



HERTFORDSHIRE

CONSTABULARY

Prevention First

Statement of Accounts

2023/24

**The Chief Constable of
Hertfordshire
Constabulary**

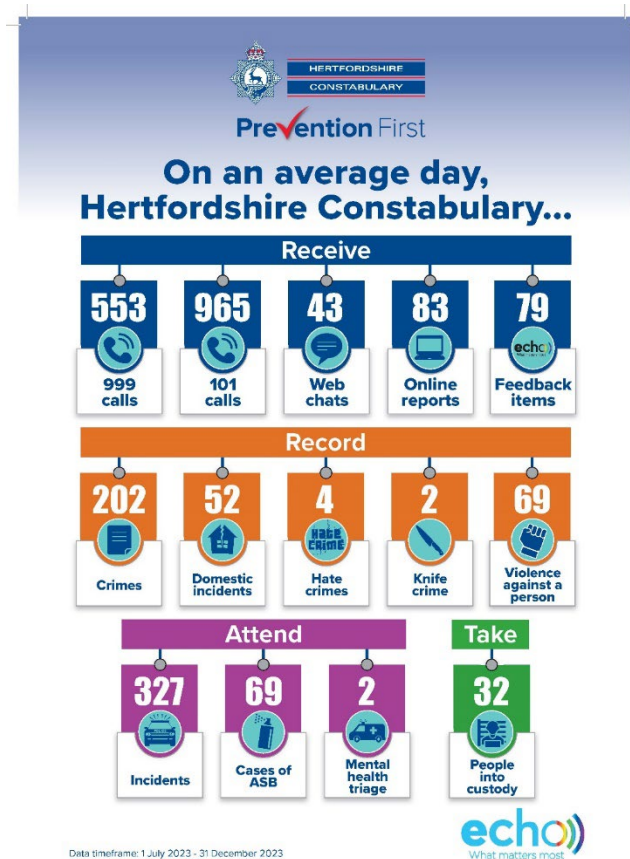
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A) Organisational Overview and External Environment

Hertfordshire police covers 634 square miles, 70% of the county is designated as rural, whilst four centres of population, Dacorum (156,123), St Albans (148,358), Watford (103,031) and Stevenage (89,737) have resident populations of, and (based on ONS mid-2022 estimates). 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 1,204,588 persons, continues to increase, rising by approximately 5,788 (0.48%) since the 2021 Census. According to the last (2021) Census, some 28.2% of Hertfordshire residents are from ethnic minority groups.

The Constabulary maintains a strong local policing focus through ten Community Safety Partnerships (CSPs) 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 the 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 2023/24 Net Revenue budget was £253.501m. The budgeted workforce comprises 2,362 police officers, 235 police community support officers, 1,603 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.

B) Governance

The current governance arrangements for policing were introduced by the Police Reform and Social Responsibility Act 2011. 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 as well as for 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 will be contained within the Annual Governance Statement on page 62 (to follow).

C) 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 both policing and crime reduction, including government grant, council tax precept. How this money is allocated is a matter for the PCC in consultation with the Chief Constable, or when relevant 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
- Holding to account

The Role of the Chief Constable

The Chief Constable is responsible for maintaining the King'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:

1. Put Victims First
2. Keep Crime Low
3. Protect Local Policing
4. Increase Officer Numbers
5. 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 2023/24

The table below shows revenue expenditure against budget for 2023/24.

	Budget	Outturn	Variance	
	£m	£m	£m	%
Operational Delivery	140.2	140.1	0.1	-0.1%
Strategy & Prevention	28.7	30.0	-1.3	4.5%
Herts Custody & Criminal Justice	8.1	7.2	0.9	-10.6%
Resources	17.6	18.8	-1.2	6.7%
DCC Budgets	5.6	5.6	-	-1.0%
Corporate Budgets	-9.1	-5.6	-3.5	-38.6%
Total Herts	191.1	196.1	-5.0	2.6%
Collaborated Operational Support	15.5	15.0	0.5	-3.2%
Collaborated Organisation Support	14.7	14.7	-	0.0%
Collaborated Protective Services	27.6	27.9	-0.3	1.3%
Total Collaborated	57.8	57.6	0.2	-0.3%
Transfer from Reserves	-0.4	-0.4	-	0.0%
Total Force	248.5	253.3	-4.8	1.9%
OPCC	5.0	3.2	1.8	-35.2%
Total Budget	253.5	256.5	-3.0	1.2%

*Over / (Under) spend

The overall outturn position of a £3.0m overspend arose across a number of offsetting areas as follows:

- Police Officer Pay and allowances overspent by £5.3m as-a-result of higher than budgeted net intakes of Officers in order to meet the Constabulary's Police Uplift Programme requirements.
- Police Office and Police Staff Overtime overspend of £2.6m occurred to cover police staff vacancies (as below) and to maintain standards in line with national requirements, for example in the Force Communications Room, Armed Policing Unit, Roads Policing Unit and Custody.
- An underspend of -£0.7m on Police Staff and Agency costs resulting from carrying a number of vacant posts during the year.
- Constabulary Non-Pay Budgets underspent by -£2.4m as a result of the increased investment income due to higher interest rates, a reduction in the Minimum Revenue Provision (MRP) made during the year, service credits relating to 2 high valued contracts and reduced expenditure against the Transformation Fund in order to mitigate the overall overspend position.
- The Office of the Police and Crime Commissioner (OPCC) underspend of -£1.8m arose predominantly due to a lack of suitable projects for the Commissioner's funds to allocated as well as a number of vacancies across a number of teams.

Capital Spending 2023/24

Capital spending is shown within the accounts of the PCC.

D) Performance

His 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 assessment of police forces in England and Wales.

Hertfordshire received notification of inspection in the current 22/25 round of PEEL in November 2023. HMIC Have been in force since December 2023 attending strategic meetings and conducting staff focus groups.

The national PEEL inspections this round have focused on distinct areas. There is a clear focus from HMICFRS on responding to the public and achieving appropriate outcomes for victims and investigative standards and vulnerability. These are areas that the force received areas for improvement in the last inspection and work has been done to improve these elements.

Hertfordshire have not been subject of any thematic inspections since the previous PEEL in 2022. Recommendations from national reports continue to be governed in strategic boards chaired by relevant ACC's.

The culmination of the current inspection will be in June 2024 with publication expected in the Autumn.

Victim Satisfaction

Since November 2020 the Constabulary has used Echo as a way of gauging the levels of victim satisfaction. The current feedback provided below, which was obtained between April 2023 to March 2024, relates to Victims of Crime. We received results from 2,645 victims who scored the Constabulary as follows:

Q1 / Were they kept informed? 3.6 out of 5

Q2 / Did we meet their need? 3.5 out of 5

Q3 / Overall satisfaction? 3.6 out of 5

Recorded Crime

Within the constabulary's Most Similar Group (MSG) of eight forces ^[1], Leicestershire, Essex, TVP, Hampshire, Staffordshire, Sussex and Avon & Somerset, the level of recorded crime in Hertfordshire puts us in 1st position at 62.085 crimes per 1,000 population compared to an MSG average of 77.025. (MSG data 12 months to March 24).

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

For 2023/24 (compared to 2022/23):

- All recorded crime decreased by 1.8%, a decrease of 1,402 crimes compared to the same period in the previous year. The total number of crimes being 74,650 as opposed to 76,052 the previous year.
- Residential Burglary-Home offences had increased by 5.2% to 1,932 offences (95 more than recorded in the previous year), the constabulary was 5th position in the MSG.
- Robbery had an increase of 35.4% to 868 offences (227 more crimes than recorded in the previous year), the constabulary was 5th position in its MSG.
- Vehicle Offences decreased by 10.1% to 6,934 offences (780 less offences than recorded in the previous year), the constabulary was 7th position in its MSG.
- Violence Against the Person offences decreased by 3.3 % to 15,928 offences (878 less offences than recorded in the previous year), the constabulary was 1st in its MSG.
- Criminal Damage decreased by 5.6% to 6,836 offences (407 less offences than recorded in the previous year), the constabulary was 2nd position in its MSG.
- Thefts from Shops increased by 24.8% to 8,831 (1,756 more offences than recorded in the previous year), the constabulary was 6th in its MSG.
- Theft from Person decreased by 7.5% to 993 (80 less offences than recorded in the previous year), the constabulary was 7th lowest in its MSG.
- Possession of drugs was down 4.7% (89 fewer crimes) Trafficking was up 17.0% (54 more crimes). The Constabulary was 3rd in its MSG for Drug Offences (3rd for Possession, 2nd for Trafficking) though in this case, 'worse' figures are more likely an indication of greater proactivity.
- Domestic Abuse offences had decreased by 8.1% to 11,361 (1,007 less offences than recorded in the previous year).
- All Recorded Rape decreased by 4.0% 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 2.2% (537 more reports). ASB is broken down into three recorded types; Environmental, Nuisance and Personal. The decreases were noted within the Environmental and Personal categories, with an increase in Nuisance. There is no MSG position available.

The Constabulary's all crime outcome rate concluded at 13.2%. This represented an increase of 1.5% points against the previous year. The Constabulary was 6th amongst its MSG Group.

E) Outlook

In February 2024 the Net Revenue Budget for 2024/25 was set at £267.378m compared to £253.501m for 2023/24. This increase supports a rise in Standstill Costs of £21.4m off set by -£7.5m of savings. The increase in budget has been funded by a £13 rise in the Band D council tax and an additional £7.8m 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 5.5% increase in grant funding in 2024/25, then 0.5% per annum following this, £13 increase to council tax in 24/25, followed by 2% per annum increase following this, 2% p.a. increase in pay costs and non-pay inflation of 3.6% (24/25), 1.8% (25/26), 1.4% (26/27) and 1.7% (27/28).

MTFP	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Standstill costs	21.4	7.8	6.9	8.0	44.1
Core Grant	-7.8	-0.7	-0.8	-0.8	-10.1
Taxbase & Collection Fund	0.0	-1.0	-1.5	-1.6	-4.1
Precept increase	-6.1	-2.4	-2.4	-2.5	-13.4
Budget Gap	7.5	3.7	2.2	3.2	16.5

The table above shows the medium-term financial strategy based upon high level spending and income assumptions alongside the Autumn statement announced on 22nd November 2023. The plan sets out a budget gap of £7.5m in 2024/25 and £16.528m by 2027/28.

The current MTFs does not include further flexibility for investment and the expectation has been set by Chief Officers that all requests for investment not meeting strategic principles must be funded through the reprioritisation of existing budget.

As at 31st March 2024, the PCC has usable revenue reserves of £18.512m.

F 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 2023 to 31st March 2024 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 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 2023. 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 Statement**, 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

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 administered 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 2023/24 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 £1.479bn as at 31st March 2024 (£1.483bn as at 31st March 2023). 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 2024 is - £1.487bn consisting of Pension Reserves of -£1.479bn and Accumulated Absences Reserves -£8.048m.

Prior Year Balances

Due to the national backlog of local authority audits, the 2021-22 and 2022-23 Statement of Accounts for the Police and Crime Commissioner for Hertfordshire and the Chief Constable for Hertfordshire have not received external audit opinions for these years. As a result, some of the prior year balances in the 2023-24 accounts have been left as 'TBC'. These balances will be updated following the audit of the 2023-24 Statement of Accounts, due to commence in August 2024.

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

*James Cook CPFA - Chief Finance Officer to the Chief Constable of Hertfordshire
August 2024*

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.

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 2023/24 (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 2024.

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 2023/24

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.

2022/23					2023/24		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
148,159	-1,415	146,744		Operational Delivery	17,047	-2,921	14,126
39,798	-490	39,308		Strategy And Prevention	36,100	-813	35,287
19,856	-550	19,306		Resources	18,324	-541	17,783
10,803	-7,754	3,049		Corporate Budgets	8,567	-14,561	-5,994
5,105	-359	4,746		DCC Budgets	7,476	-356	7,120
35,202	-4,575	30,627		Protective Services	31,250	-5,195	26,055
19,509	-2,627	16,882		Operational Support	134,313	-1,387	132,926
16,783	-720	16,063		Organisational Support	14,743	-964	13,779
295,215	-18,490	276,725		Cost of Services	267,820	-26,738	241,082
		60,947	10	Financing and investment income and expenditure			69,621
		-252,065	11	Police and Crime Commissioner funding for financial resources consumed			-268,706
		85,607		(Surplus) or Deficit on the Provision of Services			41,997
		-858,830	21	Re-measurement of the net defined benefit liability			-45,952
		-858,830		Other Comprehensive Income and Expenditure			-45,952
		-773,223		Total Comprehensive Income and Expenditure			-3,955

Movement in Reserves Statement 2023/24

This statement shows the movement in the 2022/23 and 2023/24 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 2022	TBC	TBC	TBC	TBC
Movement in reserves during 2022/23				
Total Comprehensive Income and Expenditure	TBC	TBC	TBC	TBC
Adjustments between accounting basis and funding basis under regulations*	TBC	TBC	TBC	TBC
Increase / (Decrease) in Year	TBC	TBC	TBC	TBC
Balance at 31 March 2023 carried forward	0	0	-1,490,757	-1,490,757
Movement in reserves during 2023/24				
Total Comprehensive Income and Expenditure	-41,998	-41,998	45,952	3,954
Adjustments between accounting basis and funding basis under regulations*	41,998	41,998	-41,998	0
Increase / (Decrease) in Year	0	0	3,954	3,954
Balance at 31 March 2024 carried forward	0	0	-1,486,803	-1,486,803

* See note 9

Balance Sheet 2023/24

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 2023 £'000	Note		31 March 2024 £'000
22,556	12	Short-Term Debtors	32,692
552	14	Intra-Entity Debtor	0
23,108		Current Assets	32,692
-21,808	13	Short-Term Creditors	-23,671
-7,743	15	Provisions for Accumulated Absences	-8,048
-	14	Intra-Entity Creditor	-4,698
-29,551		Current Liabilities	-36,417
-1,300		Provisions	-4,323
-1,483,014	21	Other-Long Term Liabilities	-1,478,754
-1,484,314		Long-Term Liabilities	-1,483,077
-1,490,757		Net Assets / (Liabilities)	-1,486,802
-1,490,757	15	Unusable Reserves	-1,486,802
-1,490,757		Total Reserves	-1,486,802

Signed: *

James Cook CPFA – Chief Finance Officer

Date:

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

Cash Flow Statement 2023/24

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.

2022/23 £'000		2023/24 £'000
TBC	Net Surplus or (Deficit) on the Provision of Services	-41,998
TBC	Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements	41,998
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:

2022/23 £'000		2023/24 £'000
	Adjustment for non-cash movements:	
TBC	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	95,922
TBC	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)	-54,230
TBC	Provisions	306
TBC	Transfer To / (From) the Accumulated Absences Account	3,023
TBC		
TBC	Adjust for accruals:	
TBC	(Increase) / Decrease in Revenue Debtors	-10,136
TBC	Increase / (Decrease) in Revenue Creditors	1,863
TBC	(Increase) / Decrease in Intra-Entity Debtor/Creditor	5,250
TBC	Total Non-Cash Movements	41,998

Notes to the Statements of Accounts 2023/24

Note 1 - General Accounting Policies

Where possible accounting policies have been shown alongside relevant notes to the accounts, formatted in italic typeface to distinguish them from the main content of the notes. 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 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24 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 2022/23.

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 2024/25.

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2024/25 year).
- Where an authority adopted IFRS 16 in 2023/24 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2024/25 information on that more specific accounting change will be required in its 2023/24 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

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 2023/24 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
- Policing Service Non-Pay Expenditure	- Commissioning Spend
- IAS19 Current Cost Pension Charges	- Support from Chief Constable Staff
- Accumulated Absences Accruals	- IAS19 Current Cost Pension Charges
- Pension Fund Top-Up Payment	- Capital Charges Depreciation & Impairment
- Income from Fees and Charges	- Specific Grants relating to the PCC
- 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 2023/24, 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 2024. 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 £6.001m 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 judgement 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 21 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 2023/24.

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.

Note 7 - Expenditure and Income Analysed by Nature

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

	2022/23 £'000	2023/24 £'000
Fees Charges and Other Service Income	-9,841	-11,149
Government Grants and Contributions	-8,649	-15,592
Employee Benefit Expenses	257,875	222,819
Other Service Expenses	37,334	45,002
Interest Payments	60,037	69,621
PCC funding To CC for financial resources consumed	-251,158	-268,706
(Surplus) or Deficit on the Provision of Services	85,597	41,995

Note 8 - Expenditure and Funding Analysis 2023/24

The Chief Constable 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 Chief Constable'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

2022/23				2023/24		
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
30,627	-4,858	25,769	Protective Services	26,055	1,660	27,715
16,882	-2,692	14,190	Operational Support	14,126	906	15,032
16,063	-2,317	13,746	Organisational Support	13,779	784	14,563
4,746	-705	4,041	DCC Budgets	7,120	397	7,517
146,744	-20,744	126,000	Operational Delivery	132,926	6,838	139,764
19,306	-2,740	16,566	Resources	17,783	973	18,756
39,308	-5,492	33,816	Strategy And Prevention	35,287	1,667	36,954
3,049	543	3,592	Corporate Budgets	-5,994	15	-5,979
276,725	-39,005	237,720	Cost of Services	241,082	13,240	254,322
-191,118	-46,592	-237,710	Other Operating Expenditure	-199,084	-55,238	-254,322
85,607	-85,597	10	(Surplus) or Deficit on the Provision of Services	41,998	-41,998	0
		0	Opening General Fund			0
		-	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

2022/23	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Protective Services	-4,796	-62	-4,858
Operational Support	-2,658	-34	-2,692
Organisational Support	-2,287	-30	-2,317
DCC Budgets	-696	-9	-705
Operational Delivery	-20,185	-559	-20,744
Resources	-2,705	-35	-2,740
Strategy And Prevention	-5,422	-70	-5,492
Corporate Budgets		543	543
Cost of Services	-38,749	-256	-39,005
Other Operating Expenditure	-46,346	-246	-46,592
(Surplus) or Deficit on the Provision of Services	-85,095	-502	-85,597

2023/24	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Protective Services	1,697	-37	1,660
Operational Support	926	-20	906
Organisational Support	801	-17	784
DCC Budgets	406	-9	397
Operational Delivery	7,294	-456	6,838
Resources	995	-22	973
Strategy And Prevention	1,960	-293	1,667
Corporate Budgets		15	15
Cost of Services	14,079	-839	13,240
Other Operating Expenditure	-55,770	532	-55,238
(Surplus) or Deficit on the Provision of Services	-41,691	-307	-41,998

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.

2022/23	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)	133,532	-	-	-133,532
Employer's pensions contributions and direct payments to pensioners payable in the year	-48,974	-	-	48,974
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	502	-	-	-502
Total Adjustments	85,060	0	0	-85,060

2023/24	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)	95,922			-95,922
Employer's pensions contributions and direct payments to pensioners payable in the year	-54,230			54,230
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	305			-305
Total Adjustments	41,998	0	0	-41,998

Note 10 - Financing and Investment Income and Expenditure

	2022/23 £'000	2023/24 £'000
Net interest on the net defined liability	60,037	69,621
Provision for Doubtful Debt	-7	-
Total Group	60,030	69,621

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.

	2022/23 £'000	2023/24 £'000
Cost of Service	276,725	241,083
Pensions interest cost	60,030	69,621
Re-measurement of the net defined benefit liability	-850,572	-45,952
CI&E Statement (Surplus) Deficit Pre-PCC Funding	-513,817	264,752
Items Removed through MIRS		
Pensions		
Opening Balance	2,248,491	1,483,014
Less Closing Balance	-1,483,014	-1478,754
	765,477	4,260
Accumulated Absences		
Opening Balance	7,247	7,743
Less Closing Balance	-7,743	-8,048
	-502	-305
PCC Funding for Resources Consumed	251,158	268,707

Note 12 - Short-Term Debtors

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

	31 March 2023 £'000	31 March 2024 £'000
Net Trade Debtors	TBC	3,122
Year End Accruals	TBC	19,165
Grant & Partner Contributions Due	-	-
VAT Refund	TBC	2,735
Payments in Advance	TBC	7,635
Payroll Debtor	TBC	35
Total	22,556	32,692

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 2024 the bad debt provision was £0.083m (2022/23 £0.087m).

Note 13 - Short-Term Creditors

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

	31 March 2023 £'000	31 March 2024 £'000
Net Trade Creditors	-1,640	-157
Conditional Grant	-	-4
Year End Accruals and Grant Held at Year End	-13,892	-16,851
Payroll Deductions	-6,244	-6,658
Intra-Entity Balance	-	-
Total	-21,808	-23,670

Note 14 - Intra-Entity Creditor / Debtor

	31 March 2023 £'000	31 March 2024 £'000
Short Term Debtors	22,556	32,692
Short Term Creditors	-21,808	-23,671
Provisions	-1,300	-4,323
Intra-Entity (Debtor)/Creditor to the PCC	-552	4,698

Note 15 - Unusable Reserves

	31 March 2023 £'000	31 March 2024 £'000
Pensions Reserve	-1,483,014	-1,478,754
Accumulated Absences Account	-7,743	-8,049
Total Unusable Reserves	-1,490,757	-1,486,803

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.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	-2,248,491	-1,483,014
Actuarial gains or losses on pensions assets and liabilities	850,572	45,952
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	-134,338	-95,922
Employer's pensions contributions and direct payments to pensioners payable in the year	49,243	54,230
Balance at 31 March	-1,483,014	-1,478,754

Accumulated Absences Account

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 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.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	-7,241	-7,743
Settlement or cancellation of accrual made at the end of the preceding year	7,241	7,743
Amounts accrued at the end of the current year	-7,743	-8,049
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	-502	-306
Balance at 31 March	-7,743	-8,049

Note 16 - Financial Instruments**Categories of Financial Instruments**

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

	Current	
	31 March 2023 £'000	31 March 2024 £'000
Financial Assets		
- Amortised cost	14,900	22,405
Financial Liabilities		
- Amortised cost	-14,945	-16,304

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.

	31 March 2023		31 March 2024	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
- Amortised cost	14,900	14,900	22,405	22,405
Financial liabilities				
- Amortised cost	-14,945	-14,945	-16,304	-16,304

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 GrantsAccounting 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 2023/24:

	2022/23 £'000	2023/24 £'000
Credited to Cost of Service		
Police Community Support Officers Local Authorities	-500	-459
Police Uplift Programme	-2,065	-5,125
ERSOU Grants	-1,746	-1,640
Pay Award Grant	-1,068	-5,036
Other Grants and Contributions	-1,774	-3,096
Total Grants Credited	-£7,153	-£15,355

Note 18 - Long-Term Contracts – Operating LeasesAccounting 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 benefiting 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 2023 £'000	31 March 2024 £'000
Not later than one year	1,202	1,014
Later than one year and not later than five years	2,352	2,159
Later than five years	10,008	10,008
Total Future Minimum Payments	13,562	13,180

The amount charged to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement was £1.133m (2022/23 £0.684m).

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 2022/23 £'000	Cambs 2022/23 £'000	Herts 2022/23 £'000	Total 2022/23 £'000		Beds 2023/24 £'000	Cambs 2023/24 £'000	Herts 2023/24 £'000	Total 2023/24 £'000
				Joint Protective Services				
3,368	3,007	3,554	9,929	Armed Policing Unit	3,812	3,412	4,038	11,261
869	1,066	1,443	3,377	Dogs	938	1,156	1,568	3,662
2,419	2,884	3,567	8,870	Major Crime Unit	2,609	3,122	3,868	9,599
313	395	563	1,271	Operational Planning & Public Order	309	392	560	1,261
400	504	718	1,621	Protective Services Command Team	453	575	820	1,847
102	128	183	413	Resilience	95	120	172	386
2,808	4,007	5,386	12,201	Roads Policing Unit	2,843	4,076	5,487	12,406
2,579	3,109	4,235	9,923	Scientific Services Unit	3,386	4,057	5,420	12,863
12,857	15,100	19,648	47,604	Total Joint Protective Services	14,444	16,909	21,931	53,284
				Operational Support				
-50	-62	-83	-195	Camera, Tickets, Collisions	55	69	92	217
278	170	500	948	Criminal Justice & Custody Management Team	319	196	575	1,090
518	654	931	2,103	Criminal Justice	461	585	1,003	2,049
149	289	235	673	Firearms & Explosives Licensing	170	329	268	767
4,238	5,346	7,611	17,195	ICT	6,925	8,699	12,481	28,105
377	476	678	1,531	Joint Strategy & Transformation*	337	428	612	1,377
5,511	6,872	9,871	22,254	Total Operational Support Expenditure	8,267	10,306	15,031	33,605
				Organisational Support				
-	-	-	-	Corporate Communications	62	78	112	251
4,572	5,768	8,212	18,552	HR / L&D	4,786	6,362	9,025	20,174
901	1,136	1,617	3,654	Information Management Department	980	1,244	1,775	4,000
1,546	1,580	2,313	5,440	Professional Standards Unit	1,946	2,118	2,910	6,974
71	90	128	288	Uniform Stores Team	77	98	140	315
7,090	8,574	12,270	27,934	Total Organisational Support Expenditure	7,851	9,901	13,962	31,714
25,458	30,545	41,789	97,792	Total BCH Net Operating Costs	30,562	37,116	50,925	118,603

129	243	460	832	Regional Procurement	255	238	471	963
25,587	30,789	42,249	98,624	Total Net Operating Costs	30,817	37,354	51,395	119,566

* The Delivery Management Office was renamed to Joint Strategy and Transformation in 2023/24.

** ICT outturn in 2023/24 includes 'below the line' costs, which are costs directly attributable to individual forces rather than shared by Net Revenue Expenditure percentages. Only shared costs (known as 'above the line').

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 seven eastern region police forces: Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, 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 2023/24

	2022/23 £'000	2023/24 £'000
Operating costs	29,739	33,078
Specific HO grant	-8,864	-8,547
Net expenditure	20,876	24,531
Contributions		
Bedfordshire	-2,357	-2,581
Cambridgeshire	-2,974	-3,276
Essex	-2,808	-3,501
Hertfordshire	-4,233	-4,676
Kent	-3,268	-3,961
Norfolk	-3,355	-3,685
Suffolk	-2,590	-2,850
Total Contributions	-21,585	-24,531
(Surplus) / Deficit for the year	-709	0

The capital assets for ERSOU are analysed as follows:

	2022/23 £'000	2023/24 £'000
Net book value brought forward 1st April	1,800	3,734
Expenditure for the year:		
- Vehicles	624	818
- Land and Buildings	611	-
- Equipment	1,035	73
Depreciation for the year	-336	-681
Net book value carried forward 31st March	3,734	3,943

Hertfordshire's share of the total Net Book Value of ERSOU capital assets as at 31st March 2024 was £0.852m (£0.819m as at 31st March 2023). 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 2024 was £1.646m.

The capital expenditure for 2023/24 was funded in accordance with the formulae agreed by the forces. Details are shown in the following table:

	2022/23 £'000	2023/24 £'000
Bedfordshire	-71	-98
Cambridgeshire	-90	-124
Essex	-91	-80
Hertfordshire	-128	-177
Kent	-96	-85
Norfolk	-101	-139
Suffolk	-78	-108
Grant Funding	-1,615	-80
Total	-2,271	-890

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.

As at 31st March 2024, the Chief Constable did not have any contingent liabilities.

Note 21 - Defined Benefit Pension SchemesAccounting 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 four 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.

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	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
<u>Cost of Service included in CIES Service</u>				
Current Service Cost	25,147	11,904	49,150	14,250
Past Service Cost / Settlements and Curtailments	4	147	-	-
<u>Financing and Investing Income & Expenditure</u>				
Net interest expense	3,167	-1,319	56,870	70,940
Total Group Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Service	28,318	10,732	106,020	85,190
<u>Re-measurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding amount included in net interest expense)	36,113	-17,599	-	-
Actuarial gains and Losses				
• Demographic Assumptions	-2,768	-2,155	-40,590	-
• Financial Assumptions	-216,605	-23,958	-777,140	-32,620
• Other (Liabilities)	28,628	10,850	121,790	19,530
• Other (Assets)	-	-	-	-
Total Group Post Employment Benefit Charged to the CIES	-126,314	-22,130	-589,920	72,100
<u>Movement in Reserves Statement:</u>				
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	-28,318	-10,732	-106,020	-85,190
<u>Actual Amount Charged Against the General Fund Balance for Pensions During the Year:</u>				
Employer's Contributions Payable to the Schemes	10,073	10,360	39,170	43,870

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 formally measured through the pension valuation process, which determines employer and employee contribution rates, although an estimated impact has been included in the IAS19 valuations for 2023/24, and was included in the LGPS valuation carried out as at 31st March 2023. The next Police Pension valuation is due to be reported in 2024/25, 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. A provision for these cases was included in the 2022/23 accounts.

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:

	2022/23 £'000	2023/24 £'000
Present Value of Defined Benefit Obligations		
LGPS	-332,947	-340,856
Police Pension Scheme	-1,511,610	-1,539,840
Total Chief Constable Liabilities	-1,844,557	-1,880,696
Fair value of plan assets		
LGPS	361,553	401,952
Total Chief Constable Assets	361,553	401,952
Net liability arising from defined benefit obligation:		
LGPS	28,606	61,096
Police Pension Scheme	-1,511,620	-1,539,850
Total Chief Constable Net Liability	-1,483,014	-1,478,754

The net liabilities show the underlying commitments that the Chief Constable has in the long run to pay retirement benefits. The total liability of £1.479bn (£1.483bn as at 31st March 2023) 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 £1.487bn as at 31st March 2024 (£1.491bn as at 31st March 2023).

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 2023/24 is £9.464m. The expected contribution to the police pension schemes in 2023/24 is £27.211m.

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

	LGPS	
	2022/23 £'000	2023/24 £'000
Fair value of scheme assets at 1st April	380,274	361,553
Interest Income	10,544	17,303
Re-measurement gain/(loss):		
Return of plan assets excluding amount included in net interest expense	-36,113	17,599
Re-measurement gain(loss) - other	-	-
Employer Contributions	10,073	10,360
Contribution by employees in the scheme	3,650	3,933
Benefits paid	-6,875	-8,796
Settlements and Curtailments	-	-
Fair value of scheme assets at 31st March	361,553	401,952

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

	LGPS		Police Pension Scheme	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Chief Constable Opening Balance at 1 April	-488,055	-332,947	-2,140,700	-1,511,610
Current service cost	-25,147	-11,904	-49,150	-14,250
Interest cost	-13,711	-15,984	-56,870	-70,940
Contribution from scheme participants	-3,650	-3,933	-11,060	-11,330
Re-measurement of the net defined benefit liability comprising:				
Actuarial gains / (loss) Demographic Assumptions	2,768	2,155	40,590	-
Actuarial gains / (loss) Financial Assumptions	216,605	23,958	777,140	32,620
Actuarial gains / (loss) Other	-28,628	-10,850	-121,790	-19,530
Past Service Cost / Settlements and Curtailments	-4	-147	-	-
Benefits paid / Transfers	6,875	8,796	50,230	55,200
Chief Constable Liability at 31st March	-332,947	-340,856	-1,511,610	-1,539,840

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 2023				Period Ended 31 March 2024			
	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	4,767	-	4,767	1.3%	5,100	-	5,100	1.3%
Manufacturing	2,103	-	2,103	0.6%	6,282	-	6,282	1.6%
Energy and Utilities	-	-	-	0.0%	0	-	-	0.0%
Financial Institutions	1,810	-	1,810	0.5%	4,700	-	4,700	1.2%
Health and Care	2,833	-	2,833	0.8%	3,522	-	3,522	0.9%
Information Technology	6,323	-	6,323	1.8%	5,149	-	5,149	1.3%
Other	-	-	-	1.3%	0	-	-	0.0%
Debt Securities:								
Corporate Bonds (investment grade)	-	-	-	0.0%	0	-	-	0.0%
Corporate Bonds (non-investment grade)	-	-	-	0.0%	0	-	-	0.0%
UK Government	26,475	-	26,475	7.4%	17,848	-	17,848	4.4%
Other	-	10,543	10,543	2.9%	0	10,160	10,160	2.5%
Private Equity:								
All	-	34,116	34,116	9.5%	0	35,322	35,322	8.8%

	Period Ended 31 March 2023				Period Ended 31 March 2024			
	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
Real Estate:								
UK Property	-	30,426	30,426	8.5%	0	26,568	26,568	6.6%
Overseas Property	-	24,086	24,086	6.7%	0	18,680	18,680	4.6%
Investment Funds and Unit Trusts:								
Equities	121,817	-	121,817	33.8%	158,832	-	158,832	39.5%
Bonds	47,310	-	47,310	13.1%	55,912	-	55,912	13.9%
Hedge Funds	-	-	-	0.0%	0	-	-	0.0%
Commodities	-	-	-	0.0%	0	-	-	0.0%
Infrastructure	-	375	375	0.1%	0	652	652	0.2%
Other	3,365	24,371	27,736	7.7%	3,090	23,567	26,657	6.6%
Derivatives:								
Inflation	-	-	-	0.0%	0	-	-	0.0%
Interest Rate	-	-	-	0.0%	0	-	-	0.0%
Foreign Exchange	-	-1,084	-1,084	-0.3%	0	-242	-242	-0.1%
Other	-	-	-	0.0%	0	-	-	0.0%
Cash and Cash Equivalents:								
All	20,388	-	20,388	5.7%	26,810	-	26,810	6.7%
Totals	237,191	122,833	360,024	100%	287,244	114,708	401,952	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, which is currently being undertaken with any changes to employer contribution rates expected in April 2024. 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 2022. 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	
	2022/23	2023/24	2022/23	2023/24
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	21.3	21.1	21.9	21.9
Women	24.3	24.1	23.5	23.6
Longevity at 45 for future pensioners:				
Men	22.4	22.2	23.5	23.6
Women	25.9	25.6	25	25.1
Rate of increase in salaries (%)	3.45	3.25	3.85	3.85
Rate of increase in pensions (%)	2.95	2.75	2.6	2.6
Rate for discounting scheme liabilities (%)	4.75	4.85	4.65	4.75

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	10%	37.94
1 year increase in member life expectancy	4%	13.634
0.5% increase in the Salary Increase Rate	<1%	1.455
0.5% increase in the Pension Increase Rate	10%	37.19
Police Pension Schemes		
0.5% decrease in real discount rate	8%	129
1 year increase in member life expectancy	2.5%	38
0.5% increase in the Salary Increase Rate	1%	17
0.5% increase in the Pension Increase Rate	8%	126

Note 22 - Senior Officers' Remuneration

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

2022/23 Post Holder Information (Job Title) For individuals changing roles, role titles used are those as at 31 st March 2023. Final role title is used for individuals no longer employed	Salary (inc Fees, Allowances & Salary Sacrifice) £	Bonuses £	Expense Allowances £	Benefits in Kind (3) £	Total Remuneration exc pension contr. £	Pension Contributions (2) £	Total Remuneration inc pension contri. £
Chief Constable - Mr C Hall	177,669	-	-	5,855	183,524	35,784	219,308
Deputy Chief Constable	133,374	-	-	25,269	158,643	-	158,643
Assistant Chief Constable (Op Support)	128,769	-	-	-	128,769	37,302	166,071
Assistant Chief Constable (Local Policing)	122,665	-	-	-	122,665	35,125	157,790
Director of Resources	120,354	-	-	5,502	125,856	22,386	148,242
Assistant Chief Officer (7)	104,825	-	-	-	104,825	19,497	124,322
Total Chief Constable (1)	787,656	-	-	36,626	824,282	150,094	974,376

2023/24 Post Holder Information (Job Title) For individuals changing roles, role titles used are those as at 31 st March 2024. Final role title is used for individuals no longer employed	Salary (inc Fees, Allowances & Salary Sacrifice) £	Bonuses £	Expense Allowances £	Benefits in Kind (3) £	Total Remuneration exc pension contr. £	Pension Contributions (2) £	Total Remuneration inc pension contri. £
Chief Constable - Mr C Hall	185,664	-	-	5,855	191,519	24,111	215,630
Deputy Chief Constable	139,523	-	-	21,943	161,466	-	161,466
Assistant Chief Constable (Op Support) (5)	125,927	-	-	-	125,927	38,131	164,058
Assistant Chief Constable (Local Policing) - Nicholls (4)	26,345	-	-	-	26,345	2,334	28,679
Assistant Chief Constable (Local Policing) - Telfer	128,116	-	-	905	129,021	39,081	168,102
Director of Resources	135,309	-	-	5,502	140,811	23,679	164,490

Assistant Chief Officer (7)	129,520	-	-	-	129,520	20,789	150,309
Total Chief Constable (1)	870,404	-	-	34,205	904,609	148,125	1,052,734

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 Police Officer Employer pension contribution rate from 2023/24 was 31%, previously it was 21.3%. For the Director of Resources and Assistant Chief Officer roles, the contribution rate was 18.6%. In 2022/23, no employer contributions were made in respect of the Deputy Chief Constable role from September onwards as W Jephson ceased contributions to the Police Pension Scheme. Similarly, for all 2023/24. The Chief Constable opted out of the pension scheme on 30th November 2022, hence a reduction in Employer Pension Contributions.
3. The benefit in kind value reflects the use of a petrol or diesel car. The 2023/24 benefit in kind for the Deputy Chief Constable includes a payment of £13.5k for re-location expenses.
4. M Nicholls retired April 2023 and G Telfer transferred from Assistant Chief Constable [Operational Support] to Assistant Chief Constable [Local Policing]
5. C Akehurst commenced the role of Assistant Chief Constable [Local Policing] in April 2023. The annualised salary on a full-time basis (including fees, allowances and employers pension contribution) equates to £157.1k.

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	2022/23	2023/24
£135,000 - £139,999	1**	-
£130,000 - £134,999	-	-
£110,000 - £114,999	-	3**
£105,000 - £109,999	-	3
£100,000 - £104,999	2	5*
£95,000 - £99,999	4	7
£90,000 - £94,999	6	4
£85,000 - £89,999	8	7
£80,000 - £84,999	6	10
£75,000 - £79,999	10	11
£70,000 - £74,999	10	42
£65,000 - £69,999	61	98
£60,000 - £64,999	153	193
£55,000 - £59,999	249	296
£50,000 - £54,999	439	480*
	949	1,159

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

Note 24 - External Audit Costs

In 2023/24 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.

	2022/23 £'000	2023/24 £'000
Chief Constable	12	TBC
Total (Chief Constable)	12	TBC

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

Other public bodies are deemed to be a related party where they receive funding from Central Government, who have control over the general operations of the PCC. Transactions with the County Council, district and borough councils of Hertfordshire and other public bodies have been disclosed within the Income and Expenditure Account, Cash Flow Statement and notes to the accounts (grants are disclosed within note 17, joint arrangements are outlined in note 19).

Note 26 - Termination BenefitsAccounting 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 2023/24 incurring liabilities of £0.059m (£0.046m in 2022/23). 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 2022/23 and 2023/24 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 all staff which Hertfordshire have contributed towards 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	
	2022/23	2023/24	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
£0 - £20,000	7	1	49	12	67	12
£20,001 - £40,000	-	2	-	25	-	56
£40,001 - £60,000	-	1	-	22	-	50
£60,001 - £80,000	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-
Total	7	4	49	59	67	118

In total 4 exit packages (5 in 2022/23) were paid to Hertfordshire employed staff during 2023/24 at a cost of £0.059m (£0.046m in 2022/23).

FUND ACCOUNT

	Note	Police Pension Scheme 1987		Police Pension Scheme 2006		Police Pension Scheme 2015		Total All Schemes	
		2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Contributions receivable									
From employer									
- normal 21.3%; 31.0%	P3	7	-	-	-	-25,538	-28,638	-25,531	-28,638
- early retirements	P3	-254	-	-	-	-	-94	-254	-94
From members	P3	3	-	1	-	-10,972	-12,378	-10,968	-12,378
Transfers in									
- individual transfers in from other schemes	P4	-	-	-	-	-109	-32	-109	-32
Benefits payable									
- pensions		42,999	47,171	127	449	329	380	43,455	48,000
- commutations and lump sum retirement benefits		6,126	6,145	99	41	363	327	6,588	6,513
- lump sum death benefits		305	141	-	-	123	268	428	409
Payments to and on account of leavers									
- refunds of contributions		-	-	-	-	77	62	77	62
- individual transfers out to other schemes	P4	-	-	-	-	5	9	5	9
Net amount receivable for the year before top-up grant		49,186	53,457	227	490	-35,722	-40,096	13,691	13,851
Transfer received from the Policing Body	P5	-49,186	-53,457	-227	-490	35,722	40,096	-13,691	-13,851
Balance as at 31 March		0	0	0	0	0	0	0	0

NET ASSETS STATEMENT

	31 March 2023 £'000	31 March 2024 £'000
April pension paid in advance in March	3,858	4,197
Total Assets	3,858	4,197
Commutation Payments Owing	-590	-188
Taxation Owing	-207	-
Amount Owing to Police Fund	-3,061	-4,009
Total Liabilities	-3,858	-4,197
Net Assets	0	0

Note P1 - Summary of the Police Pension Scheme Fund Operations

Employee contributions and employer's contributions 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 2023/24 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 2024.

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 2024. 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 judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The results of the latest police pension valuation were implemented in 2024/25 and saw an increase in the employer's contribution rate from 31.0% to the 35.3%.

**CHIEF CONSTABLE FOR HERTFORDSHIRE
ANNUAL GOVERNANCE STATEMENT 2023/24**

Annual Governance Statement for 2023/24 to follow

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.