

Statement of Accounts

2012/13

**The Chief Constable of
Hertfordshire
Constabulary**

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EXPLANATORY FORWARD

For the purposes of this Statement of Accounts all references made in previous years to the “Authority” have been replaced with references to the Police and Crime Commissioner (PCC), who is the “Local Policing Body” for Hertfordshire. In addition references made in previous years to the “Constabulary” have been replaced with references to “the Chief Constable”.

It is vital that the Chief Constable has the right resources to deliver an effective and efficient police service to the people of Hertfordshire. Having the right level of funding is a key part of that and each year the PCC sets the budget for policing in the county. The majority of the PCC’s funding is provided by Government grant with around one third of gross expenditure in 2012/13 being met by local council tax payers.

The key duty of the PCC is to oversee the provision of an efficient and effective police service. The PCC is responsible for producing an annual Crime and Policing Plan and for managing overall expenditure within the budget, although responsibility for day to day financial management is delegated to the Chief Constable within the annual budget set and the financial framework agreed by the PCC.

The Police Authority and subsequently the PCC have worked hard with the Chief Constable to deliver policing services that represent good value for money and ensure its financial position remains strong during these challenging economic conditions. In the light of the continuing reduction in grant funding over the medium-term it has needed to have strong financial management controls in place during 2012/13 so as to reduce planned spending to a level that is sustainable in future years. The Chief Constable has a successful record of delivery of sustainable efficiency savings over a number of years and the need to maintain this strong record will be important in the years ahead in view of the reduction in public sector spending set out in Spending Review 2010 and that anticipated in the next government Spending Review.

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 2012 to 31st March 2013 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.

The Accounting Statements

In 2011/12 the Police Reform and Social Responsibility Act 2011 was passed and introduced new elected local policing bodies in the form of police and crime commissioners, for each policing area, to replace the previous police authorities. At midnight on 21st November 2012, all property, rights and liabilities which immediately before that time were property, rights and liabilities of the Hertfordshire Police Authority were transferred to the Police and Crime Commissioner for Hertfordshire as the new PCC for the area.

The 2011 Act set-up two corporation soles, the Police and Crime Commissioner and the Chief Constable. The two corporation soles are both schedule 2 bodies under the 1998 Audit Commission Act and so are both required to publish accounts and are subject to audit. Whilst the Chief Constable has day to day control over most of the Police and Crime Commissioner’s assets as well as daily direction and control over all police officers and a great majority of police staff, the level of financial and strategic control held by the Police and Crime Commissioner means that on balance, transactions, benefits and liabilities sit within the accounts of the Police and Crime Commissioner and there will be no transactions or balances within the Chief Constable’s accounts. This is in accordance with the principles of IAS 18 – Revenue Recognition.

Whilst the change in arrangements was implemented mid-year, as “ownership” before and after the change was 100% public sector, merger accounting has been applied as set out in Local Authority Accounting (LAAP) bulletin 95 by CIPFA. This approach requires the Chief Constable to account for the new arrangements as if they been in place for the whole on 2012/13. This Statement of Accounts for 2012/13 therefore covers the period from 1st April 2012 to 31st March 2013. These are the first statutory accounts prepared under these new arrangements.

The Commissioner sets strategic direction through his Police and Crime Plan and exercising control of funding by delegation to the Chief Constable. This is reflected in accounting terms by the existence of a group relationship between the two corporation soles. Group relationships require the completion of a consolidated group Statement of Accounts in addition to those for the individual entities. However, as all transactions and balances are to be shown in the accounts of the Commissioner, his accounts will effectively be the same as those for the group and so only the group accounts are published. Therefore, all of the financial transactions incurred during 2012/13 for policing Hertfordshire have been recognised and recorded within the Police and Crime Commissioner Group Statement of Accounts, a separate document, which sets-out the overall group position of the Police and Crime Commissioner Group for the year ending 31st March 2013. The group position “Police and Crime Commissioner Group” reflects the consolidated accounts of the Police and Crime Commissioner for Hertfordshire and its accounting subsidiary the Chief Constable of Hertfordshire.

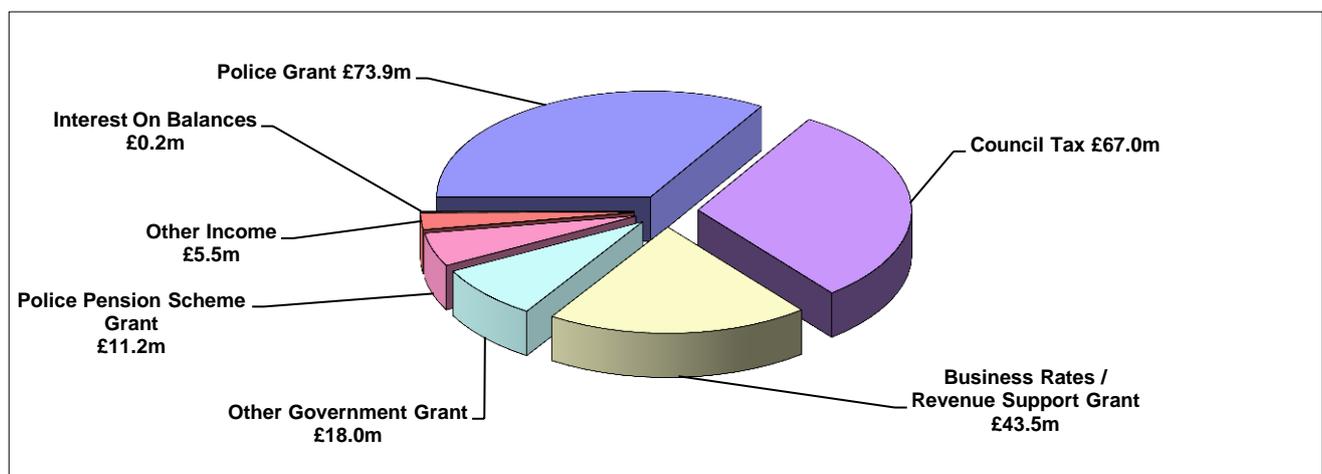
It is expected that Hertfordshire will progress to Stage 2 transfer at the end of the 2013/14 financial year and so the current arrangements, whereby the Commissioner controls all income and delegates budget for the provision of police services to the Chief Constable, will remain in place for 2013/14.

Review of the Financial Year 2012/13

Where the Money Comes From

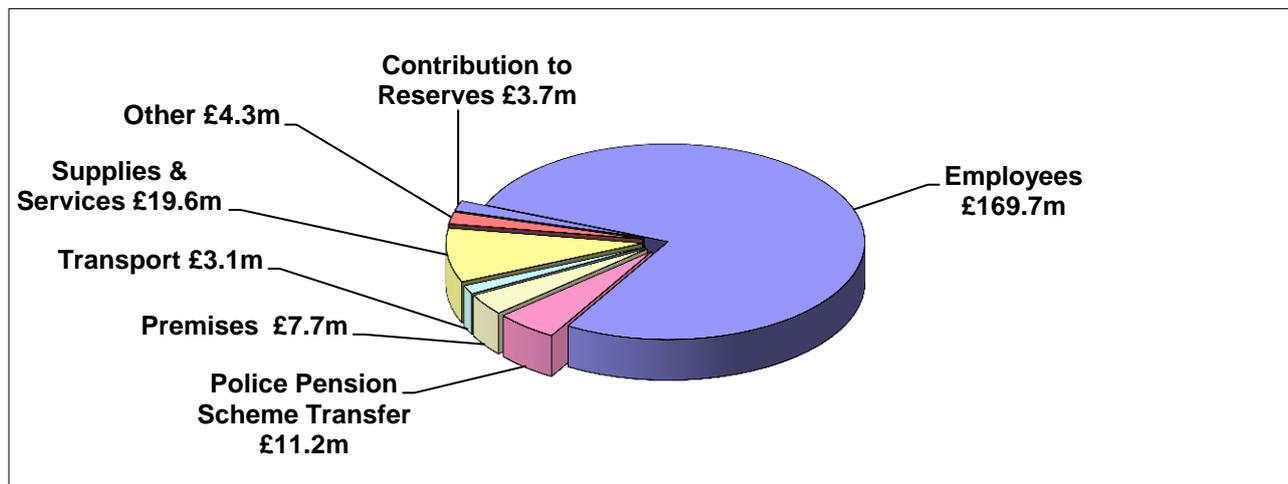
Where the Money Comes From

The graph below shows an analysis of the PCC’s key sources of revenue income during 2012/13. Police Grant, Revenue Support Grant and Business Rates paid to the PCC by central government account for 54% of all gross income. This central government grant plus that raised by Council Tax forms the PCC’s budget requirement for 2012/13 of £184.380m.



What the Money is Spent On

The graph below shows an analysis of the PCC's revenue expenditure during 2012/13 of which employee costs represent the greatest component.



Revenue Spending

The former Police Authority set the net revenue budget for the year at £185.187m, consisting of the £184.380m budget requirement plus £0.807m carried forward from 2011/12. Total net expenditure against this budget generated an underspend of £5.563m as the Chief Constable proactively drove out efficiencies due to the need to reduce spending to a level that is sustainable in future years, support the early achievement of the 2015 Efficiency Programme and maximise reserves to support the phased implementation of savings. The balance of the underspend was transferred to the Change Management reserve which stands at £17.320m at 31st March 2013, leaving a Police Fund balance of £6.787m representing the minimum prudent level of reserves of £5.630m plus £1.157m of agreed carry forward into 2013/14. In addition to the Police Fund and the Change Management Reserve the PCC also has a number of smaller specific, earmarked revenue reserves amounting to £3.935m at 31 March 2013. (see note 9 of the Police and Crime Commissioner Group Statement of Accounts for details of reserves)

2012/13 was the second year of Spending Review 2010 in which the government set out its plans to implement a 20% real terms reduction in grant funding to the Police service over four years, resulting in a medium term budget gap of £38.941m when the 2013/14 budget was set in February 2013. To meet the second year of this significant financial challenge the PCC made £6.801m of savings in setting its 2012/13 budget in addition to the £9.318m of savings made in setting the 2011/12 budget. Given this challenging environment, measures were continued throughout 2012/13 targeted at driving down spend. These measures resulted in the underspend of £5.563m set out above and included a continued recruitment freeze on police staff, limited police officer recruitment and a continued review and reduction across the full range of non-pay expenditure. The main areas are set out below:

Police Officer Pay and Overtime – Throughout 2012/13 the force decreased its establishment through minimal recruiting and turnover. This allowed the Chief Constable to hold two intakes of 18 and 21 officers in September 2012 and February 2013 respectively and recruited a further 33 transferees during the year. Officer numbers finished the year at 1,935 resulting in an underspend of £1.306m.

Police Staff Pay and Overtime - During 2012/13 the force held vacancies to support the changes under Programme 2015, and ensure redundancies and their associated costs were minimised. This resulted in a £1.190m underspend.

Non Pay - As part of Programme 2015 there has been an emphasis on driving out non-pay savings through putting in place more cost-effective collaborative arrangements, reviewing service specification and requirements, and rationalisation programmes in areas such as estates and fleet resulting in a Non Pay budgets underspend of £3.068m. The most significant areas on underspend were ICT (£1.023m), Estates (£0.679m), Major Incidents (£0.407m) and Change Management Costs (£0.440m).

Capital Spending

Capital expenditure is expenditure incurred on the physical assets of the PCC such as buildings, vehicles, Information Technology systems and equipment. The PCC's capital budget for 2012/13 including planned additional funding from revenue and the application of specific grants was £11.508m. This included £6.296m on ICT, £1.471m on the purchase of vehicles, £2.620m on estates strategy and £1.121m on technical equipment and collaborative units.

Actual expenditure incurred during the year was £5.824m, of which £0.059m was incurred on behalf of ERSOU partners and is excluded from these accounts, resulting in an underspend of £5.684m. Of this figure, some £5.392m was slippage due to delays in the timing of the capital expenditure on several capital projects including £3.294m of ICT work, in particular the regional Project Athena (£1.056m) and mobile data (£0.813m). Slippage relating to work on the estate totalled £1.928m, which predominantly related to the relocation of Borehamwood police station (£0.407m), development of the Firing Range (£0.845m) and programme support & minor works cost (£0.357m). Expenditure on Technical and Specialist Equipment slipped by £0.291m. Where there is slippage against the capital programme both the estimated expenditure and the funding provision are transferred to the following year and there is no impact on future years' capital spending plans. Actual cost savings made on completed capital schemes amounted to £0.292m.

James Hurley
Chief Financial Officer
June 2013

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Chief Constable of Hertfordshire Constabulary's Responsibilities

The Chief Constable is required to:

- make arrangements for the proper administration of the its financial affairs and to secure that one of its officers (the Chief Finance Officer) has responsibility for the administration of those affairs;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts by the 30th September 2013.

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

Signed*

Date

Deputy Chief Constable Andy Adams on behalf of Chief Constable Andy Bliss

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

The Chief Financial Officer is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code)

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

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

The Chief Financial 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 2013.

Signed*

Date

James Hurley –Chief Financial Officer

* The formal signed version of this statement is held by the Chief Finance Officer.

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

Opinion on the Chief Constable's financial statements

We have audited the financial statements of the Chief Constable for Hertfordshire for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related note 1. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the Chief Constable for Hertfordshire, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for Hertfordshire, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 7, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable for Hertfordshire's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2012/13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Hertfordshire as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2012/13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Chief Constable for Hertfordshire's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable for Hertfordshire has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, We have considered the results of the following:

- our review of the Annual Governance Statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- our locally determined risk-based work.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable for Hertfordshire in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*

Date: 26th September 2013.

*Mark Hodgson
for and on behalf of Ernst & Young LLP, Appointed Auditor
Cambridge*

* The formal signed version of this opinion is held by the Chief Constable's Chief Finance Officer.

Movement in Reserves Statement

This statement shows the movement during the year on the different reserves held by the Chief Constable, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. All balances are held by the Police and Crime Commissioner and so there are no entries in the statement.

Movement in Reserves Statement 2012/13

	Police Fund	Earmarked Police Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	0	0	0	0	0	0	0
Movement in reserves during 2012/13							
Surplus or Deficit on Provision of Services		-	-	-	0	-	0
Other Comprehensive Income and Expenditure		-	-	-	0	-	0
Total Comprehensive Income and Expenditure	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations					0	-	0
					0	-	0
Net Increase / Decrease Before Transfers To Earmarked Reserves	0	0	0	0	0	0	0
Transfers to / from Earmarked Reserves			-	-	0	-	0
Increase / Decrease in Year	0	0	0	0	0	0	0
Balance at 31 March 2013 carried forward	0	0	0	0	0	0	0

Comprehensive Income and Expenditure Statement 2012/13

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. All transactions in 2012/13 are shown within the accounts of the Police and Crime Commissioner and so there are no entries in the statement. An analysis of the Police and Crime Commissioner's financial resources consumed at the request of the Chief Constable is set-out in Note 1 to the accounts below.

2011/12			Note	2012/13		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
-	-	0	Local policing	-	-	0
-	-	0	Dealing with the public	-	-	0
-	-	0	Criminal justice arrangements	-	-	0
-	-	0	Road policing	-	-	0
-	-	0	Specialist operations	-	-	0
-	-	0	Intelligence	-	-	0
-	-	0	Specialist investigations	-	-	0
-	-	0	Investigative support	-	-	0
-	-	0	National policing	-	-	0
-	-	0	Corporate and Democratic Core	-	-	0
-	-	0	Past Service Costs	-	-	0
-	-	0	Non-Distributed Costs	-	-	0
0	0	0	Cost of Services	0	0	0
		-	Other operating expenditure			-
		-	Financing and investment income and expenditure			-
		-	Taxation and non-specific grant income			-
		0	(Surplus) or Deficit on the Provision of Services			0
		-	Surplus or (deficit) on revaluation of Property, Plant and Equipment Assets			-
		-	Actuarial gains / (losses) on pension assets / liabilities			-
		0	Other Comprehensive Income and Expenditure			0
		0	Total Comprehensive Income and Expenditure			0

Balance Sheet 2012/13

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. All balances are held by the Police and Crime Commissioner and so there are no entries in the statement.

31 March Note 2012 £'000		31 March 2013 £'000
-	Property, Plant and Equipment:	-
-	Intangible Assets	-
-	Long Term Investments	-
-	Long Term Debtors	-
0	Long-Term Assets	0
-	Assets Held for Sale	-
-	Short-Term Investments	-
-	Inventories	-
-	Short-Term Debtors	-
-	Cash and Cash Equivalents	-
0	Current Assets	0
-	Short Term Creditors	-
-	Grants Receipts In Advance	-
-	Short Term Borrowing	-
-	Provision for Redundancy costs	-
-	Provisions for Accumulated Absences	-
0	Current Liabilities	0
-	Provisions	-
-	Long Term Borrowing	-
-	Other Long Term Liabilities	-
0	Long Term Liabilities	0
0	Net Assets	0
-	Usable Reserves	-
-	Unusable Reserves	-
0	Total Reserves	0

* The formal signed version of this balance sheet is held by the Chief Finance Officer.

Cash Flow Statement 2012/13

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.

2011/12	Note	2012/13
£'000		£'000
-	Net Surplus or Deficit on the Provision of Services	-
-	Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements	-
-	Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing and financing activities	-
0	Net cash flows from Operating Activities	0
-	Investing Activities	-
-	Financing Activities	-
0	Net increase or decrease in cash and cash equivalents	0
-	Cash and cash equivalents at the beginning of the reporting period	-
0	Cash and cash equivalents at the end of the reporting period	0

Note 1 – PCC Financial Resources Consumed at the Request of the Chief Constable

As set-out in the Explanatory Forward, whilst the Chief Constable has day to day control over most of the Police and Crime Commissioner's assets, daily direction and control over all police officers and a great majority of police staff, the level of financial and strategic control held by the Police and Crime Commissioner means that on balance, transactions, benefits and liabilities sit within the accounts of the Police and Crime Commissioner and there are no transactions or balances within the Chief Constable's accounts. We consider this to be in line with IAS 18 – Revenue Recognition. In particular:

- Assets, officers and staff are employed in delivery of the Police and Crime Commissioner's Police and Crime plan through which the Police and Crime Commissioner sets the strategic direction of the Constabulary.
- The Police and Crime Commissioner has control of all income and therefore ultimately the levels of officers and staff employed.
- The Police and Crime Commissioner has control of the funding to purchase and receives all income from the disposal of all non-current assets.
- The Police and Crime Commissioner holds the Police Fund and agrees the Chief Constable's delegated budget determining the resource envelope in which he operates under the Police and Crime Commissioner's Scheme of Governance. The budget is funded from income received by the Police and Crime Commissioner, with any under or overspend falling to him. An explanation of spend during the year against this budget is set-out in the Explanatory Forward.
- The financial relationship between the Police and Crime Commissioner and the Chief Constable is determined by the scheme of delegation and financial regulations. As such all transactions are undertaken in the Police and Crime Commissioner's name.

The table below shows the accounting cost in the year to the Police and Crime Commissioner of financial resources consumed at the request of the Chief Constable in providing policing services. The figures shown are in accordance with generally accepted accounting practices and so differ from the Chief Constable's delegated budget, which does not include transactions that are not chargeable against precept (e.g. capital charges and IAS19 pension transactions).

	2012/13 £'000
Local policing	90,054
Dealing with the public	17,076
Criminal justice arrangements	17,758
Road policing	12,435
Specialist operations	12,312
Intelligence	11,498
Investigations	49,919
Investigative support	8,213
National policing	3,348
Total Financial Resources Consumed at the Request of the Chief Constable	222,613

CHIEF CONSTABLE OF HERTFORDSHIRE CONSTABULARY ANNUAL GOVERNANCE STATEMENT 2012/13

1. Scope of responsibilities

The Chief Constable (CC) of Hertfordshire is responsible for maintaining the Queen's peace and has direction and control over officers and staff of Hertfordshire Constabulary. He holds office under the Crown and is appointed by the Police and Crime Commissioner (PCC) for Hertfordshire.

The CC is accountable in law for the exercise of police powers and to the PCC for the delivery of efficient and effective policing and for the management of resources and expenditure by the Constabulary. In discharging his responsibilities the CC is responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control.

The CC has a Chief Financial Officer who under the Police Reform and Social Responsibility Act 2011 is responsible for the proper financial administration of the Constabulary.

Since the election of the PCC in November 2012, the CC as a standalone legal entity is required to produce an Annual Governance Statement. This Annual Governance statement reflects both the governance framework in place until 22 November 2012 when the Police Authority was replaced by the PCC and the new governance arrangements that were put in place for the PCC until 31 March 2013, and up to the date of signing of this document.

2. The Purpose of the Governance Framework

This statement has been prepared for the 2012/13 financial year, to state the current governance arrangements, to report on the effectiveness of the governance arrangements throughout the year and to outline future actions to enhance the governance arrangement.

The governance framework was refreshed for the appointment of the PCC and this has resulted in a Scheme of Corporate Governance for the PCC and the CC, which is available on the PCC's website. The scheme comprises the systems and processes, and culture and values, by which the PCC and his office and the CC and his office are directed and controlled, and the activities through which they account to and engage with the community.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the PCC's policies, aims and objectives, and therefore to the CC's aims and objectives and to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. Governance Framework

Due to the introduction of the Police Reform and Social Responsibility Act 2011, governance arrangements have changed significantly in this reporting period. In November 2012 the Police Authority was replaced by the elected PCC for Hertfordshire. The CC is accountable to the PCC.

The governance framework includes:

- A Scheme of Delegation which sets out how the PCC delegates responsibility to the CC
- Financial Regulations
- Risk Management and Business Continuity arrangements
- A Treasury Management Policy
- A Gifts Loans and Sponsorship Policy
- Contract Standing Orders
- Anti – Fraud and Anti – Bribery policies

The governance framework has been developed in line with the Police Reform and Social Responsibility Act 2011, the Policing Protocol Order 2011, the Home Office Financial Management Code of Practice (FMCP) and existing guidance on financial and governance matters that continue to apply such as the CIPFA/SOLACE framework. The Chief Executive of the PCC's office has provided assurance that the scheme of governance works within the seven principles of public life:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership.

Compliance

The Police Authority had a Standards Committee which was responsible for promoting and maintaining high standards of conduct by Members of the Authority. Members worked to a Forward Plan that was agreed by the Police Authority. The Authority had a Transition Programme Board that oversaw the transition to an elected PCC for Hertfordshire. This transition was also subject to Her Majesty's Inspector of Constabulary's review where Hertfordshire was judged to have sound transition plans and Members provided continuity through the transition period.

The Constabulary has introduced a Strategic Performance Board to review performance and consider standards issues.

Audit Committee

The Police Authority's Audit Committee met to:

- undertake an annual review of the Authority's system of internal audit
- review progress and matters arising from the work of internal and external audit, including the external auditor's Annual Audit Letter
- review and endorse the Annual Governance Statement (AGS)
- consider the progress in completing the annual Statement of Accounts by the statutory deadline
- review the Authority's risk management arrangements, including action taken on risk-related issues identified by auditors
- review the Treasury Management performance

Following the election of the PCC an interim Audit Committee was convened to review progress in delivering the work of Internal and External Audit. Appointments were then made to a permanent Audit Committee for the PCC and CC. This committee met for the first time in April 2013.

The permanent Audit Committee for the PCC and CC will:

- Support the PCC CC and statutory officers in ensuring that effective governance is in place and functioning efficiently and effectively, and making any recommendations for improvement.
- Monitor the effective development and operation of risk management processes and make recommendations, as appropriate.
- Review any issue referred to it by the statutory officers of the PCC CC in relation to corporate governance, risk management or assurance and make recommendations, as appropriate.
- Consider and approve the PCC's and the CC's Governance Statements and Statements of Accounts, including the PCC's group accounts.
- Receive and scrutinise performance reports on treasury management and to ensure effective scrutiny of the treasury management strategy and policies.
- Undertake an annual review of the PCC's and the CC's system of internal audit.
- Review and endorse the strategy and plans of internal and external audit.
- Review progress and matters arising from the work of internal and external audit, including the external auditor's Annual Governance Report and Audit letters.
- Monitor management action in response to the work of internal and external audit and make recommendations as appropriate.

Scrutiny and Monitoring of Performance

The Authority monitored performance against key indicators for the first portion of the year with staff and lead members reviewing key performance data on a monthly basis. This role then fell to the Strategic Performance Board which is attended by the PCC.

The Constabulary has a strong performance management culture in place resulting from a control framework that includes the following

- A weekly Chief Officers group (COG) where policies are set and strategic issues facing the Constabulary discussed and actioned
- A wider Chief Officer group (wider COG) including the Head of the Local Policing Command (LPC) and the Heads of the larger Corporate departments
- A daily Management meeting chaired by the Chief Superintendent, LPC who leads on daily performance issues and critical incidents.
- A Senior Managers Meeting, which includes all managers down to Chief Inspector and their Police Staff equivalent
- A Monthly Performance Management Board which is attended by an Assistant Chief Constable and scrutinises performance in detail
- Strategic Performance Board (SPB) meetings held monthly whereby Chief Officers, the Local Policing Command (LPC) Commander and Departmental Heads monitor performance against the annual plan, tasking corrective action when required.
- Force Tasking and Co-ordinating (T&C) meetings every 28 days with LPC T&C meetings taking place every two weeks to review operational priorities and task resources

- The LPC's 28 day Operation Performance Review to review performance issues surrounding local policing.

There are strong processes in place to ensure that the Policing Priorities were translated into individual performance management objectives. This applies equally to collaboration projects. The Constabulary uses its own Performance Development Review (PDR) system, to monitor both Police Officer and Police Staff performance, against individual objectives and behavioural competencies. The PDR system seeks to identify development needs of officers and staff. The Constabulary produces an annual Workforce Plan which sets out objectives and activity in relation to numbers, skills and mix required to deliver in line with its vision, purpose and values.

Risk Management

The Constabulary has a well developed risk management process, which is managed using a bespoke software system. The system sends reminders to risk owners to ensure that risks are reviewed regularly and at least on a quarterly basis. Corporate risks are reviewed by Corporate Services Senior Management Team on a monthly basis and escalated to Chief Officers as appropriate. Every six months a report is taken to the Audit Committee on changes to the Constabulary's Risk Register.

Compliance with the law

The Constabulary has an established Legal Services Department in place that provides a comprehensive legal advice service to officers and staff within the Constabulary. It has processes in place to identify and review changes in legislation and act appropriately. It has a dedicated Learning and Development department in place that ensures appropriate training is provided when needed to comply with new legislative requirements.

Confidential Reporting

The Constabulary has a joint Professional Standards Department (PSD) with Bedfordshire and Cambridgeshire, whose aims include the preventing and detecting of unethical behaviour, dishonesty and corruption in order to provide an enhanced quality of service and reassurance to the public. The Constabulary had an Anti-Fraud and Corruption Policy in place that has been published to all staff, this was replaced with an Anti-Fraud and Anti- Bribery policy when policies were refreshed for the PCC. There was a programme to cascade this change to all officers and staff.

PSD's internal website gives a range of methods that employees may use to contact them, including options for confidential and anonymous reporting. All allegations made are investigated by PSD or the Independent Police Complaints Commission.

Complaints Procedure

Complaints from members of the public can be made at any police station, in writing to the Professional Standards Department, electronically via the Constabulary's website or via a gateway organisation. Alternatively complaints may be addressed to the Independent Police Complaints Commission.

There is a Public Complaints Team that forms part of the Professional Standards Department. This team investigates those complaints made by members of the public that have been evaluated as sufficiently serious to warrant a formal investigation or where local resolution has not resolved the complaint.

Where a complaint means that corrective action to policy or procedures is required the Professional Standards Department take the lead on this and action is taken in a speedy and appropriate manner.

Communication and Quality of Service

Members of the public and local partners were consulted on the production of the Policing Plan, which was then adopted by the PCC.

The Constabulary continually carry out surveying of customer satisfaction. Service users are contacted on a sample basis and asked for their opinion of the service that they have just received.

The Constabulary produces a monthly newspaper: Herts Beat which is circulated electronically to all officers and staff of the Constabulary.

Partnerships

During 2012/13 the Constabulary worked in partnership with the Eastern Region, Bedfordshire Police Force, Cambridgeshire Constabulary and Hertfordshire County Council covering primarily community safety and protective services. In addition the Constabulary were part of the Chiltern Transport Consortium. During the year the air support transferred from the Chiltern Air Support Consortium to the National Police Air Service hosted by West Yorkshire.

There are strong governance arrangements to support the collaborative working and these include designated senior officers (ACPO) level to work on the projects and to oversee the Joint Protective Services command covering Hertfordshire, Bedfordshire and Cambridgeshire. These governance arrangements are subject to on-going review in the light of the developments in our approach to collaboration.

In June 2012, the Constabulary and Hertfordshire County Council launched a joint County Community Safety Unit. This brought together professionals from the police and the county council's former Crime and Drugs Strategy unit (CDSU).

4. Review of Effectiveness

The CC has the responsibility for conducting, at least annually, a review of the effectiveness of the governance framework for his office, including the system of internal control.

This review is informed internal audit and senior officers within the Constabulary who have produced departmental assurance statements to support this review and the Constabulary as a whole has produced an overall assurance statement.

Internal audit has drafted this Annual Governance Statement making use of these reviews and with the involvement of the CC, the Chief Financial Officer to the CC, the Head of Finance, the Force Solicitor, the Director of Performance and other senior officers. The results of this review have also been discussed by the Senior Officers in the Office of the PCC and Senior Officers of the Constabulary.

External Audit

The external auditors issued the following reports during the year:

- Annual Governance Report
- Opinion on financial statements
- Annual audit letter.

The key matters that the Audit Commission reported were that Hertfordshire had

- were given an unqualified opinion on their accounts
- had an adequate internal control environment
- had an unqualified value for money conclusion.

HMIC

HMIC reports that Hertfordshire has made good progress in achieving the savings required by the 2010 spending review. It has made savings from internal reviews and collaboration with Bedfordshire and Cambridgeshire and are in a good position to meet their spending targets. The Constabulary are reducing the numbers of staff and officers employed while protecting front line services.

Hertfordshire Constabulary has made significant progress since 2010 in the way it understands and tackles anti-social behaviour (ASB) problems. The force has introduced a new IT system for managing longer term ASB issues, which is being used by both the police and partners (such as local councils and housing associations). This is helping the force to respond more effectively, in line with the victims' needs.

Internal Audit

Internal audit provided an independent opinion on the adequacy and effectiveness of the Constabulary's system of internal control, including in particular:

- Internal audit gave either full or substantial assurance on the operation of controls to mitigate the risks in the operation of the key financial systems in Hertfordshire
- Internal audit gave moderate assurance on the operation of controls to mitigate risks in non-financial systems.

Where appropriate, Internal Audit have made recommendations to improve internal control arrangements.

The Internal Audit Service is provided by the Shared Internal Audit Service (SIAS). SIAS has recently conducted a review of its compliance with the Public Sector Internal Audit Standard (PSIAS) effective from 1 April 2013 and determined that the standard is met with no significant exemptions.

Other Sources of Assurance on Governance Came from:

- Risk Management where risks were managed to acceptable levels and reported to the Audit Committee and Police Authority
- The Professional Standards Department who comply with National Guidelines for their operation, in the year their investigations results in one criminal prosecution.
- The Chief Financial Officer confirmed that the scope and resources for internal audit were subject to no inappropriate limitations.

Follow up of actions raised in previous Annual Governance Statements:

- During the year to 22 November 2012, Hertfordshire Police Authority worked positively on the transition arrangements for elected Police and Crime

Commissioners and ensured that this did not present a risk to the governance arrangements

- Hertfordshire Constabulary continued to work collaboratively and work on internal change programmes to deliver of savings whilst maintaining high performing and quality services. The risks of these programmes were appropriately managed
- Work continued to complete the action plan to implement Management of Police Information Requirements.

Conclusion

Internal Audit has co-ordinated the review which has led to this Annual Governance Statement. Assistance has been received from senior officers in the Constabulary.

The CC and his Chief Financial Officer have been advised on the implications of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system of internal control is in place.

Significant Governance Issues and Opportunities To Improve

The governance arrangements have changed significantly since the last reporting period and these will need to be further embedded. In addition, consideration should be given to whether a code of governance would add to the clarity of the governance arrangements.

The Constabulary has to make significant savings over the coming years in line with the Medium Term Financial Plan. These savings have to be delivered whilst maintaining an efficient and effective police service. The approach to collaboration has been revised and in the light of this development in strategic direction there will be a need to review the governance arrangements with regard to taking forward collaborative and commercial partnerships.

As part of the transition to PCCs there is a requirement to draw up plans for the Stage 2 transfer of Police Staff to be implemented by March 2014, defining which staff and functions will be employed by either the Chief Constable or PCC. These arrangements will need to be reflected in a revised governance framework.

The security of mobile devices presents a risk to the Constabulary and work will continue to be undertaken throughout the coming year to ensure that the risks are adequately managed.

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

Signed

*

Andy Adams
Deputy Chief Constable for Hertfordshire

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James Hurley
Chief Financial Officer

* The formal signed version of this statement is held by the Chief Finance Officer.

GLOSSARY OF TERMS

Accounting Policies

Those principles, bases, conventions, rules and practices applied by the Policing Body, 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.

Budget

A statement of the Policing Body'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 Policing Body 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.

Debtors

Amounts owed to the Policing Body which are collectable or outstanding at 31st March.

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 Policing Body in return for past or future compliance with certain conditions relating to the activities of the Policing Body.

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 Policing Body. 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.

Police Grant

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

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.

Reserves

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

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.