfordshire Community NHS Trust, the East of England Ambulance Service, and the Hertfordshire County Council and the Fire and Rescue Service – to achieve greater efficiencies.

The image gives a highly summarised idea of an average day in Hertfordshire Constabulary.

Hertfordshire's 2020/21 Net Revenue budget was £217.341m. The budgeted workforce for 2020/21 comprised of 2,100 police officers, 223 police community support officers, 1,562 police staff.

Collaboration through working with Bedfordshire Police and Cambridgeshire Constabulary (BCH) continues to play an important part in the delivery of policing services and the generation of future savings. Full details of Hertfordshire's financial transactions with Bedfordshire Police and Cambridgeshire Constabulary are set out in note 19 below.

Governance

The current governance arrangements for policing were introduced by the 2011 Police Reform and Social Responsibility Act. The act established two corporations sole, the Police and Crime Commissioner who replaced the police authority and the Chief Constable. The two corporations sole are both schedule 2 bodies under the Local Audit and Accountability Act 2014 and so are both required to publish accounts and are both subject to audit.

The relationship between the two corporations sole is reflected in accounting terms by the existence of a group relationship. Group relationships require the completion of a consolidated group Statement of Accounts in addition to those for the individual entities. This document is the Statement of Accounts for the Group and the Police and Crime Commissioner for Hertfordshire (PCC). A statement of accounts for the Chief Constable of Hertfordshire is published as a separate document. Note 4 - Critical Judgements in Applying Accounting Policies, sets-out the allocation of expenses, income and balances between the two corporations sole.

Further detail on governance arrangements is contained within the Annual Governance Statement page 62 (Updated AGS to follow).

Operational Model

The Role of the PCC

The PCC has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the Chief Constable to account on behalf of the public. The PCC is the recipient of funding relating to policing and crime reduction, including government grant, council tax precept and other sources of income. How this money is allocated is a matter for the PCC in consultation with the Chief Constable, or in accordance with any grant terms.

The PCC is responsible for setting the Police and Crime Plan and budget, monitoring financial outcomes and the approval of medium-term financial plans in consultation with the Chief Constable. The PCC is responsible for approving the overall framework of accountability and control, and monitoring compliance which includes the Police and Crime Plan, the Medium-Term Financial Strategy, the Annual Revenue Budget, the Capital Programme, Financial Regulations, the Treasury Management Strategy, the Estate Strategy and Asset Management plans, the Risk Management Strategy and the Governance policies.

In 2019, following public consultation, the PCC published a refreshed Police and Crime Plan entitled 'Everybody's Business: The Community Safety and Criminal Justice Plan 2019-2024'. The plan is structured around the four key themes:

- Building on Success
- Putting victims at the centre
- Public Focus
- Business Sense

The Role of the Chief Constable

The Chief Constable is responsible for maintaining the Queen's Peace and has direction and control over the Constabulary's officers and staff. The Chief Constable holds office under the Crown, but is appointed by the PCC. The Chief Constable is accountable to the law for the exercise of police powers and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the Constabulary. At all times the Chief Constable, his constables and staff, remain operationally independent in the service of the public.

The Chief Constable has day to day responsibility for financial management of the Constabulary within the framework of the agreed budget allocation and levels of authorisation issued by the PCC and must ensure that the financial management of the allocated budget remains consistent with the objectives and conditions set by the Commissioner.

In prioritising resourcing, including re-investment requirements, the Chief Constable is mindful of the five key priorities set out in the PCC's plan:

- Put Victims First
- Keep Crime Low
- Protect Local Policing
- Increase Officer Numbers
- Keep Tax Low

The Constabulary's response to the Police and Crime Plan is set-out in the Operational Policing Plan.

Funding

Net expenditure incurred by the Chief Constable is funded by the PCC via an intra-entity transfer for which details are set-out in note 11 below. Details of the PCC's sources of income are set-out in the PCC's Accounts.

Net Revenue Spending 2020/21

The table below shows revenue expenditure against budget for 2020/21.

	Revised Budget £'m	Outturn £'m	Outturn Variance £'m	%
Local Policing	116.654	116.399	-0.255	-0.2
Operational Support	35.840	34.975	-0.865	-2.4
Collaborate Protective Services	26.724	26.680	-0.044	-0.2
Organisational Support	29.973	30.473	0.501	1.7
Hertfordshire Corporate Budgets	4.789	5.510	0.721	15.1
Transfer from Reserves	-0.500	-0.288	0.212	42.4
TOTAL CONSTABULARY BUDGET	**213.479**	**213.749**	**0.270**	**0.1**

*Over / (Under) spend

The overall outturn position of a £0.270m overspend arose across a number of offsetting areas as follows: Police Officer Pay, Overtime and allowances overspent by £1.475m as the Constabulary recruited heavily to both meet and then exceed its National Police Uplift target of an additional 91 new police officers post during the year. As a result, the Constabulary finished the year 88 police officers above the 2020/21 budgeted establishment of 2,100, representing a head start upon the additional 167 new police officer posts in the 2021/22 budget. An underspend of -£1.452m on Police Staff, Agency and Police Staff Overtime costs as expenditure on police staff pay was suppressed throughout the year due to difficulties in recruiting and the loss from PCSOs becoming Police Officers. Finally, Constabulary Non-Pay Budgets overspent by £0.264m. In total for the year the Constabulary overspend by £0.270m.

A full analysis of the areas incomes and expenditure has been incurred against is set out in Note 7 - Expenditure and Income Analysed by Nature.

Capital Spending 2020/21

Capital spending is shown within the accounts of the PCC.

Risks and Opportunities

Risks

The main risks which the PCC faces in delivering the responsibilities of his role are:

- Inability to deliver commitments in the Police and Crime Plan (including those reliant on partners) would have an impact on the effectiveness and efficiency of the PCC and reputational damage.

- Failure to deliver the estates strategy would impact on the effectiveness and efficiency of the police service as well as achievement of the Medium Financial Plan and police and crime plan as set out above.

- Failure to achieve the Medium-Term Financial Plan would impact on service delivery, reputation, efficiency and strategic direction.

- Failure to adhere to specified Government grant conditions may lead to the failure to secure ongoing funds and reputational damage.

Opportunities

The main opportunities that arose in 2019/20 were through the continued work of the Hertfordshire Emergency Services Collaboration Board (HESCB), which was established in 2018/19 and now includes the East of England Ambulance Service. The programme of work included the following individual collaborative projects:

- The establishment of protocols between fire and police in regard to missing persons and drone deployment (which included the joint purchase of a drone);

- The initiating of a strategic asset review covering the estates of all three blue-light services;

- The commissioning of exploratory work around closer operational integration; and

- The creation of an emergency services volunteers programme.

Also, significant progress was made on both the police HQ redevelopment (Stanborough) project, with the Outline Business Case (OBC) being agreed in October 2019, and the joint training facilities at Longfield.

In addition, the organisation's procurement function moved from a three-model[1]

Impact of COVID-19

The COVID-19 pandemic impacted on the organisation to varying degrees during 2020/21.

- Throughout the year an operational team was maintained whose initial focus was upon police officer abstraction levels (which remained relatively low), the sourcing of Personal Protective Equipment (PPE) in sufficient quantities and of the requisite quality to protect frontline officers in accordance with Public Health England and College of Policing guidelines, and the provision of Covid safe work places including the equipment required to enable working from home were this could be done effectively.
- The need to police enforcement of lockdown restrictions required the deployment of additional resources impacting upon levels of police officer pay including overtime.
- Income levels decreased during the year, in particular from Driver Speed Awareness courses, court fees and from Luton Airport.
- During the year Government support was announced on a piecemeal basis covering a majority of the above costs through Home Officer grant.

Further impacts were seen upon the collection by district councils of the Police Precept which in line with most forces had moved to a relatively small deficit for the year, and the tax base upon which the precept is calculated, which reduced reflecting more pessimistic payment projections in coming years impacting upon the PCC's ability to generate precept income. Government has provided additional funding to help offset some of these pressures.

Performance

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

HMICFRS are commissioned by the Home Secretary to undertake inspections of police forces and fire and rescue services.

PEEL (Police Effectiveness, Efficiency and Legitimacy) is HMICFRS's annual assessment of police forces in England and Wales. Forces are assessed on their effectiveness, efficiency and legitimacy. Until 2018/19 each was inspected separately each year. HMICFRS has now adopted an integrated approach to inspections. Integrated PEEL Assessment (IPA) combines the forces into a single inspection on the areas of PEEL.

Hertfordshire Constabulary was inspected by HMICFRS in tranche two with their report published in September 2019 and found:

- The extent to which the force is effective at reducing crime and keeping people safe is **good.**
- The extent to which the force operates efficiently and sustainably is **good.**
- The extent to which the force treats the public and its workforce legitimately is **good.**

[1] ①Beds, Cambs & Herts; ②Essex & Kent; ③ Norfolk & Suffolk.

No further PEEL inspection has been undertaken since the above due to Covid.

Victim Satisfaction

Since November 2020 the Constabulary has used echo as a way of gaining victim satisfaction. To date feedback has been received from 854 victims who scored the Constabulary as follows:

Q1 / Did we meet their need? 3.9 out of 5
Q2 / Were they kept informed? 4 out of 5
Q3 / Overall satisfaction 4 out of 5 (equivalent to 80%)

Crime Survey of England and Wales

The most recent Crime Survey of England and Wales(CSEW) for the 12 months to 31st December) was published in May 2021 and can be accessed *at* [Crime in England and Wales - Office for National Statistics (ons.gov.uk)](). The next release covering the 12 months to 31st March 2021 is due for release in July 2021. The survey set out:

- That 80.2% of those surveyed in Hertfordshire had confidence in their local police (2nd MSG) and 61.2% believed they were doing a good or excellent job (also 2nd MSG).
- Hertfordshire was 2nd in its MSG for Public Confidence', 2nd in its MSG for residents perceiving that they could rely on their local police and 6th within its MSG for residents' perception of be treated fairly.
- Hertfordshire was in 2nd place in its MSG for feeling that the police (and council) are dealing with Crime.
- For the end of 2019/20 in relation to 999 emergency call handling, data indicated 91% of calls were answered within 10 seconds. With regards to non-emergency calls, end of year figures indicated 78% were answered within 30 seconds and 92% answered within 2 minutes).

Recorded Crime

Within the constabulary's Most Similar Group (MSG) of eight forces [1], the level of recorded crime in Hertfordshire puts us in 2nd position at 60.2 crimes per 1,000 population compared to an MSG average of 68.5. (MSG data 12 months to March 2021). In Hertfordshire and nationally recorded crime levels, on the whole, saw significant reductions on the back of the restriction brought in during the pandemic making meaningful comparisons with the previous year difficult.

For 2020/21:

- All recorded crime has decreased by 13.9% a decrease of 11,562 crimes compared to the same period in the previous year. The total number of crimes being 71,557 as opposed to 83,119 the previous year.

- Residential Burglary Dwelling offences had decreased by 33.7% to 2,576 offences (1312 fewer than recorded in the previous year), the constabulary was 3rd position in the MSG.

- Robbery has seen a decrease of 38.2% to 633 offences (391 less crimes than recorded in the previous year), the constabulary was 3rd position in its MSG.

- Vehicle Offences has decreased by 20.4% to 6,947 offences (1782 less offences than recorded in the previous year), the constabulary was 8th position in its MSG.

[1] Most Similar Group forces are; Hertfordshire, Hampshire, Essex, Leicestershire, Sussex, Avon & Somerset, Staffordshire and Thames Valley.

- Violence Against the Person offences decreased by 1.4% to 25,601 offences (352 less offences than recorded in the previous year), the constabulary was 1st in its MSG totals.

- Criminal Damage decreased by 15.7% to 7,009 offences (1,303 fewer offences than recorded in the previous year), the constabulary was 1st position in its MSG.

- Thefts from Shops decreased by 27.8% to 6,219 (2,397 less offences than recorded in the previous year), the constabulary was worst (8th) in its MSG.

- Theft from Person decreased by 51.3% to 647 (682 less offences than recorded in the previous year), the constabulary was 7th lowest in its MSG.

- Possession of drugs was up 4.8% (120 more crimes) Trafficking was down by 12.6% (56 less crimes). The Constabulary was 3rd in its MSG for Drug Offences (3rd for Possession, 1st for Trafficking) though in this case, ‘worse’ figures are more likely an indication of greater proactivity.

- Domestic Abuse offences had increased by 2.0% to 12719 (253 more offences than recorded in the previous year). Some of this increase remains attributable to stronger compliance with National Crime Recording Standards whilst national figures and comparisons are not felt entirely accurate. All Recorded Rape was down 52 crimes (6.5%) over the same period in the previous year; 1st (lowest) position within our MSG. The force continued to prioritise the response to these areas and this is reflected in the force Strategic Assessment.

- Reported anti-social behaviour had increased by 9.0% (2,278 more reports). ASB is broken down into three recorded types; Environmental, Nuisance and Personal. The increases were noted within the Nuisance categories, and in Environmental with a decrease in Personal. There is no MSG position available.

- The constabulary’s all crime outcome rate concluded at 14.6%. This represented an increase of 1.5% points against the previous year. The constabulary was 4th highest amongst its MSG Group.

Outlook

The Net Revenue Budget for 2020/21 was set at £235.0m compared to £217.3m for 2020/21. This increase has enabled £10.6m of investment in addition to meeting £3.6m of Standstill Costs off set by -£1.5m of savings. The increase in budget was been funded by a £15 rise in the Band D council tax and an additional £7.4m of core Home Office grant.

The table below sets-out the projected changes in available funding and resultant savings to close the budget gap over the next four years. The following assumptions have been used: A cash freeze then 1% and 2% p.a. increase in grant funding from 2022/23, a £5 p.a. increase in the level of council tax, a cash freeze then 1% p.a. increase in pay costs and finally no-pay standstill costs increasing by 1% p.a. It is also assumed that investment needs will be circa £0.5m p.a.

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Grant Funding	(7.351)	-	(1.342)	(2.711)
Council Tax Income Taxbase & Collection Fund	1.394	(0.792)	(1.485)	(1.537)
Council Tax Income Precept Increase	(6.756)	(2.269)	(2.301)	(2.333)
Standstill Costs	3.605	3.067	5.698	7.106
Investment	10.616	0.500	0.500	0.500
Required Savings	(1.508)	(0.506)	(1.070)	(1.025)
Budget Gap	**0.000**	**0.000**	**0.000**	**0.000**

The above shows that, real terms resources are projected to fall each year against increasing standstill costs and pressures.

As at 31st March 2021 the PCC has usable revenue reserves of £23.125m with an additional £7.452m of ring-fenced capital receipts.

Basis of Preparation

The Chief Constable has a statutory duty to approve and publish a Statement of Accounts covering a 12-month reporting position. These accounts cover the period 1st April 2020 to 31st March 2021 and have been compiled in accordance with recommended practice from the Chartered Institute of Public Finance and Accountancy (CIPFA). The format is largely prescribed in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

These accounting standards set out the format of the Accounts and the concepts and principles that should be used in deciding on the appropriate treatment of transactions and balances within the Accounts. The financial relationship between the Chief Constable and the PCC is determined by the key elements of the legislative framework as well as local arrangements set-out in the Scheme of Governance and the Financial Regulations.

The Scheme of Governance and the Financial Regulations set-out that strategic control; ultimately the overarching responsibility for setting the Police and Crime Plan, holding the Chief Constable accountable for the delivery of an efficient and effective police force and the responsibility for the appointment and dismissal of the Chief Constable, is exercised by the PCC.

There is an overall Group Account that consists of the Police and Crime Commissioner for Hertfordshire and the Chief Constable of Hertfordshire Constabulary.

The Chief Constable has daily direction and control over all police officers and a great majority of police staff and so his Accounts contain the direct cost of employment and other related costs and balances associated with these officers and staff.

The Accounts of the PCC contain the direct costs of his Office, capital accounting transactions and balances associated with his control over the strategic non-current assets such as Land and Buildings as well as all cash backed reserves.

Further details of this approach are set out below in Note to the Accounts Number 4 – 'Critical Judgements in Applying Accounting Policies'.

Together this Statement of Accounts and those of the PCC form the Group Accounts which are published alongside the PCC Statement of Accounts as a separate document.

These accounts include an analysis of the Chief Constable's financial affairs and the financial position at 31 March 2020. The accounts comprise of:

a) The **Statement of Responsibilities** for the Statement of Accounts, which sets out the responsibilities of both the Chief Constable and the responsible Chief Finance Officer for the preparation of the Accounts.

b) The **Comprehensive Income & Expenditure Statemen**t, is a summary of the income and expenditure received and used to provide services during the year and shows how the PCC has funded the cost of net expenditure incurred at the request of the Chief Constable by an intra-entity transfer.

c) The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'usable reserves' 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 & Expenditure Statement.

d) The **Balance Sheet**, which shows the value as at the balance sheet date of the assets and liabilities recognised by the Chief Constable.

e) The **Cash Flow Statement**, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

f) **Notes to the Accounts**, these comprise a detailed analysis of the summarised financial information in the Core Financial Statements. These also set out the accounting policies adopted by the Chief Constable, which explain the basis on which the financial transactions are presented.

g) The **Annual Governance Statement** – The statement sets out the results of the annual review of governance and internal controls within the Office of the Chief Constable. The statement reports on any significant weaknesses and the actions undertaken to rectify these.

h) **Police Officer Pension Fund Account** - This identifies the payments in and out of the Police Officers Pension Fund Account for the year.

Investments

Investments are shown within the accounts of the PCC.

Borrowing

Borrowing is shown within the accounts of the PCC.

Disclosed Pensions Assets or Liabilities

The Chief Constable's and the PCC's police staff employees are able to join the Local Government Pension Scheme (LGPS) administered by Hertfordshire County Council. The pension fund pays the pensions of member employees upon retirement and receives contributions from employees together with an employer's contribution from the Chief Constable and PCC. Every three years the fund's appointed actuary assesses how much money is in the fund and whether this is sufficient to meet the potential call from staff as they retire at a future date.

Police Officers are eligible to join the national Police Pension Schemes which is an unfunded defined benefit final salary scheme administrated by the Chief Constable. Unfunded means that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The net amount charged to the Police Fund is that payable for the year in question in accordance with the statutory requirements governing the pension fund. Where this amount does not match the amount charged to the Comprehensive Income and Expenditure Statement any difference is transferred to the pension reserve on the balance sheet via the Movement in Reserves Statement in order that there is no impact on the Group's revenue expenditure funded from taxation. The Group's liability during 2020/21 was limited to employer contributions equivalent to 31.0% of police officer pensionable pay with the Home Office paying the balance of any deficit on the Police Pension fund. Further details are shown in the accounts of the Police Pension Fund on page 58.

There are many factors, including external economic factors that can affect the financial position of the fund. As a result, the Chief Constable's share of the Hertfordshire Local Government Pension Scheme Fund and Police Pension funds, shows a net liability of £2.216bn as at 31st March 2021 (£1.973bn as at 31st March 2020). The liability is a notional amount as it would only fall due if all circumstances remained as they are now until the current contributors retire and the Chief Constable did not seek to address the matter. The liability on the balance sheet is matched with an equivalent pension reserve. Note 21 gives further details.

Balance Sheet

The balance sheet shows the net worth of the Chief Constable as at 31st March 2021 is -£2.221bn consisting of Pension Reserves of -£2.216bn and Accumulated Absences Reserves -£4.778m.

Further information on the financial statements presented in this document can be obtained from the Head of Finance at the Constabulary on 01707-354241 (email mike.jarvis@herts.pnn.police.uk).

James Cook CPFA
Chief Finance Officer to the Chief Constable of Hertfordshire
July 2021

The Chief Constable of Hertfordshire's Responsibilities

The Chief Constable is required to:

- make arrangements for the proper administration of the Office of the Chief Constable's financial affairs and to secure that one of its officers (the Chief Finance Officer) has responsibility for the administration of those affairs;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts by the 30th September 2021.

I confirm that I approve these accounts following completion of the audit.

Signed: *
Charlie Hall - Chief Constable of Hertfordshire Constabulary

Date:

The Chief Constable of Hertfordshire Constabulary Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Office 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 2020/21 (the Code)

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm this Statement of Accounts gives a true and fair view of the financial position of the Chief Constable as at the accounting date and its income and expenditure for the year ended 31st March 2021.

Signed: *
James Cook CPFA – Chief Finance Officer

Date:

* Official signed version held at Police HQ in Welwyn Garden City

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF HERTFORDSHIRE CONSTABULARY

To follow upon completion of Audit.

Comprehensive Income and Expenditure Statement 2020/21

This statement summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year. It includes all day to day expenses on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2019/20					2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
126,007	-1,213	124,794		Local Policing	136,446	-1,363	135,083
34,347	-4,732	29,615		Protective Services	35,254	-3,796	31,458
28,696	-180	28,516		Operational Support	43,130	-2,310	40,820
46,923	-2,342	44,581		Organisational Support	37,331	-1,827	35,504
11,981	-3,672	8,309		Corporate Budgets	10,746	-5,868	4,878
-	-	0	21	Past Service Pension Costs	-	-	0
247,954	**-12,139**	**235,815**		**Cost of Services**	**262,907**	**-15,164**	**247,743**
		46,055	10	Financing and investment income and expenditure			44,638
		-220,774	11	Police and Crime Commissioner funding for financial resources consumed			-227,141
		61,096		**(Surplus) or Deficit on the Provision of Services**			**65,240**
		-220,300	21	Re-measurement of the net defined benefit liability			179,522
		-220,300		**Other Comprehensive Income and Expenditure**			**179,522**
		-159,204		**Total Comprehensive Income and Expenditure**			**244,762**

Movement in Reserves Statement 2020/21

This statement shows the movement in the 2019/20 and 2020/21 financial years on the different reserves held by the Chief Constable. The only transactions shown in this statement relate to the Pensions Reserve and the Accumulated Absences Reserve (reflecting movements relating to police officers and police staff under the direction and control of the Chief Constable). All other reserves are managed by the Police and Crime Commissioner.

	Police Fund £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2019	**0**	**0**	**-2,135,591**	**-2,135,591**
Movement in reserves during 2019/20				
Total Comprehensive Income and Expenditure	-61,096	-61,096	220,300	159,204
Adjustments between accounting basis and funding basis under regulations*	61,096	61,096	-61,096	**0**
Increase / (Decrease) in Year	**0**	**0**	**159,204**	**159,204**
Balance at 31 March 2020 carried forward	**0**	**0**	**-1,976,387**	**-1,976,387**
Movement in reserves during 2020/21				
Total Comprehensive Income and Expenditure	-65,240	-65,240	-179,522	-244,762
Adjustments between accounting basis and funding basis under regulations*	65,240	65,240	-65,240	**0**
Increase / (Decrease) in Year	**0**	**0**	**-244,762**	**-244,762**
Balance at 31 March 2021 carried forward	**0**	**0**	**-2,221,148**	**-2,221,148**

* See note 9

Balance Sheet 2020/21

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The Chief Constable recognises in his Balance Sheet assets and liabilities relating to police officers and police staff under his direction and control matched by financial guarantees from the Police and Crime Commissioner. All other balances are held by the Police and Crime Commissioner.

31 March 2020 £'000	Note		31 March 2021 £'000
21,807	12	Short-Term Debtors	17,180
-	14	Intra-Entity Debtor	2,705
21,807		**Current Assets**	**19,885**
-16,256	13	Short-Term Creditors	-18,855
-2,391	15	Provisions for Accumulated Absences	-4,778
-5,109	14	Intra-Entity Creditor	-
-23,756		**Current Liabilities**	**-23,633**
-442		Provisions	-1,030
-1,973,995	21	Other-Long Term Liabilities	-2,216,370
-1,974,437		**Long-Term Liabilities**	**-2,217,400**
-1,976,386		**Net Assets / (Liabilities)**	**-2,221,148**
-1,976,386	15	Unusable Reserves	-2,221,148
-1,976,386		**Total Reserves**	**-2,221,148**

Signed: *
James Cook CPFA – Chief Finance Officer

Date:

* Official signed version held at Police HQ in Welwyn Garden City

Cash Flow Statement 2020/21

The Cash Flow Statement shows the changes in cash equivalents of the Chief Constable during the reporting period. All cash equivalents are held by the Police and Crime Commissioner and so there are no entries in this statement.

2019/20 £'000		2020/21 £'000
-61,096	Net Surplus or (Deficit) on the Provision of Services	-65,240
61,096	Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements	65,240
0	**Net cash flows from Operating Activities**	**0**
-	**Net increase or (decrease) in cash and cash equivalents**	**-**
-	Cash and cash equivalents at the beginning of the reporting period	-
0	**Cash and cash equivalents at the end of the reporting period**	**0**

The following adjustments were made to remove non-cash items from the surplus or deficit on the provision of services:

2019/20 £'000		2020/21 £'000
	Adjustment for non-cash movements:	
110,302	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	112,852
-49,173	Employer's contribution payable to the Pension Fund and retirement benefits payable directly to pensioners (including additional contributions payable to balance a deficit on the Police Pension Fund Account)	-49,999
-202	Provisions	588
-33	Transfer To/From the Accumulated Absences Account	2,387
	Adjust for accruals:	
-7,049	Increase (-) / Decrease in Revenue Debtors	4,627
-993	Increase / Decrease (-) in Revenue Creditors	2,599
8,244	Increase (-) / Decrease in Intra-Entity Debtor/Creditor	-7,814
61,096	**Total Non-Cash Movements**	**65,240**

Notes to the Statements of Accounts 2020/21

Note 1 - General Accounting Policies

Where possible accounting policies have been shown alongside relevant notes to the accounts. There are, however, a number of overarching accounting policies that apply more broadly which are set-out here:

General Principles

The Chief Constable, PCC and Group have adopted a common set of accounting principles. Only those principles directly applicable to the Chief Constable's Accounts are shown below. A full set of Group Principles is disclosed within the Group / PCC Accounts.

The Statement of Accounts summarises the Chief Constable's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which these regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 published by CIPFA, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 21(2) of the Local Government Act 2003.

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.

Accruals

Estimation techniques are the methods adopted by the Chief Constable to arrive at the estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. The policies are therefore set to specify the basis on which an item will be measured: where there is uncertainty over how to measure this, the amount has been arrived at using an estimation or accrual technique.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The Chief Constable's Balance Sheet holds debtors and creditors relating to the provision of policing services. In particular:

- Revenue from the provision of goods or services is recognised in line with IFRS15.
- Supplies and services (including services provided by employees) are recorded as expenditure when they are consumed or the services are received.
- 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.
- The actual cost of employees and police officers is recorded in the accounts. Accruals are made for the payment of police overtime, pension and tax liabilities based on the actual March payments and included as creditors on the Balance Sheet.

Cash and Cash Equivalents

Whilst the Chief Constable does not hold a bank account, cash is expended at his request as resources are consumed and a share of working capital and provisions are included within his Balance Sheet. A Cash Flow statement has therefore been prepared to reconcile the Net Surplus or Deficit on the Provision of Services to Cash and Cash Equivalents held at the end of the reporting period.

Items not Included in the Chief Constable's Accounts

As outlined in Note 4, all capital balances and transactions are disclosed in the PCC's accounts. As such, the following items are not included in the Chief Constable's accounts;

- Capital Expenditure & Receipts
- Charges to Revenue for Non-Current Assets
- Disposals and Non-current Assets Held for Sale
- Intangible Assets
- Investments
- Property, Plant and Equipment
- Usable Reserves

Revenue Recognition

The Chief Constable accounts for revenue recognition in accordance with IFRS 15. This applies to the accounting for revenue arising from the sale of goods and services.

Any income received under contract is recognised in accordance with the performance obligations in the contract.

Revenue is recognised and measured at fair value of the consideration received or receivable except for financial assets otherwise measured as financial instruments. Revenue is recognised when performance obligations have been met. Where there are doubts as to the collectability of an amount already included in revenue an impairment expense is recognised rather than an adjustment made to the revenue already recognised in the Comprehensive Income and Expenditure Statement.

Unusable Reserves

The Chief Constable's Accounts contain only unusable reserves required to manage the accounting processes for retirement and employee benefits. These reserves do not represent usable resources for the Chief Constable and are explained in the relevant policies.

VAT

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

Note 2 - Changes in Accounting Policies

There have been no significant changes in accounting policies since 2019/20.

Note 3 - Accounting Standards That Have Been Issued but Not Yet Adopted

The following sets out amendments to accounting standards or new accounting standards that have been issued but will not be adopted by the Code until 2021/22.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

These amendments to International Financial Reporting Standards are not expected to have any material impact on the accounts.

Note 4 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events. Critical judgements made in the Statement of Accounts for 2020/21 are:

a) Allocation of transactions, benefits and liabilities between the Accounts of the Chief Constable and PCC

A key critical judgement is the allocation of transactions and balances between the accounts of the PCC and those of the Chief Constable. The adopted allocation of expense, income and balances is set-out in the following table:

Group CI&E	
Chief Constable's CI&E	**PCC's CI&E**
Cost of Service	**Cost of Service**
- Employee Cost of Officers & Staff under the direction & control of the Chief Constable	- OPCC Domestic Budget - Commissioning Spend - Support from Chief Constable Staff
- Policing Service Non-Pay Expenditure	- IAS19 Current Cost Pension Charges
- IAS19 Current Cost Pension Charges - Accumulated Absences Accruals	- Capital Charges Depreciation & Impairment
- Pension Fund Top-Up Payment	- Specific Grants relating to the PCC
- Income from Fees and Charges	
- Specific Grants relating policing services	
Other Operating Expenditure	**Other Operating Expenditure**
	- Surplus/Deficit on disposal of non-current assets - Pension Top-Up Grant Income
Financing & Investment	**Financing & Investment**
- IAS19 Pension Net Interest	- IAS19 Pension Net Interest - Capital Financing and Interest on Balances

Taxation and Non-Specific Grants	Taxation and Non-Specific Grants
	- Settlement Funding
	- Accounting for Council tax
Intra Entity Transfer	**Intra Entity Transfer**
- Transfer of funding from the PCC	- Transfer of funding to the CC

Movement in Reserves Statement	Movement in Reserves Statement
	- Revenue Contributions to Capital
	- Minimum Revenue Provision

Group Balance Sheet	
Chief Constable's Balance Sheet	**PCC's Balance Sheet**
Net Assets	**Net Assets**
- Working Capital (CC Share)	- Non-Current Assets
- Provisions	- Working Capital (PCC Share)
- Accumulated Absences Liability	- Investments
- IAS19 Pensions Liability	- Cash & Cash Equivalents
	- IAS19 Pensions Liability
	- Provisions
	- Long Term Borrowing
Reserves	**Reserves**
- Accumulated Absences Reserve	- Revaluation Reserve
- IAS19 Pensions Reserve	- IAS19 Pensions Reserve
	- Capital Adjustments Reserve
	- Useable Capital Receipts Reserve
	- Specific Reserves
	- Police Fund

The Scheme of Governance set-outs that strategic control; ultimately the overarching responsibility for setting the Police and Crime Plan, holding the Chief Constable accountable for the delivery of an efficient and effective police force and the responsibility for the appointment and dismissal of the Chief Constable, is exercised by the PCC. As such, the Accounts of the PCC contain not only the direct costs of his office but also the cost of funding the activities of the Chief Constable and the capital accounting transactions and balances associated with his control over the strategic non-current assets such as Land and Buildings as well as all cash backed reserves.

The Chief Constable has daily direction and control over all police officers and a great majority of police staff, therefore his Accounts contain the direct cost of employment as well as associated IAS19 transactions and balances associated with his staff.

Stage 2 of the transfer of Staff and Assets required under the Police Reform and Social Responsibility Act 2011 was made on the 1st April 2014. From that date, employment of staff under the direction and control of the Chief Constable transferred to him from the PCC. In addition, a new scheme of governance was introduced to reflect the revised arrangements which set out the consents under which the Chief Constable will operate in the future. The impact of these changes has been limited to the exclusion of IAS19 transactions relating to police staff employed by the PCC from the Chief Constable's Accounts.

b) Collaborative Activities - The Chief Constable participates in a wide range of joint activities with other forces. During 2020/21, these were primarily with Bedfordshire Police and Cambridgeshire Constabulary, to a lesser extent with Thames Valley Police as well as Eastern Region forces. Details of these arrangements as set out in note 19. The Chief Constable deems these arrangements to be jointly co-controlled operations in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and consequently the Statement of Accounts and the accounting statements only reflect Hertfordshire's share of the associated financial transactions and balances.

c) IAS19 Estimation of Pension Liabilities – In response to the outcome of the McCloud case and the subsequent statement by government regarding its intention to respond, an estimate of additional pension liabilities has been reflected in the IAS19 calculation. IAS19 requires an entity to measure its defined benefit obligations on a basis that reflects: the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the end of the reporting period. This approach has been applied to ensure that the accounts show a true and fair view of the pension liability as at 31 March 2021. Further details can be found in note 21.

d) In allocating balances between the PCC and Chief Constable accounts, the Home Office debtor for pension top-up grant due of £5.072m has been included in full in the PCC's accounts.

e) GMP equalisation and indexation. A past service cost was recognised in 2017/18 reflecting a previous extension of the interim solution regarding guaranteed minimum pension ("GMP") indexation, which was announced by HMT in January 2018. Members of public service pension schemes with GMP entitlements who reach State Pension age on or after 6 December 2018 and before 6 April 2021 are covered by this previous extension of the interim solution.

The High Court published its judgment in the Lloyds Banking Group case on the equalisation of GMP that pensions must be equalised for the effects of unequal GMP and the Government has committed to addressing GMP equalisation. Following discussions through the Finance Working Group covering most public service pension schemes, there was general consensus that a past service cost was required during 2019/20 in respect of the additional liabilities in respect of members reaching State Pension age after 6 April 2021, which were included in the 2019/20 accounts.

Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating 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. Actuaries are engaged to provide the Chief Constable with expert advice about the assumptions to be applied	Note 38 sets out the sensitivity of the defined pension benefit obligation to significant actuarial assumptions including the impact of adjusting results for the McCloud and Sargeant pension challenges.

Note 6 - Events after the Balance Sheet Date

Accounting Policy

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- *Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.*
- *Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.*

There are no such events for 2020/21.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. This is the date at which the CFO signs the audited statement of accounts which this year must be no later than 30th September 2021, extended due to the ongoing disruption resulting from the COVID-19 Pandemic.

Note 7 - Expenditure and Income Analysed by Nature

The Chief Constable’s expenditure and income is analysed as follows:

	2019/20 £’000	2020/21 £’000
Fees Charges and Other Service Income	-8,577	-8,310
Government Grants and Contributions	-3,563	-6,855
Employee Benefit Expenses	214,815	228,895
Other Service Expenses	33,140	34,013
Interest Payments	46,055	44,638
PCC funding To CC for financial resources consumed	-220,774	-227,141
(Surplus) or Deficit on the Provision of Services	**61,096**	**65,240**

Note 8 - Expenditure and Funding Analysis 2020/21

The PCC provides a segmental report in the notes to the financial statements together with supporting details and a reconciliation to the Comprehensive Income and Expenditure Statement. The segments mirror the PCC’s internal reporting arrangements for reporting at a service level on its budget requirements and monitoring against the approved budget.

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants and council tax) by the Chief Constable 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 across the Chief Constable’s reporting structure. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis

2019/20				2020/21		
Net Expenditure in the CIES*	Adjustments between the Accounting and Funding basis	Net Expenditure Chargeable to the General Fund		Net Expenditure in the CIES*	Adjustments between the Accounting and Funding basis	Net Expenditure Chargeable to the General Fund
£'000	£'000	£'000		£'000	£'000	£'000
124,794	-16,782	**108,012**	Local Policing	135,083	-18,686	**116,397**
29,615	-4,514	**25,101**	Protective Services	31,458	-4,778	**26,680**
28,516	-3,773	**24,743**	Operational Support	40,820	-5,845	**34,975**
44,581	-6,167	**38,414**	Organisational Support	35,504	-5,059	**30,445**
8,309	1,615	**9,924**	Corporate Budgets	4,878	1,905	**6,783**
-	-	**-**	Past Service Pension Costs	**-**	-	**-**
-	-	**-**	One-Off Constabulary Spend	**-**	-	**-**
235,815	**-29,621**	**206,194**	**Cost of Services**	**247,743**	**-32,463**	**215,280**
-174,719	-31,475	-206,194	Other Operating Expenditure	-182,503	-32,777	**-215,280**
61,096	**-61,096**	**0**	**(Surplus) or Deficit on the Provision of Services**	**65,240**	**-65,240**	**0**
		-	**Opening General Fund**			**-**
		-	Less Surplus / Plus (Deficit) on the General Fund for the Year			-
		0	**Closing General Fund**			**0**

* Comprehensive Income and Expenditure Statement

Note to the Expenditure and Funding Analysis - Adjustment Between Accounting and Funding Basis

2019/20	Adjustment for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Local Policing	-	-16,578	-204	**-16,782**
Protective Services	-	-4,519	5	**-4,514**
Operational Support	-	-3,777	4	**-3,773**
Organisational Support	-	-6,174	7	**-6,167**
Corporate Budgets	1,038	-	577	**1,615**
Past Service Pension Costs	-	-	-	**0**
One-Off Constabulary Spend	-	-	-	**0**
Cost of Services	**1,038**	**-31,048**	**389**	**-29,621**
Other Operating Expenditure	-1,038	-30,081	-356	-31,475
(Surplus) or Deficit on the Provision of Services	**0**	**-61,129**	**33**	**-61,096**

2020/21	Adjustment for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Local Policing	-	-17,201	-1,485	**-18,686**
Protective Services	-	-4,444	-334	**-4,778**
Operational Support	-	-5,437	-408	**-5,845**
Organisational Support	-	-4,706	-353	**-5,059**
Corporate Budgets	1,198	-	707	**1,905**
Past Service Pension Costs	-	-	-	**0**
One-Off Constabulary Spend	-	-	-	**0**
Cost of Services	**1,198**	**-31,788**	**-1,873**	**-32,463**
Other Operating Expenditure	-1,198	-31,065	-514	-32,777
(Surplus) or Deficit on the Provision of Services	**0**	**-62,853**	**-2,387**	**-65,240**

Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the PCC in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the PCC to meet future capital and revenue expenditure.

2019/20	Police Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 21)	110,301	-	-	-110,301
Employer's pensions contributions and direct payments to pensioners payable in the year	-49,173	-	-	49,173
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-33	-	-	33
Total Adjustments	**61,095**	**0**	**0**	**-61,095**

2020/21	Police Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 21)	112,852	-	-	-112,852
Employer's pensions contributions and direct payments to pensioners payable in the year	-49,999	-	-	49,999
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,387	-	-	-2,387
Total Adjustments	**65,240**	**0**	**0**	**-65,240**

Note 10 - Financing and Investment Income and Expenditure

	2019/20 £'000	2020/21 £'000
Net interest on the net defined liability	46,055	44,638
Total	**46,055**	**44,638**

Note 11 - Police and Crime Commissioner Funding for Financial Resources Consumed

The Comprehensive Income and Expenditure Statement summarises the financial resources that have been generated and consumed in providing policing and crime reduction services during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The Police and Crime Commissioner provided funding to the Chief Constable for financial resources consumed. The funding provided covers the day to expenses on an accruals basis as well as charges for operational assets consumed in the year. These transactions are reflected in the intra-group accounts of both entities.

The funding does not cover pension (IAS 19) charges and charges for compensated absences as these charges to the Comprehensive Income and Expenditure Statement are reversed in the Movement in Reserves Statement and charged to the Pensions Reserve and Accumulated Absences Account resulting.

	2019/20 £'000	2020/21 £'000
Cost of Service	235,815	247,743
Pensions interest cost	46,055	44,638
Re-measurement of the net defined benefit liability	-220,300	179,522
CI&E Statement (Surplus) Deficit Pre-PCC Funding	**61,570**	**471,903**
Items Removed through MIRS		
Pensions		
Opening Balance	2,133,167	1,973,995
Less Closing Balance	-1,973,995	-2,216,370
	159,171	**-242,375**
Accumulated Absences		
Opening Balance	2,424	2,391
Less Closing Balance	-2,391	-4,778
	33	**-2,387**
Police and Crime Commissioner Funding for Resources Consumed	**220,774**	**227,141**

Note 12 - Short-Term Debtors

The following table provides an analysis of money owed to the Chief Constable by debtors:

	31 March 2020 £'000	31 March 2021 £'000
Net Trade Debtors	542	927
Year End Accruals	14,424	13,766
Grant & Partner Contributions Due	127	-
VAT Refund	1,540	802
Payments in Advance	5,174	1,685
Payroll Debtor	2	1
Total	**21,809**	**17,181**

All outstanding debts are reviewed throughout the year and a bad debt provision made in respect of those debts for which payment is considered doubtful. At 31st March 2021 the bad debt provision was £0.063m (2019/20 £0.060m).

Note 13 - Short-Term Creditors

The following table provides an analysis of money owed by the Chief Constable to creditors:

	31 March 2020 £'000	31 March 2021 £'000
Net Trade Creditors	-836	-63
Conditional Grant	-179	-371
Year End Accruals and Grant Held at Year End	-9,717	-12,523
Payroll Deductions	-5,525	-5,898
Intra-Entity Balance	-	-
Total	**-16,256**	**-18,855**

Note 14 - Intra-Entity Creditor / Debtor

	31 March 2020 £'000	31 March 2021 £'000
Short Term Debtors	21,809	17,180
Short Term Creditors	-16,256	-18,855
Provisions	-442	-1,030
Intra-Entity (Debtor)/Creditor to the PCC	**5,109**	**-2,705**

Note 15 - Unusable Reserves

	31 March 2020 £’000	31 March 2021 £’000
Pensions Reserve	-1,973,995	-2,216,370
Accumulated Absences Account	-2,391	-4,778
Total Unusable Reserves	**-1,976,386**	**-2,221,148**

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-employment 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 investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Chief Constable makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Chief Constable has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2019/20 £’000	2020/21 £’000
Balance at 1 April	**-2,133,167**	**-1,973,995**
Actuarial gains or losses on pensions assets and liabilities	220,300	-179,522
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	-110,301	-112,852
Employer's pensions contributions and direct payments to pensioners payable in the year	49,173	49,999
Balance at 31 March	-1,973,995	-2,216,370

Accumulated Absences Account

<u>Accounting Policy</u>

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account which absorbs the differences that would otherwise arise on the Police Fund Balance, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. All transactions and balances relating to the above are disclosed within the accounts of the Chief Constable on the basis of materiality.

	2019/20 £'000	2020/21 £'000
Balance at 1 April	**-2,424**	**-2,391**
Settlement or cancellation of accrual made at the end of the preceding year	2,424	2,391
Amounts accrued at the end of the current year	-2,391	-4,778
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	33	-2,387
Balance at 31 March	**-2,391**	**-4,778**

Note 16 - Financial Instruments

<u>Categories of Financial Instruments</u>

The financial instruments carried in the Balance Sheet are as follows:

	Current	
	31 March 2020 £'000	**31 March 2021 £'000**
Financial Assets		
- Amortised cost	15,030	14,757
Financial Liabilities		
- Amortised cost	-10,282	-12,058

Fair Values of Assets and Liabilities that are not carried at Fair Value but for which Fair Value disclosures are required

All financial liabilities and financial assets held by the Chief Constable are carried in the balance sheet at amortised cost. The fair values calculated are as follows.

	2019/20		2020/21	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
- Amortised cost	15,030	15,030	14,757	14,757
Financial liabilities				
- Amortised cost	-10,282	-10,282	-12,058	-12,058

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

Note 17 - Grant & Partner Income – Government and Non-Government Grants

Accounting Policy

All government grants are received in the name of the PCC. However, where grants and contributions are specific to expenditure incurred by the Chief Constable, they are recorded as income within the Chief Constable's Accounts. Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Chief Constable when there is reasonable assurance that:

- *the Chief constable will comply with the conditions attached to the payments, and*
- *the grants or contributions will be received.*

Amounts recognised as due to the Chief Constable are not credited to the Comprehensive Income and Expenditure Statement until the conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

The Chief Constable credited the following government grants, other grants, contributions and donations representing the receipts on an accruals basis to the Comprehensive Income and Expenditure Statement in 2020/21:

	2019/20 £'000	2020/21 £'000
Credited to Cost of Service		
Police Community Support Officers Partner Contributions	-658	-654
Police Uplift Programme	-425	-2,564
NATO Conference	-1,423	-
Covid Grants	-	-994
Other Grants and Contributions	-1,057	-1,462
Total Grants Credited	**-3,563**	**-5,674**

Note 18 - Long-Term Contracts – Operating Leases

Accounting Policy

All leases are in the name of the PCC. However, where leases are specific to the provision of policing services by the Chief Constable, substance over form requires that they are recorded within the Chief Constable's accounts.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment to the lessee. All other leases are classified as operating leases. The PCC neither holds, nor has granted, any finance leases.

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

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

The Group / PCC as Lessee

The PCC has no finance leases, but has entered into several operating lease agreements for the occupancy of premises for policing purposes. The ownership of assets acquired under operating leases does not pass to the PCC and they are not included in the PCC's asset valuations on the balance sheet.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. if there were a rent-free period at the commencement of the lease).

The future minimum payments due under these leases are shown in the following table and are analysed between the time periods in which the lease payments become due for payment. There are no future minimum sub-lease payments receivable by the PCC.

	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	581	500
Later than one year and not later than five years	2,145	1,820
Later than five years	9,562	9,600
Total Future Minimum Payments	**12,288**	**11,920**

The amount charged to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement was £0.774m (2019/20 £0.567m).

The Group/PCC as Lessor

The PCC has not entered into any finance lease or operating lease arrangements as a lessor.

IFRIC 12

The PCC's contractual arrangements with third parties are kept under continuous review and there are no service concessions under IFRIC 12**.**

Lease Terms

None of the PCC's lease agreements have terms and conditions in respect of contingent rents, purchase options or escalation clauses. It is considered that there are no restrictions other than those that are standard conditions in operating lease agreements such as the occupier's responsibilities and changes of use.

The property lease agreements include clauses in respect of the renewal of leases at specified points in the future. The PCC will wish to discuss renewal terms with lessors at such future dates.

Note 19 - Joint Arrangements

Accounting Policy

A joint arrangement is an arrangement of which two or more parties have joint control where the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. To be a joint operation, the arrangement must meet the definition of joint control where decisions about the relevant activities of the arrangement require the unanimous consent of all the parties sharing control.

The Chief Constable in conjunction with other parties participates in a number of joint operations that involve the use of the assets and resources of the parties. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Chief Constable and other parties, with the assets being used to obtain benefits for all the parties. The joint operations do not involve the establishment of a separate entity.

The Chief Constable deems these arrangements to be jointly co-controlled operations in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and consequently the Statement of Accounts and the accounting statements only reflect Hertfordshire's share of the associated financial transactions and balances.

Bedfordshire, Cambridgeshire and Hertfordshire Collaborative Units

Bedfordshire Police, Cambridgeshire Constabulary and the Chief Constable operate a number of collaborative units. The units are jointly funded by the Forces in accordance with agreements approved by the Policing Bodies under Section 22 of the Police reform and Social Responsibility Act 2001. The collaborated units are jointly staffed and funded by the two or three forces as appropriate. The material benefits from working together include improved efficiency, effectiveness and resilience for each of the forces. The table below sets out the aggregate income and expenditure on all collaborative units. Each force's contribution reflects its share of the units and its contribution towards support and accommodation costs.

Beds 2019/20 £'000	Cambs 2019/20 £'000	Herts 2019/20 £'000	Total 2019/20 £'000		Beds 2020/21 £'000	Cambs 2020/21 £'000	Herts 2020/21 £'000	Total 2020/21 £'000
				Joint Protective Services				
2,809	2,471	2,816	**8,096**	Armed Policing Unit	3,467	3,110	3,686	**10,263**
731	913	1,221	**2,865**	Dogs	812	998	1,353	**3,163**
2,492	3,022	3,691	**9,205**	Major Crime Unit	2,495	2,980	3,690	**9,165**
280	362	506	**1,148**	Operational Planning & Public Order	313	396	565	**1,274**
245	318	444	**1,007**	Protective Services Command Team	258	327	466	**1,051**
95	123	171	**389**	Resilience	94	119	169	**382**
2,471	3,591	4,769	**10,831**	Roads Policing Unit	2,553	3,651	4,912	**11,116**
2,433	2,986	4,019	**9,438**	Scientific Services Unit	2,457	2,968	4,049	**9,474**
11,556	**13,786**	**17,637**	**42,979**	**Total Joint Protective Services**	**12,449**	**14,549**	**18,890**	**45,888**
				Operational Support				
-356	-454	-593	**-1,403**	Camera, Tickets, Collisions	-201	-251	-333	**-785**
277	359	502	**1,138**	Criminal Justice & Custody Management Team	285	180	514	**979**
655	850	1,187	**2,692**	Criminal Justice	586	742	1,057	**2,385**
108	210	171	**489**	Firearms & Explosives Licensing	114	221	180	**515**
3,603	4,671	6,527	**14,801**	ICT	3,711	4,696	6,695	**15,102**
303	393	549	**1,245**	Public Contact Senior Leader Team	288	364	519	**1,171**
4,590	**6,029**	**8,343**	**18,962**	**Total Operational Support Expenditure**	**4,783**	**5,952**	**8,632**	**19,367**
				Organisational Support				
455	590	825	**1,870**	Collaboration Team	415	525	748	**1,688**
4,056	5,257	7,345	**16,658**	HR / L&D	3,963	5,015	7,148	**16,126**
668	866	1,210	**2,744**	Information Management Department	796	1007	1,435	**3,238**
1,104	1,149	1,659	**3,912**	Professional Standards Unit	1,249	1,279	1,873	**4,401**
279	362	506	**1,147**	Procurement*	-	-	-	-
6,562	**8,224**	**11,545**	**26,331**	**Total Organisational Support Expenditure**	**6,423**	**7,826**	**11,204**	**25,453**
22,708	**28,039**	**37,525**	**88,272**	**Total BCH Net Operating Costs**	**23,655**	**28,327**	**38,726**	**90,708**
-	-	-	-	Regional Procurement*	270	342	487	**1,099**
22,708	**28,039**	**37,525**	**88,272**	**Total Net Operating Costs**	**23,925**	**28,669**	**39,213**	**91,807**

* Procurement service provided by the 7 Force Procurement Department from 2020/21

Eastern Region Special Operations Unit (ERSOU)

The Eastern Region Special Operations Unit (ERSOU) was established in 2010/11 and is a joint unit consisting of the six eastern region police forces: Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk. The unit provides a single serious and organised crime unit as well as Counter Terrorism capability across the region.

Bedfordshire Police have lead force responsibility for ERSOU. Police Officers from each member force are seconded to the unit broadly in line with funding shares. Legal title to all vehicles, equipment and premises owned and used by the unit transferred sit with Bedfordshire and the assets are recorded in its capital accounts and asset register.

All revenue costs and capital expenditure are shared between the six forces in accordance with the percentages defined in the Section 22 agreement. All capital expenditure is fully funded in the year of expenditure and there is therefore no capital financing charge to the six participating forces.

ERSOU is a joint operation with no separate entity and is therefore not able to hold reserves in respect of any cumulative surplus or deficit at year end. Each participating Local Policing Body shows its share of the carried forward surplus in its accounts. The ERSOU operating account is shown in the following table. The expenditure figures do not include depreciation charges.

The Home Office grants were paid to Bedfordshire as agent for the participating forces.

ERSOU Income and Expenditure Statement 2020/21

	2019/20 £'000	2020/21 £'000
Operating costs	21,834	20,231
Specific HO grant	-4,336	-4,796
Net expenditure	**17,498**	**15,435**
Contributions		
Bedfordshire	-1,997	-1,746
Cambridgeshire	-2,567	-2,224
Essex	-1,953	-1,735
Hertfordshire	-3,607	-3,159
Kent	-2,249	-2,095
Norfolk	-2,918	-2,542
Suffolk	-2,207	-1,934
Total Contributions	**-17,498**	**-15,435**
(Surplus) / Deficit for year	645	-263
(Surplus) / Deficit b/f	-645	-
(Surplus) / Deficit c/f	**0**	**-263**

The capital assets for ERSOU at 31st March 2021 are analysed as follows:

	2019/20 £'000	2020/21 £'000
Net book value brought forward 1st April	**1,282**	**1,645**
Opening Balance Adjustment	-	-
Revised Net book value	**1,282**	**1,645**
Expenditure for the year:		
- Vehicles	608	193
- Land and Buildings	-	-
- Equipment	-	182
Depreciation for the year	-245	-345
Net book value carried forward 31st March	**1,645**	**1,675**

Hertfordshire's share of the total Net Book Value of ERSOU assets as at 31st March 2021 was £0.445m (£0.368m as at 31st March 2020). Two additional properties are jointly owned by the 7 forces, and are held on individual forces' balance sheets. Hertfordshire share of these properties as at 31st March 2021 was £1.731m.

The capital expenditure for 2020/21 was funded in accordance with the formulae agreed by the forces. Details are shown in the following table:

	2019/20 £'000	2020/21 £'000
Bedfordshire	-67	-49
Cambridgeshire	-86	-62
Essex	-94	-24
Hertfordshire	-121	-88
Kent	-68	-26
Norfolk	-98	-71
Suffolk	-74	-54
Total	**-608**	**-374**

Note 20 - Contingent Liabilities

Accounting Policy

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 in a note to the accounts.

The Chief Constable potentially has a liability in respect of historic overtime claims following a similar claim from another force which were upheld at the Court of Appeal. The claims relate to a cap being placed on overtime claims by the Chief Constable, which has historically been generally applied across the Police Service. At this point in time the Chief Constable has received 21 claims in respect of overtime claims. The final number and value of potential claims has yet to be quantified. Test claims are progressing through the courts and they will have a bearing on claims against the Force once the outcomes are known.

Following the rulings in the McCloud and Sargeant cases in relation to unlawful discrimination, and associated remedial proposals as outlined in Note 21, 18 claims for compensation have been lodged against the Chief Constable of Hertfordshire. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

Note 21 - Defined Benefit Pension Schemes

Accounting Policy

Post-Employment Benefits

The Chief Constable participates in four pension schemes. Each scheme provides members with defined benefits related to pay and service. The costs of providing pensions for employees are charged to the Police Fund in accordance with the statutory requirements governing each scheme. The schemes are as follows:

Police Officer Schemes

There are three schemes for police officers; - The 1986 Police Pension scheme which closed to new members on the 31st March 2006, the 2006 Police Pension scheme which closed to new members on the 31st March 2015 and the 2015 Police Pension Scheme which was introduced from 1st April 2015. These are unfunded defined benefit final salary schemes, charged to the Police Fund based upon an equivalent employer's contribution rate of 31.0% of pensionable pay.

Unfunded means that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The direct expenditure and income in respect of these schemes is accounted for in the Police Pension Fund Account. Under the Police Pension Fund Regulations 2007, if the amount payable by the pension fund for the year is less than the amount receivable, the Chief Constable must annually transfer an amount required to meet the deficit to the pension fund. Up to 100% of this cost is met by central government pension top up grant shown in the OPCC's Accounts under Other Operating Expenditure. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Chief Constable and the amount repaid to central government.

Police Staff

All transactions and balances relating to the accounting for Post-Employment Benefits of Police Staff, other than the cost of employee contributions for staff employed by the PCC, are disclosed within the accounts of the Chief Constable on the basis of materiality.

All police staff are eligible to join the Local Government Pension Scheme (LGPS), managed by Hertfordshire County Council. The total pension cost that is charged to the Police Fund equals the contribution paid to the funded pension scheme for these employees.

The LGPS Scheme is accounted for as a defined benefits scheme as follows:

a) The liabilities of the fund attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, *based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.*

b) *Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.*

c) *The assets of the fund attributable to the Chief Constable are included in the Balance Sheet at their fair value:*

- *Quoted securities – current bid price*
- *Unquoted securities – professional estimate*
- *Unitised securities – current bid price*
- *Property – market value*

d) *The change in the net pensions liability is analysed into seven components:*

i. *Current Service Cost - The increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.*

ii. *Past Service Cost - The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs*

iii. *Interest Cost - The expected increase in the present value of liabilities during the year as they move one year closer to being paid is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement*

iv. *Expected Return on assets - The annual investment return on the fund assets attributable to the Chief Constable, based on an average of the expected long-term return is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement*

v. *Gains or Losses on settlements and curtailments - The result of actions to relieve the Chief Constable of liabilities or events that reduce the expected future service or accrual of benefits of employees is debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs*

vi. *Re-measurements of the net defined liability. This includes actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability.*

vii. *Contributions Paid to the pension fund - Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.*

In relation to retirement benefits, statutory provisions require the Police Fund balance to be charged with the amount payable by the Chief Constable to the pension fund or directly to pensioners in the *year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Police Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.*

Discretionary Benefits

The Chief Constable also has restricted powers to make discretionary awards of retirement benefits to Police Officers in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year the award was made and accounted for using the same policies as are applied to the Local Government Pension Scheme or Police Pension Schemes. There are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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 will not actually be payable until employees retire, the Chief Constable has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Chief Constable participates in three pension schemes:

- The Local Government Pension Scheme for police staff. Administrated by Hertfordshire County Council - this is a funded defined benefit final salary scheme, meaning that the Chief Constable and its employees, pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets

- The Police Pension Scheme 1987, the Police Pension Scheme 2006 and the Police Pension Scheme 2015 for police officers - these are unfunded defined benefit final salary schemes administrated by the Chief Constable. Unfunded means that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amount payable by the pension fund for the year is less than the amount receivable, the PCC must annually transfer an amount required to meet the deficit to the pension fund. Up to 100% of this cost is met by 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 Chief Constable and must be repaid to central government.

- Arrangements for the award of discretionary post-retirement benefits to Police Officers upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-Employment Benefits

The Chief Constable recognises the cost of retirement benefits in the reported cost of services in the Comprehensive Income and Expenditure Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Chief Constable is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the Police Fund within the PCC's accounts via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Police Fund Balance via the Movement in Reserves Statement during the year:

	LGPS		Police Pension Scheme	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Cost of Service included in CIES Service				
Current Service Cost	21,091	16,147	54,120	52,060
Past Service Cost / Settlements and Curtailments	115	7	-11,080	-
Financing and Investing Income & Expenditure				
Net interest expense	2,645	1,328	43,410	43,310
Total Group Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Service	**23,851**	**17,482**	**86,450**	**95,370**
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding amount included in net interest expense)	16,137	-55,124	-	-
Actuarial gains and Losses				
• Demographic Assumptions	-9,670	6,755	-61,220	-
• Financial Assumptions	-48,021	123,449	-62,300	233,040
• Other	-22,946	-3,518	-32,280	-125,080
Total Group Post Employment Benefit Charged to the CIES	**-40,649**	**89,044**	**-69,350**	**203,330**
Movement in Reserves Statement:				
Reversal of the net charges made to the Surplus or Deficit for the provision of services for post-employment benefits in accordance with the code	-23,851	-17,482	-86,450	-95,370
Actual Amount Charged Against the General Fund Balance for Pensions During the Year:				
Employer's Contributions Payable to the Schemes	8,763	9,299	40,410	40,700

CLAIMS ARISING FROM THE TRANSITIONAL PROVISIONS IN THE POLICE PENSION REGULATIONS 2015

The Chief Constable of Hertfordshire, along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in Oct 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

Compensation Claims

Claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Further details can be found in Note 20 – Contingent Liabilities.

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Commissioners obligation in respect of its defined benefit plans is as follows:

	2019/20 £'000	2020/21 £'000
Present Value of Defined Benefit Obligations		
LGPS	-344,981	-493,223
Police Pension Scheme	-1,919,630	-2,082,250
Total Chief Constable Liabilities	**-2,264,611**	**-2,575,473**
Fair value of plan assets		
LGPS	290,616	359,113
Total Chief Constable Assets	**290,616**	**359,113**
Net liability arising from defined benefit obligation:		
LGPS	-54,365	-134,110
Police Pension Scheme	-1,919,630	-2,082,260
Total Chief Constable Net Liability	**-1,973,995**	**-2,216,370**

The net liabilities show the underlying commitments that the Chief Constable has in the long run to pay retirement benefits. The total liability of £2,216.370m (£1,973.995m as at 31st March 2020) has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet, resulting in a negative overall balance of £2,221.148m as at 31st March 2021 (£1,976.386m as at 31st March 2020).

However, statutory arrangements for funding the deficit mean that the financial position of the Chief Constable remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover police pensions when the pensions are actually paid. Following the introduction on the 1st April 2006 of the new scheme of finance for police officer pensions, the Chief Constables' liability is in general limited to an equivalent contribution rate currently set at 31.0% of pensionable pay with the government meeting additional costs above this level.

The contribution expected to be made to the Local Government Scheme in 2021/22 is £9.299m. The expected contribution to the police pension schemes in 2021/22 is £25.020m.

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

	LGPS	
	2019/20 £'000	2020/21 £'000
Fair value of scheme assets at 1st April	**293,949**	**290,616**
Interest Income	7,137	6,755
Re-measurement gain/(loss)		
• Return of plan assets excluding amount included in net interest expense.	-16,137	55,124
Employer Contributions	8,763	9,299
Contribution by employees in the scheme	3,010	3,278
Benefits paid	-6,106	-5,959
Settlements and Curtailments	-	-
Fair value of scheme assets at 31st March	**290,616**	**359,113**

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

	LGPS		Police Pension Scheme	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Chief Constable Opening Balance at 1 April	**-397,726**	**-344,981**	**-2,029,380**	**-1,919,620**
Current service cost	-21,091	-16,147	-54,120	-52,060
Interest cost	-9,782	-8,083	-43,410	-43,310
Contribution from scheme participants	-3,010	-3,278	-10,190	-11,070
Re-measurement of the net defined benefit liability comprising:				
Actuarial gains / (loss) Demographic Assumptions	9,670	-6,755	61,220	-
Actuarial gains / (loss) Financial Assumptions	48,021	-123,449	62,300	-233,040
Actuarial gains / (loss) Other	22,946	3,518	32,280	125,080
Past Service Cost / Settlements and Curtailments	-115	-7	11,080	-
Benefits paid / Transfers	6,106	5,959	50,600	51,770
Chief Constable Liability at 31st March	**-344,981**	**-493,223**	**-1,919,620**	**-2,082,250**

Fair Value of Employers Assets – LGPS Only

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

	Period Ended 31 March 2020				Period Ended 31 March 2021			
	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets
Equity Securities:								
Consumer	5,548	-	5,548	1.9%	3,213	-	3,213	0.9%
Manufacturing	4,429	-	4,429	1.5%	2,835	-	2,835	0.8%
Energy and Utilities	-	-	-	0.0%	-	-	-	0.0%
Financial Institutions	4,258	-	4,258	1.5%	2,317	-	2,317	0.6%
Health and Care	2,615	-	2,615	0.9%	1,431	-	1,431	0.4%
Information Technology	9,956	-	9,956	3.4%	8,246	-	8,246	2.3%
Other	476	-	476	0.2%	322	-	322	0.1%
Debt Securities:								
Corporate Bonds (investment grade)	-	-	0	0.0%	-	-	-	0.0%
Corporate Bonds (non-investment grade)	-	-	0	0.0%	-	-	-	0.0%
UK Government	-	-	0	0.0%	18,529	-	18,529	5.2%
Other	-	7,531	7,531	2.6%	-	8,701	8,701	2.4%
Private Equity:								
All	-	15,548	15,548	5.4%	-	18,772	18,772	5.2%
Real Estate:								
UK Property	-	8,787	8,787	3.0%	-	20,012	20,012	5.6%
Overseas Property	-	17,343	17,343	6.0%	-	16,665	16,665	4.6%
Investment Funds and Unit Trusts:								
Equities	90,407	-	90,407	31.1%	166,363	-	166,363	46.3%
Bonds	95,281	-	95,281	32.8%	58,479	-	58,479	16.3%
Hedge Funds	-	-	-	0.0%	-	-	-	0.0%
Commodities	-	-	-	0.0%	-	-	-	0.0%
Infrastructure	-	268	268	0.1%	-	151	151	0.0%
Other	2,451	19,749	22,200	7.5%	3,347	19,694	23,041	6.4%
Derivatives:								
Inflation	-	-	0	0.0%	-	-	-	0.0%
Interest Rate	-	-	0	0.0%	-	-	-	0.0%
Foreign Exchange	-	-307	-307	-0.1%	-	-143	-143	0.0%
Other	-	-	0	0.0%	-	-	-	0.0%
Cash and Cash Equivalents:								
All	6,276	-	6,276	2.2%	10,181	-	10,181	2.8%
Totals	**221,697**	**68,919**	**290,616**	**100.0%**	**275,262**	**83,851**	**359,113**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis. For both Schemes the projected unit credit method has been used to estimate the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

For the Police Pension Schemes a full actuarial valuation is required every four years under the Public Service Pensions Act 2013. The Police Scheme has been assessed by the Government Actuary's Department. The most recent valuation was undertaken as at 31 March 2016, and the next scheduled valuation is as at 31 March 2020. The appointed actuaries produce pension disclosures by rolling forward data for years between full valuations.

For the LGPS a full actuarial review is undertaken every three years, with the latest valuation being as at 31st March 2019. The Local Government Pension Scheme Fund is assessed by Hymans Robertson, an independent firm of actuaries.

The value of scheme assets and liabilities are dependent upon financial market conditions as at 31st March. Both GAD and Hymans Robertson have confirmed the use of data as at 31st March rather than estimated figures and as such, the effect of COVID - 19 on market conditions and discount rates have been reflected in these valuations.

The principal assumptions used by the actuaries have been:

	LGPS		Police Pension Schemes	
	2019/20 %	2020/21 %	2019/20 %	2020/21 %
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	21.9	22.1	21.9	21.9
Women	24.1	24.5	23.6	23.6
Longevity at 45 for future pensioners:				
Men	22.8	23.2	23.6	23.6
Women	25.5	26.2	25.2	25.2
Rate of increase in salaries	2.2	2.2	4.00	4.00
Rate of increase in pensions	1.8	1.8	2.00	2.00
Rate for discounting scheme liabilities	2.3	2.3	2.25	2.25

Sensitivity of the defined benefit obligation in the significant actuarial assumptions

	Approximate % increase to Employer Liability	Approximate monetary amount (£'m)
LGPS		
0.5% decrease in real discount rate	13	62
1 year increase in member life expectancy	3 to 5	15 to 25
0.5% increase in the Salary Increase Rate	1	6
0.5% increase in the Pension Increase Rate	11	55
Police Pension Schemes		
0.5% increase in real discount rate	-10.0	-212
1 year increase in member life expectancy	3.5	71
0.5% increase in the Salary Increase Rate	1.5	27
0.5% increase in the Pension Increase Rate	9.5	198

Note 22 - Senior Officers' Remuneration

The remuneration paid to the PCC's senior police officers and employees is as follows:

2019/20 **Post Holder Information (Job Title)** For individuals changing roles, role titles used are those as at 31st March 2020. Final role title is used for individuals no longer employed. (1)	Salary (inc Fees, Allowances & Salary Sacrifice) £	Bonuses £	Expense Allowances £	Benefits in Kind £	Total Remuneration exc pension contr. £	Pension Contributions (2) £	Total Remuneration inc pension contri. £
Chief Constable - Mr C Hall	170,535	-	-	7,807	**178,342**	51,600	**229,942**
Deputy Chief Constable	127,310	-	-	6,628	**133,938**	38,697	**172,635**
Assistant Chief Constable (Op Support)	111,082	-	-	7,336	**118,418**	33,220	**151,638**
Assistant Chief Constable (Op Support) (3)	2,593	-	-	-	**2,593**	736	**3,329**
Assistant Chief Constable (Local Policing)	128,823	-	-	-	**128,823**	35,690	**164,513**
Director of Resources	132,321	-	13,042	-	**145,363**	24,612	**169,975**
Director of Resources (4)	2,782	-	-	-	**2,782**	518	**3,300**
Total Chief Constable	**675,446**	**0**	**13,042**	**21,771**	**710,259**	**185,073**	**895,332**

2020/21 **Post Holder Information (Job Title)** For individuals changing roles, role titles used are those as at 31st March 2020. Final role title is used for individuals no longer employed (1)	Salary (inc Fees, Allowances & Salary Sacrifice) £	Bonuses £	Expense Allowances £	Benefits in Kind £	Total Remuneration exc pension contr. £	Pension Contributions (2) £	Total Remuneration inc pension contri. £
Chief Constable - Mr C Hall	174,696	-	-	5,855	**180,551**	52,890	**233,441**
Deputy Chief Constable	130,430	-	-	3,827	**134,257**	39,665	**173,922**
Assistant Chief Constable (Op Support) (5)	39,838	-	-	1,758	**41,596**	11,948	**53,544**
Assistant Chief Constable (Change Portfolio Office) (5)	79,676	-	-	3,517	**83,193**	23,896	**107,089**
Assistant Chief Officer (Op Support) (6)	111,253	-	-	-	**111,253**	31,143	**142,396**
Assistant Chief Constable (Local Policing)	131,629	-	-	-	**131,629**	36,583	**168,212**
Director of Resources (7)	19,489	-	1,087	-	**20,576**	2,072	**22,648**
Director of Resources (8)	116,678	-	-	165	**116,843**	21,702	**138,545**
Total Chief Constable	**803,689**	**0**	**1,087**	**15,122**	**819,898**	**219,899**	**1,039,797**

In addition to the requirements of the Accounts and Audit Regulations 2015, the PCC has voluntarily disclosed details for all members of the Executive team.

1. The BCH role of Assistant Chief Constable (Joint Protective Services) is currently held by an officer within Cambridgeshire Constabulary and their remuneration is included as part of the Cambridgeshire Senior Officer Remuneration statement.
2. The employer pension contribution rate is 31% for Police Officers and 18.6% for the Director of Resources role.
3. G Telfer temporarily covered the role of Assistant Chief Constable (Op Support) from the 23rd to 31st March 2020. The annualised salary (including fees, allowances, and employers pension contribution) of £125,500.
4. J Cook joined the Constabulary as Director of Resources effective 23rd March 2020 on a permanent basis – annualised salary (including fees, allowances, and employers pension contribution) of £136,390.
5. N Doust-Briant occupied the ACC (Op Support) role but worked on Operation Bullrush from 1st April to 31st July 2020. From the 1st August 2020 through to retirement on the 28th March 2021, he took over the ACC (Change Portfolio Office) role. This is a BCH role where costs are shared between Herts, Beds & Cambs Constabularies. The table costs show the full remuneration prior to any BCH allocation.
6. G Telfer temporarily covered the role of ACC (Op support) through 2020/21 & was appointed permanently effective 8th March 2021.
7. J Hurley continued to carry out the role of Director of Resources until the 30th April 2020. The salary includes an annual leave payment owing.
8. The benefit in kind value reflects the use of a fully electric car to the 25th March 2021 which has a zero value in respect of the P11d calculation.

Note 23 - Officers' Emoluments

The Accounts and Audit Regulations 2015, as amended by regulations, require the Chief Constable to disclose the numbers of senior police officers and police staff whose remuneration, excluding pension contributions was £50,000 or more in the relevant financial year. The Chief Constable has extended this disclosure to include all police officers whose remuneration was greater than £50,000. Individuals whose remuneration is disclosed separately in note 22 above are not included within the table.

Remuneration Band	2019/20	2020/21
£130,000 - £134,999		1**
£115,000 - £119,999	1 **	
£105,000 - £109,999		
£100,000 - £104,999		1
£95,000 - £99,999	1	3
£90,000 - £94,999	4	4
£85,000 - £89,999	6	4
£80,000 - £84,999	3	5
£75,000 - £79,999	3	5
£70,000 - £74,999	7	11
£65,000 - £69,999	9	15
£60,000 - £64,999	46	70
£55,000 - £59,999	121 *	125
£50,000 - £54,999	162	235
	363	**479**

* includes a redundancy payment, **ACC seconded to national body

Note 24 - External Audit Costs

In 2020/21 the Chief Constable incurred the following fees, payable to the appointed external auditors BDO LLP under the Local Audit and Accountability Act 2014, relating to external audit and inspection.

	2019/20* £'000	2020/21 £'000
Chief Constable	12	12

*2019/20 fees subject to finalisation

Note 25 - Related Parties

The Chief Constable is 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 interested parties 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.

Police and Crime Commissioner

The PCC has direct control over the Chief Constable's finances and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

Central Government

The UK government has effective control over the general operations of the PCC and therefore the Chief Constable – it is responsible for providing the statutory framework within which the PCC operates, and provides the majority of its funding in the form of specific or non-specific grants.

Chief Constable's Executive Team (including their close family)

No transactions were disclosed by this group.

Other Public Bodies

Transactions with the County Council, district and borough councils of Hertfordshire have been disclosed within the Income and Expenditure Account, Cash Flow Statement and notes to the accounts.

Note 26 - Termination Benefits

Accounting Policy

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 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 transactions and balances relating to the above are disclosed within the accounts of the Chief Constable on the basis of materiality.

The Chief Constable terminated the contracts of a number of employees in 2020/21 incurring liabilities of £0.452m (£0.375m in 2019/20). See note 27 for the number of exit packages and total costs per band. There were no payments to Directors or equivalent in the form of compensation for loss of office or for enhanced pension benefits and all costs relate to police staff who were made redundant in a number of cost centres as part of the Chief Constable's savings plan and financial strategy.

Note 27 - Exit Packages

All redundancies in 2019/20 and 2020/21 were compulsory redundancies. The numbers of exit packages and total costs of the compulsory redundancies including pension strain costs paid to the Local Government Pension Scheme are set out in the table below.

Where an exit package was paid as part of the implementation of a BCH change programme, costs were pooled and shared between the three forces. As a result, the total costs of exit package set-out in the below table include Hertfordshire's share of such costs irrespective of the employing force.

Exit package cost band including special payments	Total number of exit packages		Herts Share of cost of exit packages		Total cost of exit packages	
	2019/20	2020/21	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
£0 - £20,000	8	14	47	54	89	123
£20,001 - £40,000	3	6	64	88	97	198
£40,001 - £60,000	1	4	22	87	50	197
£60,001 - £80,000	2	-	62	-	141	-
£80,001 - £100,000	1	1	36	39	82	88
£120,001 - £140,000	-	2	-	109	-	245
£140,001 - £160,000	1	-	66	-	149	-
£160,001 - £180,000	1	1	78	75	177	169
Total	**17**	**28**	**375**	**452**	**785**	**1,020**

In total 16 exit packages (10 in 2019/20) were paid to Hertfordshire employed staff during 2020/21 at a cost of £0.545m (£0.338m in 2019/20).

FUND ACCOUNT

	Note	Police Pension Scheme 1987		Police Pension Scheme 2006		Police Pension Scheme 2015		Total All Schemes	
		2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Contributions receivable									
From employer									
- normal 21.3%; 31.0%	P3	-3,477	-2,402	-300	-296	-18,454	-21,136	-22,231	-23,834
- early retirements	P3	-253	-148	0	-	-17	-23	-270	-171
- additional 2.9%	P3	-	-	0	-	-	-	-	-
From members	P3	-1,608	-1,117	-117	-111	-7,827	-8,993	-9,552	-10,221
Transfers in									
- individual transfers in from other schemes	P4	-139	-128	0	-8	-528	-686	-667	-822
Other Income		-	-	-	-	-	-	-	-
Benefits payable									
- pensions		38,940	40,165	24	38	76	109	39,040	40,312
- commutations and lump sum retirement benefits		9,207	7,759	116	110	36	29	9,359	7,898
- commutation top up payments		-	-	-	-	-	-	-	-
- lump sum death benefits		-	-	-	-	81	113	81	113
Payments to and on account of leavers									
- refunds of contributions		-	-	-	-	77	49	77	49
- individual transfers out to other schemes	P4	-	204	31	-	103	46	134	250
Net amount receivable for the year before top-up grant		42,670	44,333	-246	-267	-26,453	-30,492	15,971	13,574
Transfer received from the Policing Body	P5	-42,670	-44,333	246	267	26,453	30,492	-15,971	-13,574
Balance as at 31 March		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

NET ASSETS STATEMENT

	31 March 2020 £'000	31 March 2021 £'000
April pension paid in advance in March	3,312	3,418
Total Assets	**3,312**	**3,418**
Commutation Payments Owing	0	-59
Taxation Owing	-307	-359
Amount Owing to Police Fund	-3,005	-3,000
Total Liabilities	**-3,312**	**-3,418**
Net Assets	**0**	**0**

Note P1 - Summary of the Police Pension Scheme Fund Operations

Employee contributions and employer's contribution are paid into the Police Pension Scheme Fund from which pension payments are made. The fund has no investments and is topped up by the PCC if the contributions are insufficient to meet the cost of pension payments. The PCC is then reimbursed by the Home Office. Any surplus in the fund is recouped by the PCC and paid to the Home Office. The underlying principle is that employer and employee contributions together will meet the full costs of pension liabilities being accrued in respect of currently serving employees while the Home Office will meet the costs of retirement pensions in payment, net of employee and the new employer contributions.

The financing of pension payments was taken out of the Formula Grant from April 2006 which instead takes into account the funding needed to support the cost of the employer contributions and lump sum payments, in respect of ill-health retirements.

Note P2 - Accounting Policies

The accounts have been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the CIPFA.

The accounts summarise the transactions and net assets of the Police Pension Scheme Fund. They do not, however, take account of liabilities to pay pensions and other benefits after 31 March 2021.

All amounts have been prepared on an accruals basis except pension transfers to and from the scheme.

Note P3 - Contributions Receivable

Employer and Employee Contributions

The purpose of the employee and employer contribution rates under the new arrangements is to meet the accruing pension liabilities of currently serving police officers. This means the PCC meets all the costs of employing police officers, including the cost of future pension liabilities, at the time of employing them. From 1 April 2019, the employer's contribution rate was increased to 31.0% (from 21.3%) following the latest scheme valuation.

Separate contribution rates, a percentage of pensionable pay as shown below, apply to the three Police Pension Schemes.

	Employer Defined %	Employee %
Police Pension Scheme 1987	31.0	14.25 - 15.05
Police Pension Scheme 2005	31.0	11.00 - 12.75
Police Pension Scheme 2015	31.0	12.44 - 13.78

Early Retirements

Early retirements due to ill-health from 1 April 2006 require the PCC to make a lump sum payment into the pension fund of twice the average pensionable pay in respect of all ill-health retirements.

Note P4 - Transfers to or from other schemes

Where a police officer transfers to or from another police force there is no need for a cash transfer. A police officer who transfers out of the Police Pension Scheme to another pension scheme is entitled to ask for a cash equivalent transfer value to be paid across, equivalent to the value of their pension rights on leaving the scheme. This is paid from the Police Pension Fund. Similarly an inward Transfer Value should be paid into the fund.

Note P5 - Top-up Grant

Where employer and employee contributions paid into the Police Pension Scheme Fund are not sufficient to meet pension payments for that year, the deficit will be met by the PCC who is in turn reimbursed by a central government top-up grant paid by the Home Office. Any surplus in the fund would be paid back to the PCC who would then reimburse the Home Office as the party that brings the account into balance.

Note P6 - Liabilities after year end

The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after 31 March 2021. The details in respect of the PCC's long-term police pension obligations are set out in the pensions-related disclosure note 21 that follows the main financial statements.

Note P7 - Claims Arising from the Transitional Provisions in the Police Pension Regulations 2015

The Chief Constable of Hertfordshire, along with other Chief Constables and the Home Office, currently has 50 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June 2019, the Supreme Court refused leave to appeal on the McCloud case. In response to this, a written Ministerial Statement was made on 15 July 2019 stating that 'setting out that the matter would be determined by an Employment Tribunal in respect of the litigants in the firefighters and judicial pension schemes. It will be for the Tribunal to determine a remedy. And that alongside this process, government would be engaging with employer and member representatives, to help inform their proposals to the Tribunal and in respect of the other public service pension schemes.'

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is currently in progress as at 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

CHIEF CONSTABLE FOR HERTFORDSHIRE

ANNUAL GOVERNANCE STATEMENT 2020/21

1 Executive Summary

Overview
The Chief Constable is responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

The governance framework comprises of the systems and processes by which the Chief Constable and their office are directed and controlled and the activities through which they are accountable. It enables the PCC to monitor the achievements of the Chief Constable through the delivery of the Local Policing Plan and to take account of the delivery of appropriate, cost-effective services, including achieving value for money.

CIPFA published their "Delivering Good Governance in Local Government: Framework" followed by specific guidance notes for Policing Bodies. The framework contains seven principles, to which the Chief Constable is committed, are set out below:

A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
B) Ensuring openness and comprehensive stakeholder engagement.
C) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F) Managing risks and performance through robust internal control and strong public financial management.
G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Chief Constable is committed to keep governance arrangements under review and address issues as they arise.

Opinion
Based upon the opinion of Internal Auditor in their year-end report, the areas set-out in this statement and our on-going work, we are satisfied that our arrangements for governance, risk management and control are adequate and effective.

Summary of the Significant Governance Issues Identified 2020/21

BCH Procurement follow up
Internal Audit reported that in their opinion the organisations had demonstrated poor progress in implementing the agreed management actions at the time of the audit.

Signatures of the Chief Constable and Director of Resources

Signed:

Charlie Hall
Chief Constable for Hertfordshire

Signed:

James Cook
Director of Resources

2 Key Governance Arrangements

CIPFA published their "Delivering Good Governance in Local Government: Framework" followed by specific guidance notes for Policing Bodies. The key elements of the systems and processes which the Chief Constable has in place are aligned to the seven principles are set out below:

A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Professional Standards Board
The Constabulary has a Bedfordshire, Cambridgeshire and Hertfordshire (BCH) Professional Standards Governance Board chaired by the BCH Professional Standards lead with the PCC or a member of his Executive Team for Hertfordshire being members of this Board. The teams cover:

- Anti-Corruption.
- Complaints, Conduct and Crime Investigation.
- Business Management; and,
- Vetting.

Professional Standards Department
The Professional Standards Department (PSD) continue to deliver a range of briefings and communications to ensure that all officers and staff are aware of the required standards of professional behaviour and the code of ethics including the PSD's responsibility of promoting prevention, identifying a clear pathway for investigations of fraudulent and/or corrupt activities, abuse of authority and unacceptable behaviour expected of the Constabulary's employees.

Annual Control Strategy
The PSD has an Annual Control Strategy that has been designed to ensure the core principles of preventing and detecting unethical behaviour, dishonesty and corruption are the focus of its responsibility, this is reviewed and updated annually.

PCC Review
The PCC or a member of his Executive Team review all case files covering conduct, public complaints and discrimination on a monthly basis and will dip sample files that relate to topical issues to ensure that all are being dealt with in an acceptable way and that any lessons learnt are taken forward by the Constabulary.

Each quarter the PCC or a member of his Executive Team will meet Senior Leaders of the PSD to discuss any concerns or highlight practices or learning they feel should be actioned that have been identified through the dip sampling of cases.

Confidential and Anonymous Reporting
The PSD's internal website gives a range of methods that employees may use to contact them, including options for confidential and anonymous reporting. All allegations made are investigated by PSD or the Independent Office for Police Conduct (IOPC), depending on the severity of the issue raised.

Complaints
Complaints from members of the public can be made at any police station, electronically via the Constabulary's website, via a gateway organisation, telephoning into the Constabulary or the OPCC office. Alternatively, complaints may be addressed to the Independent Office for Police Conduct (IOPC).

The reforms in 2020 have created the ability for the Constabulary or OPCC to be able to deal with low level dissatisfaction immediately outside of the formal process, which is envisaged to give the public an immediate response and resolve their concerns to their satisfaction.

The OPCC have established an enhanced complaints procedure managed by the Complaint Resolution Team (CRT). This includes a Constabulary online complaint form that is directed immediately to CRT for CRT to register, triage, process and resolve where applicable.
If the content of the complaint raised is suitable for a local line manager to deal with and give a reasonable and proportionate response to the complainant, then the local complaint process is engaged and followed. Should the member of the public not be satisfied with the immediate response, they have the right to request that their complaint be formally recorded and progressed.

PSD continue to investigate complaints made by members of the public that have been evaluated as sufficiently serious to warrant a formal investigation and the IOPC continue to investigate the most serious complaints and sensitive incidents and allegations involving the police.

With the introduction of the new legislation, PCCs have been given the mandatory function of dealing with complaint reviews for certain complaints. The PCC's office will review the complaint at the request of the member of the public after the conclusion of their review, they will ascertain if the complaint has been dealt with properly and a reasonable and proportionate response has been given by the Constabulary and identify where there is learning that should be considered by the Constabulary to improve the service for the public.

Ethics and Equality
There is a BCH Equality, Diversity and Inclusion Board within the collaborative governance structure with the responsibility for ensuring that all actions under the National Police Chiefs' Council (NPCC) Diversity, Equality and Inclusion Strategy are brought together across BCH and delivered.

There is also a local Equality & Inclusion Group (EIG) within Hertfordshire which has the responsibility to:

- To ensure Hertfordshire Constabulary acts in accordance with its statutory duties to eliminate unlawful discrimination, advance equality of opportunity and foster good relations.
- To ensure Hertfordshire Constabulary meets its duties and responsibilities under Equality, Diversity and Human Rights Legislation.

Everyone working for Hertfordshire Constabulary, in whatever capacity, signs up to and is required to follow the National Code of Policing Ethics.

https://www.herts.police.uk/Information-and-services/About-us/Our-values/Code-of-Ethics

Financial Regulations
A BCH Scheme of Governance and Financial Regulations are in place which were jointly agreed with Bedfordshire and Cambridgeshire and last reviewed in February 2021.

Legal Services
The Constabulary has an established Legal Services Department that provides a comprehensive legal advice service to officers and staff within the Constabulary. It has processes in place to identify
and review changes in legislation and act appropriately to action these.

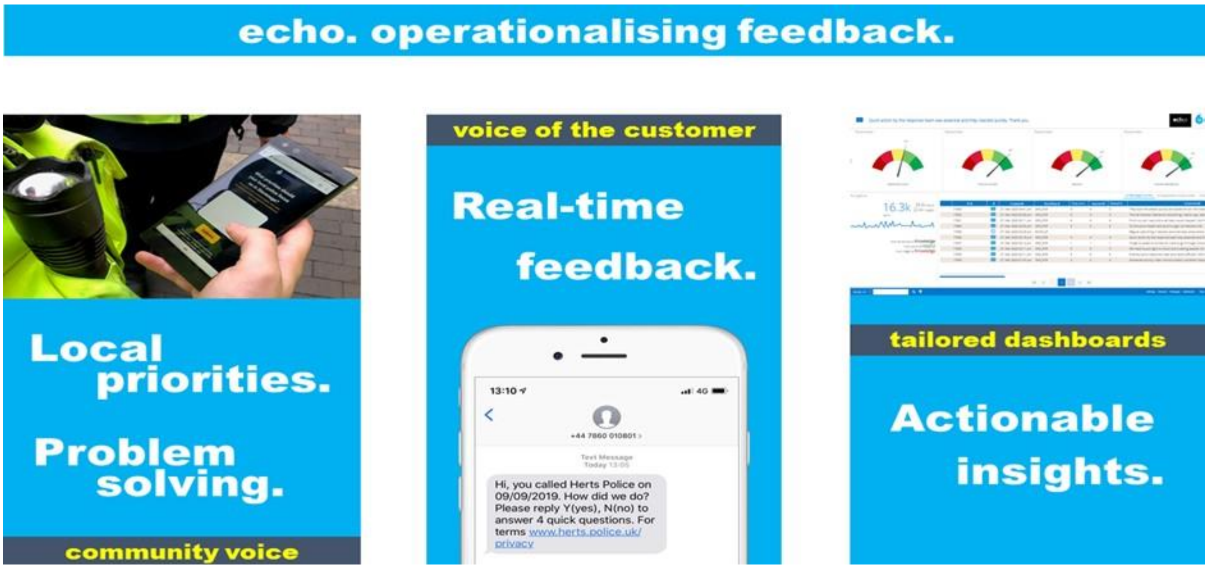
Business Interests
Hertfordshire Constabulary allows Police Officers and Police Staff to pursue legitimate Business Interests (including additional occupations and voluntary work) where compatible with their duties as a member of the Constabulary. All Police Officers and Police Staff have a duty to declare a Business Interest. A failure to do so could result in disciplinary action.

B Ensuring openness and comprehensive stakeholder engagement.

The Constabulary has a Communications Strategic Plan which sets out the Constabulary's aims and communication deliverables for 2020/21 together with communication activity and links to the PCC's Community Safety and Criminal Justice Plan.

A web chat service is available to the public to keep up-to-date with all of the latest news from around the county and districts by downloading the Hertfordshire Constabulary mobile app which is available on the Constabulary website.
https://www.herts.police.uk/Information-and-services/About-us/Contact

The Constabulary operates a system called Echo, which provides fast time text messaging in response to calls and surveys on the quality of service. Call handlers can see the responses to the service that they are providing as the responses are received. Echo can also be used to target surveys on specific issues and crimes.
https://www.herts.police.uk/Information-and-services/Get-involved/echo
Officers are still providing a visible presence in their local areas, but with face to face engagement events, such as neighbourhood surgeries and street meets remaining postponed due to COVID-19, they are keeping a close eye on their echo feedback system, as more people use the new platform to share their views about what's happening in their local area.



In addition to Echo, the Constabulary uses tools such as MeetingSphere, SNAP!, Vevox and Sli.Do to further engage with the public and staff to help understand concerns, explore and resolve problems and encourage innovation. A further application of Echo is by use of Safer Neighbourhood Teams across the county to gain feedback and suggestions for setting the local policing priorities.

Staff Surveys are conducted circa every two to three years, led by Durham University on behalf of the Constabulary. The most recent staff survey was conducted in 2020 and achieved a high response rate of 41%. The findings are shared with the organisation in Chief seminars. The outcomes are used for organisational improvement and as discussion items in the Force Wellbeing groups.

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

The Constabulary works with the OPCC to produce a Medium-Term Financial Plan (MTFP), aligned to the Police and Crime Commissioners Community Safety and Criminal Justice Plan, approved by the Strategic Executive Board (SEB) and presented to Police and Crime Panel for 2021/22 in February 2021. http://www.hertspcp.org.uk/content/police-and-crime-commissioner-meeting-7

Financial planning has been a Constabulary strength for many years. Substantial budgetary savings have been delivered whilst simultaneously maintaining an annual budget that has not required severe resource reductions as a consequence of using balancing funds enabled by healthy reserves. From 2020/21 onwards, the reliance on reserves to support base budget expenditure has been removed thus increasing financial resilience.

The Chief Constable has ultimate responsibility for his officers and staff in a collaborated unit (BCH and Regional) and is ultimately vicariously liable for their actions. Officers and staff are subject to the command structure of each unit for daily Shared Service delivery. Each PCC retains their individual responsibility for the maintenance of efficient and effective policing in their county and each Chief Constable retains their operational independence. Each PCC retains responsibility for holding their Chief Constable to account for operational police services delivered through collaboration.

BCH collaborated units have been established in three work streams, each led by one Force with a governance structure to allow each Chief Constable and PCC to have oversight and fulfil their responsibilities. This means that shared collaborated services are provided to the parties with shared resources being instructed through a single line management structure and those resources remaining under the legal direction and control of their respective Chief Constable.

The BCH Delivery Management Office continues to deliver projects across the three Forces within the existing workstreams in order to maximise efficiency and effectiveness of the teams.
In addition, collaboration across Bedfordshire, Cambridgeshire, Hertfordshire, Norfolk and Suffolk, Essex and Kent known as 7Force has established a programme to progress consideration of joint working. A collaborated procurement service across the 7Forces has been established with other projects in place and under development.

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

A Medium-Term Financial Plan is in place. In February 2021 the Police and Crime Panel received the plan covering the period to 2024/25. The financial plan supports the achievement of the objectives within the Police and Crime Commissioners Community Safety and Criminal Justice Plan and the Operational Policing Plan.

The Constabulary routinely assesses its strengths, weaknesses, opportunities and threats in the context of its operating environment (PESTELO/Horizon Scanning) alongside the expectations placed upon it by the Community, the Home Office (including Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and the Strategic Policing Requirement), the Police and Crime Commissioners Community Safety and Criminal Justice Plan, partners and other agencies.

This activity both informs and helps update the force's Force Management Statement (FMS), which is an annual statement designed to ensure the highest practicable levels of efficiency and effectiveness in addition to providing accountability to public institutions. Furthermore, the FMS details the Chief Constable's plans for improving the efficiency and effectiveness of the Force in the period covered by the statement and therefore, it is linked to the Demand Management Strategy, which identifies and provides opportunities to address or inform the FMS. The delivery of which is then monitored and managed throughout each year across a number of formal performance Boards.

The Constabulary monitors financial and operational performance through the governance structure with a clear distinction of responsibilities at operational and strategic levels such as the Strategic Performance Board, Tasking and Coordination processes and tracking of risks. There is onward reporting to the PCC's Strategic Executive Board where the PCC holds the Constabulary to account for performance.

In addition, a development this year has been the development of a policing strategy and operating model called 'Prevention First' Still under development but moving towards implementation, this will eventually see officers and staff approaching all matters of policing with a preventative mindset. Much wider than crime prevention, the strategy will use problem solving techniques from preventing harm within communities through to preventing inefficiencies and duplication within the organisation.

E Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Human Resources policies have been established by the BCH collaborated HR department. This includes 'My Conversation' which is a performance development review (PDR) process. Regular conversations take place between individuals and managers to ensure oversight of wellbeing, to guide and support in the achievement of work-based objectives and to support personal and professional development.

A BCH governance structure is in place around wellbeing issues and this is supplemented by a Hertfordshire Wellbeing Steering Group which supports work at a more tactical level and operates to support and develop local Wellbeing champions.

The Constabulary takes the wellbeing of its staff extremely seriously and have appointed a strategic lead that operates within the national Oscar Kilo Blue Light Framework. This work is supported by a new wellbeing coordinator and a network of 40 volunteer wellbeing champions. Recent initiatives have included 'Spot the signs' suicide prevention training, a Stop the Stigma Campaign, and a frontline support national awareness campaign. The governance of the work is by the BCH Engagement and Wellbeing Board chaired by the Deputy Chief Constable.

The Workforce Plan is agreed with the Constabulary and HR and training teams to ensure we have the right recruitment plan and training delivery plans in place to meet establishment numbers. This includes a focus on the achievement of National Police Uplift targets, which for 2020/21 was an increase of 60 Police Officers and this target has been met.

The Constabulary manages requirements for training and development via an annual Learning Needs Assessment which seeks to capture requirements and assess and allocate these on a priority/risk basis against a BCH external training budget and internal training resources. Throughout the year emerging learning needs are managed and prioritised by means of tactical and strategic Learning and Development governance boards.

The Constabulary has a clear understanding of current and future demand and the resources required to meet that demand. This is obtained through the data collection and analysis processes that support the Force Management Statement (FMS), including a Strategic Demand Assessment.

The assessment of demand together with strategies to manage demand, including change programmes are monitored through the Change and Demand Management Board and the Organisational Development Board.

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

The Constabulary has a record of successfully managing risk in order to deliver innovative programmes of change. A proactive approach is taken to managing opportunities that can deliver business and performance benefits, as well as risks. The Constabulary uses a risk database called ‘Orchidsoft’ to record its risks, which is also used by BCH collaborated units. The benefits of using the system are that: risks can be accessed via the Force Intranet; access to users can be tailored to ensure they only view what they need to; there is a full audit trail built into the system; and, it provides consistency in managing risk.

The risk register review process is monitored by the FMS Coordinator/Inspection and Risk Manager who reports to the Risk Management Board (RMB). The RMB reviews both collaboration and Hertfordshire only risks and reports to the Joint Audit Committee (JAC).

The Constabulary’s Thinking and Analysis Department has the purpose of holding the organisation to account and allowing the organisation to flourish. This is achieved through:

- Problem solving;
- Bringing in information / benchmarking from other organisations;
- Supporting change;
- Action tracking from internal and external inspections;
- Asking questions of leads to monitor performance;
- Highlighting risk; and,
- Directing focus.

The Thinking and Analysis Department is a multi-disciplinary team involved daily in auditing and inspecting processes, assessing and managing corporate risks, assessing performance, engaging with the public, victims and colleagues, scanning, benchmarking, ensuring the integrity of crime and incident recording, assessing and influencing data quality, planning (including developing the Force Management Statement, Strategic Assessment and Policing Plan) and conducting research.

A new development in 2020/21 is the implementation of a Strategic Hub. This small team has been formed to work on strategic organisational developments making best use of horizon scanning and knowledge of societal changes in order to meet future policing challenges and demand.

The Thinking and Analysis Department is responsible for all data to support the meetings of the Strategic Performance Board (SPB), there is also presentations around themes for example serious violence, business crime and the best use of body worn video.

The SPB is the Constabulary’s primary performance management meeting for monitoring and managing progress toward the Constabulary’s strategic targets and objectives as stated in the Operational Policing Plan and the Police and Crime Commissioners Community Safety and Criminal Justice Plan.

The PCC's Strategic Executive Board (SEB) is responsible for monitoring budgets and variances on a quarterly basis. Including on the forecast outturn position for revenue and capital expenditure. Budget holders are asked to provide action plans to mitigate overspend pressures where they occur.

G Implementing good practices in transparency, reporting and audit to deliver effective accountability

Openness is one the Constabulary's core values and therefore it strives to release information which is suitable for public knowledge by working in line with the Freedom of Information Act. https://www.herts.police.uk/Information-and-services/About-us/Freedom-of-information/FOI

There is a Joint Audit Committee (JAC) that operates within the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Home Office Financial Management Code of Practice. The minutes and papers of the JAC are published on the PCC's website. https://www.hertscommissioner.org/my-work-herts-pcc

The PCC's Strategic Executive Board is the forum for issues related to the legitimacy, effectiveness and efficiency of the policing service delivered in Hertfordshire and where decisions need to be taken that require both parties to discuss and agree in accordance with the Scheme of Governance, the Policing Protocol Order 2011 and the respective duties of each holder of office. Its role includes:

- Any matters relating to the legitimacy, effectiveness and efficiency of the policing service delivered in Hertfordshire;
- The monitoring and management of delivery against the Police and Crime Plan and the Strategic Policing Requirements;
- Consideration of HMICFRS, Joint Audit Committee reports and similar external inspections; and,
- The review and monitoring of the management of the budget by the Chief Constable. https://www.hertscommissioner.org/my-work-herts-pcc

The Constabulary cooperates with external inspection for example HMICFRS and has an externally contracted Internal Audit function.

3 Responded to the Covid-19 Pandemic

During 2020/21 the Constabulary operated a four Gold Group model with Bedfordshire and Cambridgeshire, each with their own Gold Group meetings managing local issues, and a fourth incorporating all three to cover collaboration issues. The Constabulary continues to review abstraction rates on a regular basis with regular reporting to the Chief Officer Team and SEB. Whilst work was undertaken to consider the most cost effective approach to bolster resources, abstraction levels remained relatively low. Demand during 2020/21 was on average significantly lower than 2019/20. A significant proportion of support staff continued working remotely and the full system of internal control remains in place.

4 Evaluation of the Effectiveness of Governance

The Chief Constable has the responsibility for conducting, at least annually, a review of the effectiveness of the governance framework for his office, including the system of internal control. The review is published as the Annual Governance Statement alongside the Statement of Accounts. The review is informed by the following:

Annual Assurance Statements

Senior officers within the Constabulary who have produced departmental assurance statements to support the review, and the Constabulary as a whole has produced an overall assurance statement.

The Joint Audit Committee (JAC)

The JAC undertakes the core functions of an audit committee, in accordance with the guidance set out in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police', including:

- playing a pivotal role in the system of internal control through its oversight of audit arrangements,
- approval of the external audit plan and receives the annual audit letter from the external auditor,
- considers the annual Internal Audit plan,
- receiving regular Internal Audit reports and monitoring management performance against agreed action plans to address any weaknesses identified, and
- reviewing progress on risk management and related issues.

Internal Audit

Internal Audit provided an independent opinion on the adequacy and effectiveness of the Constabulary's system of internal control, stating that the organisation has an adequate and effective framework for risk management, governance and internal control. However, Internal Audit identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

RSM provides the Internal Audit service to the OPCC and Constabulary and also provides Internal Audit services to Bedfordshire and Cambridgeshire OPCCs and Constabularies. This results in joined up audit work to the benefit of all the organisations.

Internal Audit issued seven reports during 2020/21 for the OPCC and the Constabulary concluding that substantial assurance could be taken in five reports and partial assurance could be taken in two (Estates and Storage and disposal of Drugs).

Internal Audit also undertook audits in relation to BCH collaborated activity and issued one report with substantial assurance (Health and Safety), one report with reasonable assurance (Procurement – 7Force) and three advisory reports. In addition, a follow up audit on BCH Procurement was undertaken and poor progress was identified.

Internal Audit also performs an annual follow up of agreed management actions, as part of that work Internal Audit confirmed that all the actions agreed within those partial assurance reports had been completed. The Constabulary also tracks the completion of management actions.

Internal Audit has co-ordinated the first draft of this Annual Governance Statement, with assistance from senior officers and staff in the OPCC and Constabulary.

External Audit

The external auditors issued the following reports during the year:

- Opinion on financial statements; and,
- Annual audit letter.
- The key matters that the Joint Audit Committee reported were that Hertfordshire Constabulary had:
    - An unqualified opinion on their accounts and had prepared its financial statements well;
    - Had an adequate internal control environment; and,
    - Had an unqualified value for money conclusion.

Her Majesty's Inspectorate of Constabularies and Fire & Rescue Service (HMICFRS)
HMICFRS are commissioned by the Home Secretary to undertake inspections of police forces and fire and rescue services.

PEEL (Police Effectiveness, Efficiency and Legitimacy) is HMICFRS's annual assessment of police forces in England and Wales. Forces are assessed on their effectiveness, efficiency and legitimacy. Until 2018/19 each was inspected separately each year. HMICFRS has now adopted an integrated approach to inspections. Integrated PEEL Assessment (IPA) combines the forces into a single inspection on the areas of PEEL.

Due to COVID-19, inspections were suspended in 2020/21, and therefore the latest inspection of Hertfordshire Constabulary by HMICFRS was in September 2019. However, areas for improvement highlighted within the previous inspection are monitored through to completion via the Constabulary's Action Management System through to close by the HMICFRS.

5 A summary of significant issues identified in 2020/21

Issue	Action
BCH Procurement follow up Internal Audit reported that in their opinion the organisations had demonstrated poor progress in implementing the agreed management actions at the time of the audit.	Whilst some progress was noted within the new 7 Force service in implementing actions, Internal Audit we were not able to perform any sample testing of transactions below the £50k threshold which are the responsibility of local teams, as systems are not in place to enable the monitoring of these contracts and therefore compliance checks against the Financial Regulations could not be undertaken.

Accountability and Action Plans

Account for actions taken in 2020/21 to address significant issues identified in previous year's AGS

As stated in 2019/20	Current Position
Health and Safety Internal Audit issued a report which concluded that no assurance could be taken following their review. In particular we found: • A H&S audit programme had not been developed. Following this audit recommendations from completed audits would be tracked formally in action trackers for each organisation. • An action relating to an analysis on role specific training was agreed, however at the time of the review not all needs assessments had been returned. A set of health and safety KPIs were in development, but had not yet been finalised. These would be reported consistently across the local Health and Safety Boards with summary reporting to the BCH Board. This area will be subject to another audit in 2020/21 to ensure actions have been embedded within processes.	Internal Audit performed a follow up of actions agreed in 2019/20 and reported good progress. A further audit of Health and Safety in November 2020 resulted in a substantial assurance opinion.

BCH Procurement Internal Audit concluded that partial assurance could be taken following their review. This covered the BCH collaborated service, which was in transition to a new 7 Force arrangement, this transition has since been completed. Internal Audit will follow up the issues identified within their 2020/21 plan with reviews of the new service.	Issues identified in 2019/20 have been carried forward into 2020/21 and noted above.

Glossary of Terms

The definitions within this glossary are designed to give the user an understanding of the technical terminology contained within the Statement of Accounts.

Accounting Policies
Those principles, bases, conventions, rules and practices applied by the PCC, that specify how the effects of transactions and other events are to be reflected in its financial statements through: i) recognising, ii) selecting measurement bases for, and iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accrual
The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or b) the actuarial assumptions have changed.

Budget
A statement of the PCC's financial plans for a specified period of time, usually one year.

Capital Programme
A statement of proposed capital projects for current and future years.

Capital Receipts
Proceeds of not less than £10,000 from the sale of fixed assets. They may be used to finance new capital expenditure or repay debt. They cannot be used to finance normal day to day revenue spending.

Carry-forwards
These are underspends at the year-end which are carried forward into the next financial year to support that year's expenditure plans.

Creditors
Amounts owed by the PCC at the 31st March for goods received or services rendered but not yet paid for.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Debtors
Amounts owed to the PCC which are collectable or outstanding at 31st March.

Defined Benefit Scheme
A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded as in the case of the LGPS or unfunded as in the case of the Police Pension Scheme.

Depreciation
The measure of the cost or re-valued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence, through either changes in technology or demand for the goods and services produced by the asset.

Emoluments
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Expected Rate of Return on Pensions Assets
For a funded, defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease
A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a PCC in return for past or future compliance with certain conditions relating to the activities of the PCC.

Impairment
A reduction in the value of a fixed asset, reflecting a general fall in prices or losses due to physical damage or deterioration in an asset.

Intangible Fixed Assets
Non-financial fixed assets that do not have physical substance but are identified and controlled by the PCC through custody and legal rights.

Interest Cost (Pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories
The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Investments
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the PCC. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Liquid Resources
Current asset investments that are readily disposable by the PCC without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Minimum Revenue Provision (MRP)
The aim of the MRP charge is to set cash aside in order to ensure the PCC has the funds to repay outstanding principal or replenish internal cash balances. Each year the PCC is required to set a policy as to the approach it will take in making MRP.

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt
The PCC's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Net Realisable Value
The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non Distributed Costs
These are overheads for which no user now benefits and should not be apportioned to services.

Operating Lease
A lease other than a finance lease.

Police Grant
A specific grant paid by the Home Office to support the PCC's revenue expenditure. It is a fixed sum calculated by the government on an assumed needs basis.

Precept
A levy which the PCC makes through the council tax to pay for services.

Past Service Cost
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Prior Period Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Reserves
Amounts set aside to cover general expenditure needs in the future.

Revenue Contributions to Capital Outlay (RCCO)
Contributions from revenue to finance capital expenditure and thus reduce the requirement to borrow.

Revenue Expenditure
Spending on day to day items, including salaries, premises costs and supplies and services.

Revenue Support Grant
A grant paid by central government towards the costs of the service.

Specific Reserves
Amounts set aside for a specific purpose to meet future commitments or liabilities.

Sponsorship
The voluntary provision of non-public funds, services or equipment which enables the police to enhance or extend the normal services provided.