



HERTFORDSHIRE

CONSTABULARY

Statement of Accounts

2014/15

**The Chief Constable of
Hertfordshire
Constabulary**

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EXPLANATORY FORWARD

Introduction

The financial year 2014/15 was the first year following the Stage 2 transfer under the governance arrangements introduced by the Police Reform and Social Responsibility Act 2011, whereby elected local policing bodies, in the form of police and crime commissioners, replaced the previous police authorities. Stage 2 built upon the initial transfer of all employees, assets and liabilities of the former Hertfordshire Police Authority to the Police and Crime Commissioner for Hertfordshire and his subsequent delegation of powers to the Chief Constable to act on his behalf. Key to Stage 2 is the transfer of the employment of staff under the direction and control of the Chief Constable to his employment and his ability to enter into transactions in his own name, within limits consented by the Police and Crime Commission.

The 2011 Act introduced two corporations sole, the Police and Crime Commissioner (PCC) and the Chief Constable. The two corporations sole are both schedule 2 bodies under the 1998 Audit Commission Act 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 Chief Constable of Hertfordshire. A statement of accounts for the Group / PCC of Hertfordshire is published as a separate document.

2014/15 also saw a continued move to wider collaboration through working with Bedfordshire Police and Cambridgeshire Constabulary, with agreement being reached to develop further collaborated units in the areas of Operational Support (Public Contact, Criminal Justice and Custody) and Organisation Support (ICT, HR, Finance etc) functions as part of a wider savings plan aimed at achieving savings of circa £10.3m for Hertfordshire over the next four years. Full details of Hertfordshire's financial transactions with Bedfordshire Police and Cambridgeshire Constabulary are set out in note 24 below.

The Stage 2 transfer was accompanied by the introduction of a revised scheme of financial governance that not only reflects the evolving financial relationship between the PCC and the Chief Constable but is also a single Bedfordshire, Cambridgeshire & Hertfordshire (BCH) document adopted by all three forces, enabling commonality of processes and procedures.

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 for 2014/15 the PCC, who sets the budget for policing within the county, set a budget requirement of £185.805m. Details of how this budget was spent during the year are set-out in the section Review of the Financial Year below.

The PCC and Chief Constable work hard together to ensure the delivery of policing services that represent good value for money and that the financial position remains strong during the current challenging economic conditions. In the light of the continuing reduction in grant funding over the medium-term, additional financial management controls have been put in place so as to reduce planned spending to a level that is sustainable in future years. The Chief Constable has a successful record of delivering 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 anticipated in the government's Autumn Spending Review post the 2015 general election.

The Accounting Statements

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 2014 to 31st March 2015 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.

These local documents 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. As such the Accounts of the PCC contain not only the direct costs of his Office but also 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 and so his Accounts contain the direct cost of employment and other related costs and balances associated with these staff.

Further details of the approach taken this year are set out below in Note to the Accounts Number 3 – ‘Critical Judgements in Applying Accounting Policies’

As set-out above, 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 current service pension costs relating to police staff employed by the PCC from the Chief Constable’s Accounts.

These accounts include an analysis of the Chief Constable’s financial affairs and the financial position at 31 March 2015. They 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 **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.
- c) 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 net cost of services has been paid for from an intra-entity transfer from the Police and Crime Commissioner.

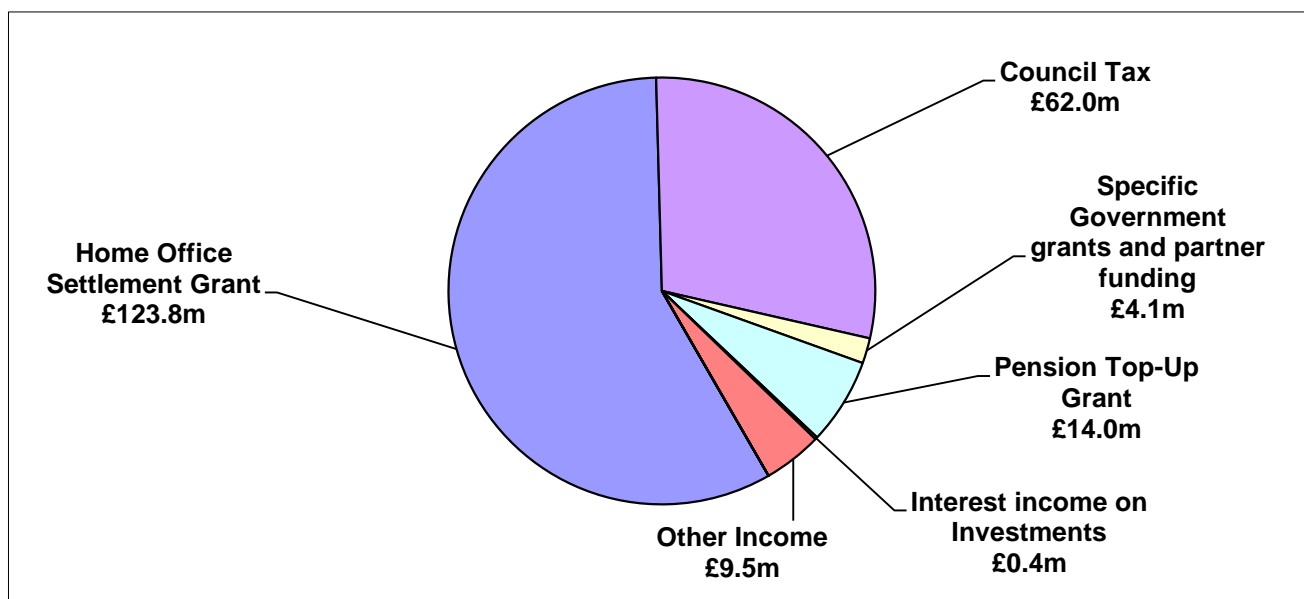
- d) The **Balance Sheet**, which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable.
- e) The **Cash Flow Statement**, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- f) **Notes to the Accounts**, these comprise a detailed analysis of the summarised financial information in the Core Financial Statements. These also set out the accounting policies adopted by the Chief Constable, which explain the basis on which the financial transactions are presented.
- g) The **Annual Governance Statement** – The statement sets out the results of the annual review of governance and internal controls within the Office of the Chief Constable. The statement reports on any significant weaknesses and the actions undertaken to rectify these.
- h) **Police Officer Pension Fund Account** - This identifies the payments in and out of the Police Officers Pension Fund Account for the year.

Review of the Financial Year 2014/15

Where the Money Comes From

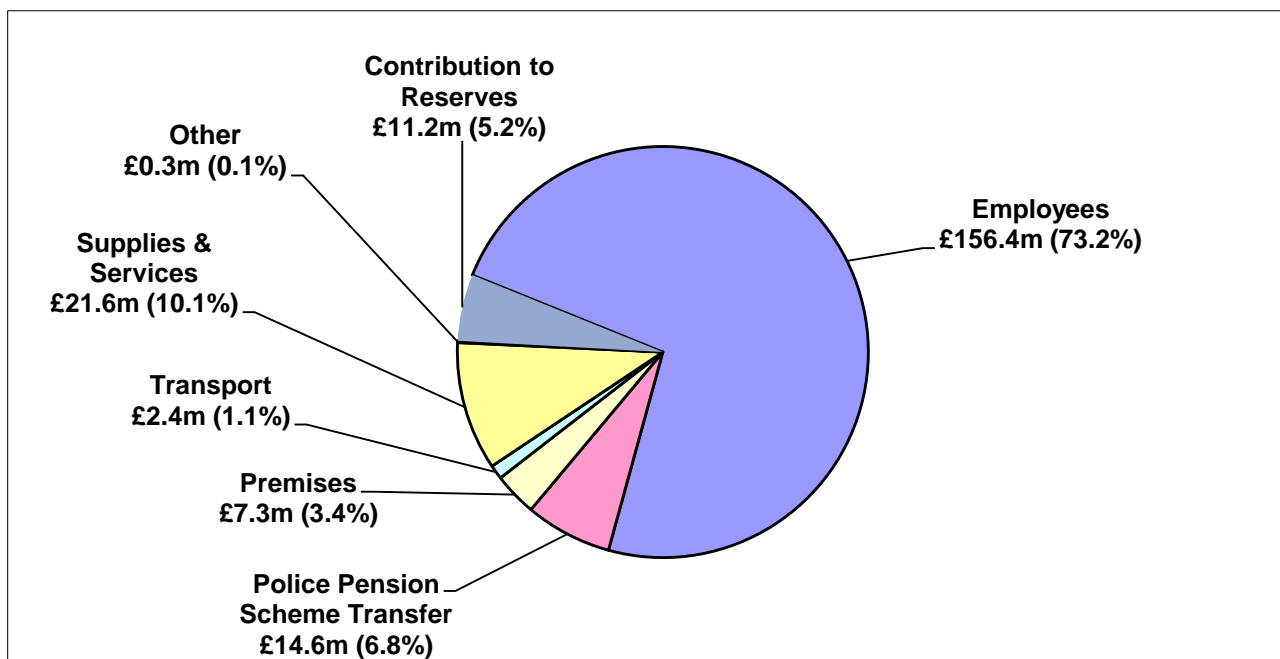
Where the Money Comes From

Net expenditure incurred by the Chief Constable is funded by the PCC via an intra-entity transfer details of which are set-out in note 11 below. The graph below shows an analysis of the PCC's key sources of revenue income during 2014/15. Home Office Settlement grant paid to the PCC by central government accounted for 58% of all gross income. This central government grant plus income raised by Council Tax forms the PCC's budget requirement for 2014/15 of £185.805m.



What the Money is Spent On

The graph below shows an analysis of the Group's revenue expenditure during 2014/15 of which employee costs represent the greatest component.



Revenue Spending

The PCC set the net revenue budget for the year at £185.880m, consisting of the £185.805m budget requirement plus £0.075m carried forward from 2013/14. Total net expenditure against this budget generated an underspend of £8.966m as the Chief Constable proactively drove out efficiencies due to the continuing need to reduce spending to a level that is sustainable in future years, support the early achievement of the 2015/16 Savings Programme as well as maximise reserves to support the phased implementation of savings. The balance of the underspend was transferred to earmarked reserves which stood at £42.452m at 31st March 2015, leaving a Police Fund balance of £5.450m representing the minimum prudent level of reserves. (See note 9 of the Group / PCC Statement of Accounts published separately for details of useable reserves) It is currently anticipated that around £21.6m of these earmarked reserves will be used to support base budget expenditure over the medium term.

The £8.966m revenue underspend needs to be seen in the context of the financial challenge faced by the force with an estimated budget gap of £25.4m for the period 2015/16 to 2018/19 at the time of setting the 2015/16 budget in February 2015. 2014/15 was the final 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. To meet this significant financial challenge, savings of £7.097m were made in setting the 2014/15 budget in addition to the £27.936m of savings achieved in the first three years of the spending round. Given this challenging environment, measures were continued throughout 2014/15 targeted at driving down spend including restrictions on recruitment for non-operational police staff which contributed significantly to the underspend position as did a continued review and reduction across the full range of non-pay expenditure. The main areas of underspend are set out below:

Police Officer Pay and Overtime – The Chief Constable continued to actively recruit police officers during the year, holding five recruitment intakes generating 103 FTE new recruits. 100 FTE Officers were lost through turnover meaning that overall that police officer numbers remained

relatively stable throughout 2014/15 with actual establishment finishing the year at 1,920 FTE. Average actual police officer numbers were 42 FTE below budget and contribute to an overall Police Officer Pay and Overtime underspend of £3.032m. The Chief Constable plans to recruit police officers above establishment over the medium term funded from the Operational Capability Reserve of £3.000m.

Police Staff Pay and Overtime - During 2014/15 the force continued to restrict recruitment to vacancies in non-operational roles to support the savings programme and ensure redundancies and their associated costs were minimised. Turnover for the year was 12.9% which contributed to a £2.592m underspend.

Non-Pay – In support of the savings programme for 2015/16 and in order to minimise the impact on police officers, the Chief Constable continues to focus on driving out non-pay savings during the year. As a result of this £2.3m of budget was removed in setting the 2015/16 budget through ensuring that future budget resource levels are aligned with capability to spend. This has been achieved through close scrutiny of non-pay budgets. The most significant areas of underspend include in year savings (£1.355m), ICT (£0.407m), Estates (£1.103m), transport related costs (£0.261m) and Change Management Costs (£0.805m). Additional income of £0.932m was generated by the Camera Tickets and Collision department and £0.475m of income received from other forces in Mutual Aid.

Capital Spending

All capital expenditure (spend incurred on physical and intangible assets with a useful life of more than one year), is accounted for within the Accounts of the Group / PCC.

Investments

The Chief Constable does not have a bank account or hold investments. Full disclosure on investments held by the PCC is made within the Group/PCC Accounts.

Borrowing

The Chief Constable is unable by law to incur long term debt and consequently does not have any borrowing. Full disclosure of debt held by the PCC is made within the Group/PCC Accounts.

At 31st March 2015, the PCC had outstanding loans of £18.000m.

Disclosed Pensions Assets or Liabilities

The Chief Constable'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. 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 one of the two national Police Pension Schemes - these are unfunded defined benefit final salary schemes administered by the Chief Constable in collaboration with Bedfordshire Police. Unfunded means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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 Chief Constables' revenue expenditure funded by the Police and Crime Commissioner and ultimately from taxation.

The Chief Constable's liability is currently limited to employer contributions of 24.2% 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 66

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 £1,712.261m as at 31st March 2015 (£1,466.308m at as 31st March 2014). This increase in pension liability is predominantly due to the re-measurement of the net-liability resulting from a decrease in the discount rate applied by actuaries, which for the Police Pension Fund fell from 4.4% in 2013/14 to 3.3% in 2014/15. 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 30 gives further details.

Balance Sheet

The balance sheet shows the net worth of the Chief Constable at 31st March 2015 is -£1,714.801m consisting of Pension Reserves of -£1,712.261m and Other Unusable Reserves -£2.540m.

Material Events after the Reporting Date

No material events have been identified after the reporting date.

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

James Hurley CPFA*
Chief Finance Officer to the Chief Constable of Hertfordshire
September 2015

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

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 2015.

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

Signed*

Date 24th September 2015

Temporary Deputy Chief Constable Michelle Dunn on behalf of Chief Constable Andy Bliss

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

The Chief Finance Officer is responsible for the preparation of the Chief Constable's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code)

In preparing this Statement of Accounts, the Chief Finance 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 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 2014.

Signed*

Date 24th September 2015

James Hurley CPFA – Chief Finance Officer

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

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF HERTFORDSHIRE

Opinion on the Chief Constable for Hertfordshire financial statements

We have audited the financial statements of the Chief Constable of Hertfordshire for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Chief Constable of Hertfordshire Movement in Reserves Statement, the Chief Constable of Hertfordshire Comprehensive Income and Expenditure Statement, the Chief Constable of Hertfordshire Balance Sheet, the Chief Constable of Hertfordshire Cash Flow Statement, the Chief Constable for Hertfordshire Police Pension Scheme Fund Accounts and the related notes 1 to 38 and Police Pension Scheme Fund Accounts Notes P1 to P6. 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 2014/15.

This report is made solely to the Chief Constable of Hertfordshire 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 of 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 Responsibilities for the Statement of Accounts set out on page 11, 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 2014/15, 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 of Hertfordshire 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 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 of Hertfordshire as at 31 March 2015 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 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 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 comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- 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 Chief Constable 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's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Chief Constable and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Chief Constable of Hertfordshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

Neil Harris*
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
Date:

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

Movement in Reserves Statement 2014/15

This statement shows the movement in the 2013/14 and 2014/15 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	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000
Balance at 31 March 2013	0	0	-1,496,231	-1,496,231
Movement in reserves during 2013/14				
Surplus or Deficit on Provision of Services	-79,607	-79,607	-	-79,607
Other Comprehensive Income and Expenditure	0	0	107,028	107,028
Total Comprehensive Income and Expenditure	-79,607	-79,607	107,028	27,421
Adjustments between accounting basis and funding basis under regulations	79,607*	79,607	-79,607	0
Increase / Decrease in Year	0	0	27,421	27,421
Balance at 31 March 2014 carried forward	0	0	-1,468,810	-1,468,810
Movement in reserves during 2014/15				
Surplus or Deficit on Provision of Services	-68,435	-68,435	-	-68,435
Other Comprehensive Income and Expenditure	-	-	-177,556	-177,556
Total Comprehensive Income and Expenditure	-68,435	-68,435	-177,556	-245,991
Adjustments between accounting basis and funding basis under regulations	68,435	68,435	-68,435	0
Increase / Decrease in Year	0	0	-245,991	-245,991
Balance at 31 March 2015 carried forward	0	0	-1,714,801	-1,714,801

* See 8

Comprehensive Income and Expenditure Statement 2014/15

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.

Gross Expenditure £'000	2013/14		Note	Gross Expenditure £'000	2014/15		
	Gross Income £'000	Net Expenditure £'000			Gross Income £'000	Net Expenditure £'000	
82,818	-2,404	80,414		Local policing	78,797	-2,965	75,832
16,544	-288	16,256		Dealing with the public	16,647	-331	16,316
16,230	-869	15,361		Criminal justice arrangements	16,103	-846	15,257
12,491	-2,246	10,245		Road policing	11,026	-2,769	8,257
11,122	-807	10,315		Specialist operations	10,126	-627	9,499
12,498	-531	11,967		Intelligence	12,786	-1,017	11,769
48,084	-772	47,312		Specialist investigations	46,655	-2,073	44,582
8,746	-89	8,657		Investigative support	6,039	-87	5,952
2,599	-1,536	1,063		National policing	2,533	-1,497	1,036
234	-	234	9	Corporate and Democratic Core	229	-4	225
448	-	448		Non-Distributed Costs	-26	-	-26
211,814	-9,542	202,272		Cost of Services	200,915	-12,216	188,699
		64,669	10	Financing and investment income and expenditure			64,542
		-187,334	11	Police and Crime Commissioner funding for financial resources consumed			-184,806
		79,607		(Surplus) or Deficit on the Provision of Services			68,435
		-107,028	30	Re-measurement of the net defined benefit liability			177,556
		-107,028		Other Comprehensive Income and Expenditure			177,556
		-27,421		Total Comprehensive Income and Expenditure			245,991

Balance Sheet 2014/15

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 2014	Note		31 March 2015
£'000			£'000
189	12	Inventories	176
12,037	13	Short-Term Debtors	17,038
2,985	14	Intra-Entity Debtor	-
15,211		Current Assets	17,214
-12,294	15	Short-Term Creditors	-12,871
-1,985	16	Provision for Redundancy costs	-
-2,502	17	Provisions for Accumulated Absences	-2,540
-	14	Intra-Entity Creditor	-3,300
-16,781		Current Liabilities	-18,711
-932	16	Provisions	-1,043
-1,466,308	17,30	Other-Long Term Liabilities	-1,712,261
-1,467,240		Long-Term Liabilities	-1,713,304
-1,468,810		Net Assets	-1,714,801
-1,468,810	17	Unusable Reserves	-1,714,801
-1,468,810		Total Reserves	-1,714,801

The unaudited accounts were issued on 30th June 2015 and the audited accounts were authorised for issue on 24th September 2015

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

Cash Flow Statement 2014/15

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.

2013/14 £'000	Note		2014/15 £'000
-79,607		Net Surplus or Deficit on the Provision of Services	-68,435
79,607	20	Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements	68,435
-		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
0		Cash and cash equivalents at the beginning of the reporting period	0
0		Cash and cash equivalents at the end of the reporting period	0

Notes to the Statements of Accounts 2014/15

1 Accounting Policies

i. 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 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice (SeRCOP) 2014/15, which are both published by the Chartered Institute of Public Finance and Accountancy, 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.

ii. 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, creditors and inventories relating to the provision of policing services. In particular:

- Revenue from the provision of goods or services is recognised at the date on which they are provided.
- Supplies and services (including services provided by employees) are recorded as expenditure when they are consumed or the services are received. Where there is a gap between the date supplies are received and their consumption, significant balances are carried as inventories on the Balance Sheet.
- 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.

iii. Capital Expenditure

All capital expenditure is recorded within the PCC's accounts.

iv. Capital Receipts

All capital receipts are recorded within the PCC's accounts.

v. 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. Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in periods of three months or less from the date of acquisition that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of cash management.

vi. Charges to Revenue for Non-Current Assets

All capital charges relating to the accounting for non-current assets are recorded within the PCC's accounts.

vii. Contingent Assets

A contingent asset arises where an event has taken place that gives the Chief Constable a possible asset 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 assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. The Chief Constable had no contingent assets at 31 March 2015.

viii. Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. Details of the Chief Constable's had no contingent liabilities at 31 March 2015 are set out in note 28.

ix. Disposals and Non-current Assets Held for Sale

All non-current assets and all transactions related to their disposals are recorded within the PCC's accounts.

x. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as 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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate a member of police staff's employment before the normal retirement date or a member of police staff's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Chief Constable is demonstrably committed to the termination of the employment.

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

Post-Employment Benefits

The Chief Constable participates in three 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 two schemes for police officers; - The original Police Pension scheme which closed to new members on the 31st March 2006 and the New Police Pension scheme which was introduced from 1st April 2006. These are unfunded defined benefit final salary schemes and are both charged to the Police Fund based upon an employer's contribution rate of 24.2% 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. 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 which they must repay the amount 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:

- 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.
- 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.
- 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
 - Unlisted securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into seven components:
 - a) 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.
 - b) 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
 - c) 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
 - d) 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

- e) 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
- f) 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.
- g) 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 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 of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme or Police Pension Schemes.

xi. Events After the Balance Sheet Date

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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

xii. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Chief Constable's financial performance.

Material adjustments applicable to prior years arising from changes in accounting policy or correction of fundamental errors are accounted for by restating comparative figures for the preceding year in the Statement of Accounts and notes and adjusting the opening balances of reserves for the cumulative effect. More details are given in the individual financial statements and disclosure notes where these occur.

The Chief Constable is no longer permitted to present any item of income or expenditure as an extraordinary item.

xiii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Chief Constable becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Chief Constable has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets - assets that have a quoted market price and / or do not have fixed or determinable payments. The Chief Constable has not invested in any such assets during the financial year.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Chief Constable becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xiv. Government Grants and Contributions

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.

xv. Intangible Assets

All intangible assets are recorded within the PCC's accounts.

xvi. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. In circumstances where inventories are acquired through a non-exchange transaction, their cost is determined at their fair value at the date of acquisition.

xvii. Investments

All investments are recorded within the PCC's accounts.

xviii. Leases

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 Constables 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 from the lessor to the lessee. All other leases are classified as operating leases. The Chief Constable neither holds, nor has granted, any finance leases.

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 Chief Constable as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased

property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. if there were a rent-free period at the commencement of the lease).

xix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15. (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of;

- Corporate and Democratic Core – costs relating to the PCC's status as a democratic organisation to which material overhead costs are discretely allocated.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of expenditure on continuing services.

xx. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies (see note 4 below) are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the PCC's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

xxi. Property, Plant and Equipment

All Property, Plant and Equipment non-current assets are recorded within the PCC's accounts.

xxii. Provisions

Provisions are made where an event has taken place that gives the Chief Constable a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Chief Constable may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to an appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Chief Constable becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received if the Chief Constable settles the obligation.

xxiii. Reserves

All useable reserves are held by the PCC and recorded within his accounts.

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.

xxiv. Revenue Recognition

The Chief Constable accounts for revenue recognition in accordance with International Accounting Standard 18. This applies to the accounting for revenue arising from the sale of goods, the rendering of services, interest, royalties, dividends and non-exchange transactions such as council tax where a creditor liability has previously been recognised.

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 only recognised when it is probable that the economic benefits of service potential associated with the transaction will flow to the Chief Constable. 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.

xxv. Segmental Reporting

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.

xxvi. 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.

xxvii. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Chief Constable in conjunction with other parties that involve the use of the assets and resources of the parties rather than the establishment of a separate entity. The Chief Constable recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs. 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 accounts for only its share of the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

2. Accounting Standards That Have Been Issued But Not Yet Adopted

For 2014/15 the following accounting standards have been issued but not yet adopted by CIPFA within the Code of Practice on Local Authority Accounting in the United Kingdom:

- IFRS 13 Fair Value Measurement (May 2011);
- Annual Improvements to IFRSs (2011 – 2013 Cycle)
- IFRIC 21 Levies.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, 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 2014/15 are:

- 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. In accordance with the principles of IAS 18 – Revenue Recognition and supported by: the Police Reform and Social Responsibility Act 2011 (Transitional Provision) Order 2013, confirming the legal status of the Chief Constable to apply Sections 21 and 22 of the Local Government Act 2003; and the LAAP bulletin 98A published by CIPFA in March 2014 established the view that the Chief Constable's accounts should contain transactions and balances relating to officers and staff under his direction and control; that expense, income and balances are allocated as set-out in the following table.

Group CI&E	
Chief Constable's CI&E	PCC's CI&E
Cost of Service	Cost of Service
<ul style="list-style-type: none"> - Employee Cost of Officers & Staff under the direction & control of the Chief Constable - Policing Service Non Pay Expenditure - IAS19 Current Cost Pension Charges - Accumulated Absences Accruals - Pension Fund Top-Up Payment - Income from Fees and Charges - Specific Grants relating policing services 	<ul style="list-style-type: none"> - OPCC Domestic Budget - Commissioning Spend - Support from Chief Constable Staff - IAS19 Current Cost Pension Charges - Capital Charges Depreciation & Impairment - Specific Grants relating to the PCC
Other Operating Expenditure	Other Operating Expenditure
	<ul style="list-style-type: none"> Surplus/Deficit on disposal of non-current assets - Pension Top-Up Grant Income

Financing & Investment
- IAS19 Pension Net Interest
Taxation and Non Specific Grants
Intra Entity Transfer
- Transfer of funding from the PCC

Financing & Investment
- IAS19 Pension Net Interest - Capital Financing and Interest on Balances
Taxation and Non Specific Grants
- Settlement Funding - Accounting for Council tax
Intra Entity Transfer
- 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
Net Assets
- Working Capital (CC Share) - Provisions - Accumulated Absences Liability - IAS19 Pensions Liability
Reserves
- Accumulated Absences Reserve - IAS19 Pensions Reserve

PCC's Balance Sheet
Net Assets
- Non-Current Assets - Working Capital (PCC Share) - Investments - Cash & Cash Equivalents - IAS19 Pensions Liability - Provisions - Long Term Borrowing
Reserves
- Revaluation 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 and so his Accounts contain the direct cost of employment as well as associated IAS19 transactions and balances associated with his staff.

As set-out above, 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.

- ii. Collaborative Activities - The Chief Constable participates in a wide range of joint activities with other forces. During 2014/15 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 notes 24 to 27 below. The Chief Constable deems these arrangements to be jointly co-controlled operations in accordance with the Code of Practice 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.
- iii. Leases – existing leases have been reviewed and a decision taken whether the leases are operating leases or finance leases. A conclusion has been made that all leases are operating leases. In addition, contractual arrangements are kept under review to ensure that there are none which have the substance of a lease. A judgement has been made that, other than actual lease agreements, there are no such contractual arrangements.
- iv. Possible future losses have been identified at year end and a judgement made where necessary whether or not they are to be accounted for as contingent liabilities or as provisions on the balance sheet.

4. Changes in Accounting Policies

Inclusion of IAS19 financial transactions and balances in the PCC Accounts

In 2013/14, on the basis of materiality and to avoid additional cost associated with disaggregation, the transactions and balances relating to IAS19 pensions for staff under the direction and control of the PCC were included within the Chief Constable's Accounts. Following the Stage 2 transfer on the 1st April 2014 of police staff under the direction and control of the Chief Constable to his employ, the IAS19 pension liabilities and transactions for police staff employed by the PCC are now shown exclusively within the accounts of the PCC and those employed by the Chief Constable within the accounts of the Chief Constable.

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 PCC with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £350m. However, the assumptions interact in complex ways.</p> <p>During 2014/15, the PCC's actuaries for the Local Government Pension Scheme advised that the net pension liability had increased by £28m as a result of estimates being corrected as a result of updating of the previous assumptions.</p>

6. Material Items of Income and Expense

The Chief Constable had no material items of income or expenditure that have not been disclosed on the face of the Comprehensive Income and Expenditure Statement.

7. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on the 24th September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. 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.

2013/14	Police Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement In 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 30)	-112,767	-	-	112,767
Employer's pensions contributions and direct payments to pensioners payable in the year	33,140	-	-	-33,140
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	20	-	-	-20
Total Adjustments	-79,607	0	0	79,607

2014/15	Police Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement In Unusable Reserves
	£'000	£'000	£'000	£'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 30)	-107,283	-	-	107,283
Employer's pensions contributions and direct payments to pensioners payable in the year	38,887	-	-	-38,887
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	-39	-	-	39
Total Adjustments	-68,435	0	0	68,435

9. Corporate and Democratic Core

Set-out below is a detailed analysis of the expenditure included within the Income and Expenditure Account under the above heading.

	2013/14 £'000	2014/15 £'000
External Audit Fees	20	20
Freedom of Information	78	78
Chief Finance Officer	136	131
Income	-	-4
Total Corporate and Democratic	234	225

10. Financing and Investment Income and Expenditure

	2013/14 £'000	2014/15 £'000
Net interest on the net defined liability	64,669	64,542
Total	64,669	64,542

11. Police and Crime Commissioner Funding for Resources Consumed

The Comprehensive Income and Expenditure 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 and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

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

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

	2013/14 £'000	2014/15 £'000
Cost Of Service	202,272	188,699
Pensions interest cost	64,669	64,542
Re-measurement of the net defined benefit liability	-107,028	177,556
CI&E Statement (Surplus) Deficit Pre PCC Funding	159,913	430,797
Items Removed through MIRS		
Pensions		
Opening Balance	1,493,709	1,466,308
Less Closing Balance	-1,466,308	-1,712,260
	27,401	-245,952
Accumulated Absences		
Opening Balance	2,522	2,502
Less Closing Balance	-2,502	-2,541
	20	-39
Police and Crime Commissioner Funding for Resources Consumed	187,334	184,806

12. Inventories

	Garage	Stationery	Fuel	Other	Total
	£'000	£'000	£'000	£'000	£'000
Balance 1 April 2013	34	72	44	67	217
Purchases (Restated)	759	33	1,591*	111	2,494
Recognised as an expense in the year	-763	-45	-1,583*	-131	-2,522
Balance 31st March 2014	30	60	52	47	189
Purchases	641	152	1,377	25	2,195
Recognised as an expense in the year	-641	-154	-1,393	-20	-2,208
Balance 31st March 2015	30	58	36	52	176

*Restated

13. Short-Term Debtors

The following table provides an analysis of money owed to the Chief Constable by debtors and identifies particular classes of bodies in the public sector:

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	1,951	7,897
Other Local Authorities	5,885	6,948
NHS bodies	25	-
Other entities and individuals	4,176	2,193
Total	12,037	17,038

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 2015 the bad debt provision was £0.198m (2013/14 £0.054m).

14. Intra-Entity Creditor / Debtor

	31 March 2014 £'000	31 March 2015 £'000
Inventories	-189	-176
Short Term Debtors	-12,037	-17,038
Short Term Creditors	12,294	12,871
Provision For Redundancy Costs	1,985	-
Provisions	932	1,043
Intra-Entity Debtor (-Creditor) to the CC	2,985	-3,300

15. Short-Term Creditors

The following table provides an analysis of money owed by the Chief Constable to creditors and identifies particular classes of bodies in the public sector:

	31 March 2014	31 March 2015
	£'000	£'000
Central Government bodies	-4,603	-3,625
Other local authorities	-4,677	-6,253
NHS bodies	-3	-
Other entities and individuals	-3,011	-2,993
Total	-12,294	-12,871

16. Provisions

Provisions are amounts set aside to meet future material liabilities of uncertain timing or amount at the end of the financial year. The provisions on the balance sheet at 31st March 2015 are set out in the following table:

	Legal and Claims Provision	Redundancy Provision	Total
	£'000	£'000	£'000
Balance at 1 April 2013	-813	-1,677	-2,490
Additional provisions made in 2013/14	-119	-1,383	-1,502
Amounts used in 2013/14	-	1,075	1,075
Balance at 31 March 2014	-932	-1,985	-2,917
Balance at 1 April 2014			
Additional provisions made in 2014/15	-524	-	-524
Amounts used in 2014/15	413	-	413
Credited to CI&E	-	1,985	1,985
Balance at 31 March 2015	-1,043	0	-1,043

The timing of the outflow from the provisions cannot be stated with accuracy due to general uncertainty in respect of the events which will give rise to expenditure against the provisions.

The detailed information in respect of each of the provisions is set out below;

Legal and Claims Provision

Description of the obligation and expected timing of any resulting outflows of economic benefits or service potential	Insurance and legal claims have been made against the Chief Constable in respect of past events up to 31 st March 2015
Uncertainties about the timing of outflows including assumptions on future events	The timing is influenced by the work of external insurance and legal professionals
Amounts of any expected reimbursements	None are expected

Termination Benefits Provision

The Constabulary has reviewed the need to make provision for termination benefits and has concluded that the current status of change programmes does not meet the criteria set out in the code and has therefore returned the provision back to the CI&E and used this balance to establish a redundancy reserve (see note 9 of the Group / PCC Statement of Accounts). This position will be reviewed as change programmes progress.

17. Unusable Reserves

	31 March 2014	31 March 2015
	£'000	£'000
Pensions Reserve	-1,466,308	-1,712,261
Accumulated Absences Account	-2,502	-2,540
Total Unusable Reserves	-1,468,810	-1,714,801

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.

	2013/14	2014/15
	£'000	£'000
Balance at 1 April	-1,493,709	-1,466,308
Actuarial gains or losses on pensions assets and liabilities	107,028	-177,556
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	-112,767	-107,284
Employer's pensions contributions and direct payments to pensioners payable in the year	33,140	38,887
Balance at 31 March	-1,466,308	-1,712,261

Accumulated Absences Account

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

	2013/14	2014/15
	£'000	£'000
Balance at 1 April	-2,522	-2,502
Settlement or cancellation of accrual made at the end of the preceding year	2,522	2,502
Amounts accrued at the end of the current year	-2,502	-2,540
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	20	-38
Balance at 31 March	-2,502	-2,540

18. Financial Instruments

A financial instrument is defined as “any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity”. In practice this means that financial instruments cover cash, debt, equity instruments, contractual debtors and creditors as well as complex instruments such as commodity contracts and derivatives.

The Chief Constable holds the following types of financial instruments;

- Financial liabilities held at amortised cost: trade and other payables, long term liabilities
- Financial assets classed as loans and receivables: trade and other receivables, bank deposits and investments

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

	Long Term		Current	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Debtors:				
Financial assets carried at contract amount	-	-	7,009	9,575
Total Debtors	0	0	7,009	9,575
Creditors:				
Financial liabilities carried at contract amount	-	-	-10,549	-11,955
Total Creditors	0	0	-10,549	-11,955

19. Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2013/14		2014/15	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade creditors	-10,549	-10,549	-11,955	-11,955
Total Financial liabilities	-10,549	-10,549	-11,955	-11,955

	2013/14		2014/15	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade debtors	1,576	1,576	2,219	2,219
Other receivables & advances	5,433	5,433	7,356	7,356
Total Loans and Receivables	7,009	7,009	9,575	9,575

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

20. Cash Flow Statement - Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

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

	2013/14 £'000	2014/15 £'000
Adjustment for non-cash movements:		
- Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	112,767	107,283
- 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)	-33,140	-38,887
- Provisions	427	-1,874
- Transfer To/From the Accumulated Absences Account	-20	39
Adjust for accruals:		
Increase(-)/Decrease in Inventories	28	13
Increase (-)/Decrease in Revenue Debtors	-1,768	-5,001
Increase/Decrease (-) in Revenue Creditors	-1,717	577
Increase (-)/Decrease in Intra-Entity Debtor/Creditor	3,030	6,285
Total Non-Cash Movements	79,607	68,435

21. Analysis of Government Grants in the Cash Flow Statement

Revenue Grants	2013/14 £000	2014/15 £000
Innovation Fund Grant	-122	-1,091
Other grants	-3,650	-4,021
Total	-3,772	-5,112

22. Grant & Partner Income – Government and Non-Government Grants

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 2014/15:

	2013/14 £'000	2014/15 £'000
Credited to Cost of Service		
Police Community Support Officers Partner Contributions	-825	-777
Innovation Fund Grant	-122	-720
Other Grants and Contributions	-1,675	-935
Total Grants Credited	-2,622	-2,432

23. Amounts Reported For Resource Allocation Decisions

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP) published for CIPFA.

The PCC sets the annual and delegates the day-to-day management of the budget to the Force. The Force reports regularly to the PCC on the financial position and recommends to the PCC changes to the financial budgets which exceed the Force's delegated limits. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

Reconciliation of Portfolio Income to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14	2014/15
	£'000	£'000
Net expenditure in the Portfolio Analysis	172,537	174,958
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	58,670	54,212
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-28,935	-40,471
Cost of Services in Comprehensive Income and Expenditure Statement	202,272	188,699

2013/14 Income and expenditure of the Chief Constable's portfolios recorded in the budget reports for the year is as follows:

	Territorial Operations	Protective Services	Citizen Focus	Corporate Services	Support Services	Corporate Budgets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Portfolio Income and Expenditure 2013/14							
Fees, Charges, and Other Service Income	-708	-1,007	-1,563	-1,114	-683	-2,559	-7,634
Interest and Investment Income	-	-	-	-	-	-215	-215
Government Grants	-	-680	-757	-122	-85	-7,261	-8,905
Total Income	-708	-1,687	-2,320	-1,236	-768	-10,035	-16,754
Employee Expenses	83,603	18,433	25,265	13,387	5,452	12,444	158,584
Premises Costs	-	60	24	125	6,737	-	6,946
Transport Related Costs	1,423	666	276	185	120	37	2,707
Supplies and Other Services	3,893	4,742	2,346	764	5,577	3,732	21,054
Total Expenditure	88,919	23,901	27,911	14,461	17,886	16,213	189,291
Net Expenditure	88,211	22,214	25,591	13,225	17,118	6,178	172,537

2014/15 Income and expenditure of the Chief Constable's portfolios recorded in the budget reports for the year is as follows:

	Territorial Operations	Protective Services	Crime and Operational Support	Corporate Services	Support Services	Corporate Budgets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Portfolio Income and Expenditure 2014/15							
Fees, Charges, and Other Service Income	-1,090	-3,791	-1,131	-839	-964	-2,503	-10,318
Interest and Investment Income	0	0	0	0	0	-359	-359
Government Grants	0	-419	-709	-692	-119	0	-1,939
Total Income	-1,090	-4,210	-1,840	-1,531	-1,083	-2,862	-12,616
Employee Expenses	86,444	20,784	26,025	14,559	5,219	5,159	158,190
Premises Costs	0	222	92	92	6,909	0	7,315
Transport Related Costs	1,289	510	223	215	115	37	2,389
Supplies and Other Services	4,170	3,993	1,839	737	6,106	2,835	19,680
Total Expenditure	91,903	25,509	28,179	15,603	18,349	8,031	187,574
Net Expenditure	90,813	21,299	26,339	14,072	17,266	5,169	174,958

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or (Deficit) on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Portfolio Analysis	Amounts not reported for decision making	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2013/14						
Fees, charges & other service income	-7,634	-198	-	-7,832	-	-7,832
Interest and investment income	-215	-	215	0	-6,877	-6,877
Income from council tax	-	-	-	0	-	0
Government grants and contributions	-8,905	-	7,195	-1,710	-	-1,710
Gain on disposal of fixed asset	-	-	-	0	-	0
Total Income	-16,754	-198	7,410	-9,542	-6,877	-16,419
Employee expenses	158,584	58,670	-33,140	184,114	-	184,114
Other service expenses	29,928	198	-2,426	27,700	-	27,700
Depreciation, amortisation and impairment	-	-	-	0	-	0
Interest payments	779	-	-779	0	71,546	71,546
Loss on disposal of fixed assets	-	-	-	0	-	0
Total expenditure	189,291	58,868	-36,345	211,814	71,546	283,360
Intra-Entity Transfer	-	-	-	0	-187,334	-187,334
(Surplus) or Deficit on the Provision of Services	172,537	58,670	-28,935	202,272	-122,665	79,607

Reconciliation to Subjective Analysis - Continued

	Portfolio Analysis	Amounts not reported for decision making	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2014/15						
Fees, charges & other service income	-10,318	-359	400	-10,277	-	-10,277
Interest and investment income	-359	-	359	0	-7,644	-7,644
Income from council tax	-	-	-	0	-	0
Government grants and contributions	-1,939	-	-	-1,939	-	-1,939
Gain on disposal of fixed asset	-	-	-	0	-	0
Total Income	-12,616	-359	759	-12,216	-7,644	-19,860
Employee expenses	158,190	54,571	-38,887	173,874	-	173,874
Other service expenses	28,606	-	-1,565	27,041	-	27,041
Depreciation, amortisation and impairment	-	-	-	0	-	0
Interest payments	778	-	-778	0	72,186	72,186
Loss on disposal of fixed assets	-	-	-	0	-	0
Total expenditure	187,574	54,571	-41,230	200,915	72,186	273,101
Intra-Entity Transfer	-	-	-	0	-184,806	-184,806
(Surplus) or Deficit on the Provision of Services	174,958	54,212	-40,471	188,699	-120,264	68,435

24. 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.

	2013/14 £'000	2014/15 £'000
Beds / Cambs / Herts Joint Protective Services		
Armed Policing Unit	7,244	7,113
Collaboration Team	233	3,789
Camera, Tickets, Collisions	1,121	-1,544
Counter Terrorism & Domestic Extremism	1,549	1,549
Dogs	2,789	2,772
Major Crime Unit	9,739	9,351
Operational Planning & Public Order	963	914
Protective Services Command Team	672	657
Roads Policing Unit	14,312	14,083
Scientific Services Unit	8,498	8,336
Total Joint Protective Services	47,120	47,020
Beds / Cambs / Herts Organisational Support		
Professional Standards Unit	2,866	2,853
Information Assurance	-	115
Procurement	787	811
Total Expenditure	3,653	3,779
Beds / Herts Joint Protective Services		
Resilience	216	225
Total Expenditure	216	225
Beds / Herts Organisational Support		
Firearms Licensing	435	426
Information Communication Technology	11,776	12,246
Pensions Administration	263	331
Total Expenditure	12,474	13,003
Total Net Operating Costs	63,463	64,027
Set Up Costs	173	191
Total Expenditure	63,636	64,218
Bedfordshire Contribution	-18,145	-18,391
Cambridgeshire Contribution	-16,281	-16,438
Hertfordshire Contribution	-29,210	-29,389
(Surplus) / Deficit For The Year	0	0

25. Chiltern Travel Consortium

Hertfordshire is a member of the Chiltern Travel Consortium (CTC). CTC is a collaborative arrangement with Bedfordshire Police, Thames Valley Police and the Civil Nuclear Constabulary. CTC provides fleet management, procurement and maintenance. Each member's vehicle charges are based the size and mix of the fleet they operate.

	2013/14 £'000	2014/15 £'000
Operating Costs	13,672	13,650
Operating Income	-1,496	-1,410
Net Operating Expenditure	12,176	12,240
Bedfordshire Vehicle Charges	-1,779	-2,097
Civil Nuclear Vehicle Charges	-885	-731
Hertfordshire Vehicle Charges	-3,328	-2,863
Thames Valley Vehicle Charges	-6,167	-6,231
Other Vehicle Charges	-305	-368
(Surplus) / Deficit For The Year	-288	-50

26. National Police Air Service

The National Police Air Service (NPAS) was set up by the Home Office with effect from 1st October 2012 and upon its formation the existing assets of the Chiltern Air Support Consortium (CASU) formally transferred to the new national service provider. Unlike CASU, NPAS does not constitute a jointly controlled operation and so the Chief Constable only accounts for the expense of payments to NPAS - £0.480m in 2014/15 (£0.480m in 2013/14) and not for a share of the assets or liabilities.

As part of the transfer arrangements, the Police and Crime Commissioner will receive an annual payment from NPAS to reflect the value of the air frame credits for the transferred helicopters. NPAS's liability to the PCC is shown in the Police and Crime Commissioner's balance sheet as a long term debtor of £0.287m, representing the discounted value of future expected cash flows from 2017/18 – 2024/25 respectively. Future payments from NPAS will be offset against these debtors and an annual interest amount credited to the Consolidated Income and Expenditure Statement.

27. Eastern Region Special Operations Unit (ERSOU)

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

During 2014/15 Bedfordshire Police took over from Hertfordshire the lead force responsibility. However all transactions for the unit are recorded through the Hertfordshire ledger. Legal title to all vehicles, equipment and premises owned and used by the unit transferred from Hertfordshire to 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 jointly controlled 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 2014/15

	2013/14 £'000	2014/15 £'000
Operating costs	7,923	11,672
Operating income	-30	-
Specific HO grant	-2,208	-2,891
Net expenditure	5,685	8,781
Contributions		
Bedfordshire	-1,055	-1,219
Cambridgeshire	-964	-1,571
Essex	-254	-419
Hertfordshire	-1,506	-2,227
Norfolk	-1,100	-1,773
Suffolk	-841	-1,356
Total Contributions	-5,720	-8,565
Surplus/Deficit for year	-35	216
Surplus/Deficit b/f	-3	-301
Opening Balance Adjustment	-263	-
Surplus/(Deficit) c/f	-301	-85

The capital assets for ERSOU at 31st March 2015 are analysed as follows:

	2013/14 £'000	2014/15 £'000
Net book value brought forward 1st April	555	1,387
Expenditure for the year:		
• Vehicles	308	271
• Equipment	220	38
• Building works	566	-
Depreciation for the year	-262	-367
Net book value carried forward 31st March	1,387	1,329

Hertfordshire's share of the total Net Book Value of ERSOU assets as at 31st March 2015 was £331k (£346k as at 31st March 2014).

The capital expenditure for 2014/15 was funded in accordance with the formulae agreed by the forces. Details are shown in the following table:

	2013/14 £'000	2014/15 £'000
Home Office Grant	-943	-
Bedfordshire	-34	-43
Cambridgeshire	-19	-56
Essex	-14	-16
Hertfordshire	-46	-80
Norfolk	-22	-64
Suffolk	-16	-50
Total	-1,094	-309

28. Contingent Liabilities

In late 2014 the Bear Scotland Ltd v Fulton case held that non-guaranteed overtime which an employee is required to work must be included in holiday pay in respect of the four weeks leave provided for in the Working Time Directive 1998. The status of pay for genuinely voluntary, irregular overtime is still unclear. Given that a majority of police officers and some police staff are eligible to receive overtime payments within agreed parameters as set out within national regulations or local terms and conditions, this ruling may impact upon the Chief Constable. Given the uncertainty around the case at this stage it is disclosed as a contingent Liability.

29. Contingent Assets

At 31 March 2015, the Chief Constable had no material contingent assets.

30. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Chief Constable participates in three pension schemes:

- The Local Government Pension Scheme for police staff. Administrated by Hertfordshire County Council - this is a funded defined benefit final salary scheme, meaning that the Chief Constable and its employees, pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets
- The Police Pension Scheme and the New Police Pension Scheme for police officers - these are unfunded defined benefit final salary schemes administrated by the Chief Constable in collaboration with Bedfordshire Police. Unfunded means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amount payable by the pension fund for the year is less than the amount receivable, the PCC must annually transfer an amount required to meet the deficit to the pension fund. Up to 100% of this cost is met by central government pension top up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Chief Constable and must be repaid to central government.
- Arrangements for the award of discretionary post-retirement benefits to Police Officers upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

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

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

	Local Government Pension Scheme		Police Pension Scheme		New Police Pension Scheme		Total All Pension Schemes	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost Of Service included in CIES Service								
Current Service Cost.	8,830	7,942	30,810	27,080	8,010	7,800	47,650	42,822
Past Service Cost / Settlements and Curtailments	448	-80	-	-	-	-	448	-80
Financing and Investing Income & Expenditure								
Net interest expense	2,869	2,052	59,230	59,610	2,570	2,880	64,669	64,542
Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Service	12,147	9,914	90,040	86,690	10,580	10,680	112,767	107,284
Re-measurement of the net defined benefit liability comprising:								
Return on plan assets (excluding amount included in net interest expense)	-12,878	-17,410	-	-	-	-	-12,878	-17,410
Actuarial gains and Losses								
• Demographic Assumptions	8,482	-	-290	-34,020	-20	-1,950	8,172	-35,970
• Financial Assumptions	-7,831	47,073	-45,390	244,670	-5,080	18,030	-58,301	309,773
• Other	-8,001	-1,387	-34,340	-70,570	-1,680	-6,880	-44,021	-78,837
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-8,081	38,190	10,020	226,770	3,800	19,880	5,739	284,840

	Local Government Pension Scheme		Police Pension Scheme		New Police Pension Scheme		Total All Pension Schemes		
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Movement in Reserves Statement:									
Reversal of the net charges made to the Surplus or Deficit for the provision of services for post-employment benefits in accordance with the code	-12,147	-9,914	-90,040	-86,690	-10,580	-10,680	-112,767	-107,284	
Actual Amount Charged Against the General Fund Balance for Pensions During the Year:									
Employer's Contributions Payable to the Schemes	7,182	7,187	28,048	33,720	-2,090	-2,020	33,140	38,887	

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:

	2013/14 £'000	2014/15 £'000
Present Value of Defined Benefit Obligations		
Local Government Pension Scheme	-223,135	-284,203
Old Police Pension Scheme	-1,358,190	-1,551,240
New Police Pension Scheme	-60,620	-82,520
Total Liabilities	-1,641,945	-1,917,963
Fair value of plan assets		
Local Government Pension Scheme	175,637	205,702
Total Assets	175,637	205,702
Net liability arising from defined benefit obligation:		
Local Government Pension Scheme	-47,498	-78,501
Police Pension Scheme	-1,358,190	-1,551,240
New Police Pension Scheme	-60,620	-82,520
Total Net Liability	-1,466,308	-1,712,261

The net liabilities show the underlying commitments that the Chief Constable has in the long run to pay retirement benefits. The total liability of £1,712,261m (£1,466.308m as at 31st March 2014) 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 £1,714,801m as at 31st March 2015 (£1,468.810m as at 31st March 2014).

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 a defined contribution rate currently set at 24.2% of pensionable with the government meeting additional costs above this level.

The contribution expected to be made to the Local Government Scheme in 2015/16 is £6.728m. The expected contribution to the police pension schemes in 2015/16 is £16.284m.

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

	Local Government Pension Scheme	
	2013/14 £'000	2014/15 £'000
Opening fair value of scheme assets	150,031	175,637
Interest Income	6,877	7,644
Re-measurement gain(loss)		
• Return of plan assets excluding amount included in net interest expense.	12,878	17,410
Employer Contributions	7,182	7,187
Contribution by employees in the scheme	2,406	2,340
Benefits paid	-3,737	-4,058
Settlements and Curtailments	-	-458
Assets at 31st March	175,637	205,702

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

	Local Government Pension Scheme		Police Pension Scheme		New Police Pension Scheme		Total All Pension Schemes	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April	-212,792	-223,135	-1,376,218	-1,358,190	-54,730	-60,620	-1,643,740	-1,641,945
Current service cost	-8,830	-7,942	-30,810	-27,080	-8,010	-7,800	-47,650	-42,822
Interest cost	-9,746	-9,696	-59,230	-59,610	-2,570	-2,880	-71,546	-72,186
Contribution from scheme participants	-2,406	-2,340	-7,342	-7,290	-2,110	-2,240	-11,858	-11,870
Re-measurement of the net defined benefit liability comprising:								
• Actuarial gains and Losses Demographic Assumptions	-8,482	-	290	34,020	20	1,950	-8,172	35,970
• Actuarial gains and Losses Financial Assumptions	7,831	-47,073	45,390	-244,670	5,080	-18,030	58,301	-309,773
• Actuarial gains and Losses Other	8,001	1,387	34,340	70,570	1,680	6,880	44,021	78,837
Actuarial (gains) / losses								
Past Service Cost / Settlements and Curtailments	-448	538	-	-	-	-	-448	538
Benefits paid / Transfers	3,737	4,058	35,390	41,010	20	220	39,147	45,288
Liability at 31st March	-223,135	-284,203	-1,358,190	-1,551,240	-60,620	-82,520	-1,641,945	-1,917,963

Fair Value of Employers Assets – LGPS Only

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

	Period Ended 31 March 2015				Period Ended 31 March 2014			
	Quoted Prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted Prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000		£'000	£'000	£'000	
Equity Securities:								
Consumer	18,162.5	-	18,162.5	9%	17,686.1	-	17,686.1	10%
Manufacturing	21,517.2	-	21,517.2	10%	20,236.2	-	20,236.2	12%
Energy and Utilities	5,937.4	-	5,937.4	3%	7,802.1	-	7,802.1	4%
Financial Institutions	18,487.9	-	18,487.9	9%	19,075.1	-	19,075.1	11%
Health and Care	3,050.4	-	3,050.4	1%	2,697.1	-	2,697.1	2%
Information Technology	12,775.9	-	12,775.9	6%	12,351.9	-	12,351.9	7%
Other	1,517.1	-	1,517.1	1%	2,003.2	-	2,003.2	1%
Debt Securities:								
Corporate Bonds (investment grade)	-	-	0	0%	14,558.7	-	14,558.7	8%
Corporate Bonds (non-investment grade)	-	-	0	0%	-	-	-	0%
UK Government	-	-	0	0%	10,819.5	-	10,819.5	6%
Other	-	-	0	0%	3,717.4	-	3,717.4	2%
Private Equity:								
All	-	8,520.7	8,520.7	4%	-	7,120.1	7,120.1	4%
Real Estate:								
UK Property	-	-	0	0%	-	6,799.9	6,799.9	4%
Overseas Property	-	-	0	0%	-	3,858.0	3,858.0	2%
Investment Funds and Unit Trusts:								
Equities	29,556.4	-	29,556.4	14%	26,724.7	-	26,724.7	15%
Bonds	54,868.5	-	54,868.5	27%	4,282.4	-	4,282.4	2%
Hedge Funds	-	-	0	0%	-	-	-	0%
Commodities	891.1	-	891.1	0%	746.0	-	746.0	0%
Infrastructure	-	183.8	183.8	0%	-	-	-	0%
Other	646.0	24,608.8	25,254.8	12%	9,290.6	-	9,290.6	5%
Derivatives:								
Inflation	-	-	0	0%	-	-	-	0%
Interest Rate	-	-	0	0%	-	-	-	0%
Foreign Exchange	-	(446.0)	(446.0)	0%	-	152.7	152.7	0%
Other	-	-	0	0%	-	-	-	0%
Cash and Cash Equivalents:								
All	5,424.3	-	5,424.3	3%	5,715.4	-	5,715.4	3%
Totals	172,835	32,867	205,702	100%	157,706	17,931	175,637	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 2012, and the next scheduled valuation is as at 31 March 2016. The appointed actuaries produce pension disclosures by rolling forward data for years between full valuations.

For the Local Government Scheme a full actuarial review is undertaken every three years, with the latest valuation being as at 31st March 13. The Local Government Pension Scheme Fund is assessed by Hymans Robertson, an independent firm of actuaries.

The principal assumptions used by the actuaries have been:

	Local Government Pension Scheme		Police Pension Schemes	
	2013/14 %	2014/15 %	2013/14 %	2014/15 %
Mortality Assumptions:	At 65 Years		At 60 Years	
Longevity at 65 for current pensioners:				
Men	22.3	22.3	23.4	23.3
Women	24.5	24.5	25.9	25.7
Longevity at 65 for future pensioners:				
Men	24.3	24.3	25.6	25.4
Women	26.7	26.7	28.0	27.9
Rate of increase in salaries	4.1	3.8	4.5	4.2
Rate of increase in pensions	2.8	2.4	2.5	2.2
Rate for discounting scheme liabilities	4.3	3.2	4.3	3.3

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

Sensitivity of the defined benefit obligation in the significant actuarial assumptions

	Approximate % increase to Employer Liability	Approximate monetary amount (£'m)
Local Government Pension Scheme		
0.5% decrease in real discount rate	13	38
1 year increase in member life expectancy	3	9
0.5% increase in the Salary Increase Rate	5	16
0.5% increase in the Pension Increase Rate	7	21
Police Pension Scheme		
0.5% decrease in real discount rate	12	182
1 year increase in member life expectancy	2	37
0.5% increase in the Salary Increase Rate	2	29
0.5% increase in the Pension Increase Rate	10	143
New Police Pension Scheme		
0.5% decrease in real discount rate	18	15
1 year increase in member life expectancy	2	2
0.5% increase in the Salary Increase Rate	8	6
0.5% increase in the Pension Increase Rate	8	7

31. Senior Officers' Remuneration

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

2013/14

Post Holder Information (Job Title) To aid comparison and avoid complication of individuals changing roles, role titles used are those as at 31 st March 2014 or for individuals no longer within the Force Executive team their final role title.	Salary (including fees & Allowances)	Bonuses	Expense Allowances	Benefits In Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Chief Constable - Mr A Bliss	154,315	-	13,993	-	168,308	-	168,308
Deputy Chief Constable (Director of Change) Note 1	122,359	-	11,544	-	133,903	27,937	161,840
Temporary Deputy Chief Constable Note 2	118,098	-	10,647	-	128,745	-	128,745
Director of Resources Note 3	124,888	-	12,472	-	137,360	18,109	155,469
Assistant Chief Constable (Joint Protective Services)	108,101	-	10,343	-	118,444	25,030	143,474
Temporary Assistant Chief Constable (Crime and Operational Support)	102,956	-	9,430	-	112,386	22,820	135,206
Total	730,717	0	68,429	0	799,146	93,896	893,042

In addition to the requirements of the Accounts and Audit Regulations 2011, details for all members of the Executive team have been voluntarily disclosed.

Note 1 Deputy Chief Constable became Director of Change following the three-way collaboration agreement signed by Bedfordshire, Cambridge and Hertfordshire in December 2013

Note 2 Temporary Deputy Chief Constable appointed following change at note 1, from 27th January 2014

Note 3 The Director of Resources fulfilled the role of Chief Finance Officer to both the Police and Crime Commissioner and the Chief Constable in 2013/14.

2014/15

Post Holder Information (Job Title) To aid comparison and avoid complication of individuals changing roles, role titles used are those as at 31 st March 2015 or for individuals no longer within the Force Executive team their final role title.	Salary (including fees & Allowances)	Bonuses	Expense Allowances	Benefits In Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Chief Constable - Mr A Bliss	151,534	-	14,133	-	165,667	-	165,667
Deputy Chief Constable Note 1	129,584	-	11,660	-	141,244	25,855	167,099
Temporary Deputy Chief Constable (Director of Change) Note 2	128,172	-	10,753	-	138,925	-	138,925
Director of Resources	123,843	-	12,359	-	136,202	23,358	159,560
Assistant Chief Constable (Local Policing)	103,911	-	9,525	-	113,436	17,263	130,699
Assistant Chief Constable (Operational Support) Note 3	81,214	-	7,909	-	89,123	19,140	108,263
Assistant Chief Constable (Joint Protective Services) Note 4	28,011	-	1,958	-	29,969	4,740	34,709
Total	746,269	0	68,297	0	814,566	90,356	904,922

Note 1 Deputy Chief Constable resumed role from 1st January 2015, formerly Director of Change.

Note 2 Temporary Deputy Chief Constable appointed Director of Change from 1st January 2015.

Note 3 Assistant Chief Constable (Operational Support) joined 2nd June 2014 with annualised salary (including fees and allowances) of £107,684.

Note 4 Assistant Chief Constable (Joint Protective Service) transferred to another force from 8th June 2014.

32. Officers' Emoluments

The Accounts and Audit Regulations 2011, 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 31 above are not included within the table.

Remuneration Band	Number of Employees	
	2013/14	2014/15
£95,000 - £99,999	-	1
£90,000 - £94,999	2	2
£85,000 - £89,999	4	4
£80,000 - £84,999	5	7
£75,000 - £79,999	6	2
£70,000 - £74,999	3	3
£65,000 - £69,999	11	8
£60,000 - £64,999	27	23
£55,000 - £59,999	85	83
£50,000 - £54,999	86	96

33. External Audit Costs

In 2014/15 the Chief Constable incurred the following fees, payable to the appointed external auditors Ernst & Young LLP under Section 5 Audit Commission Act 1998, relating to external audit and inspection:

	2013/14 £'000	2014/15 £'000
Chief Constable	20	20

34. Related Parties

The Chief Constable is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable. Disclosure of these transactions allows interested parties to assess the extent to which the Chief Constable might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable.

Police and Crime Commissioner

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

Central Government

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

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

No transactions were disclosed by this group.

Other Public Bodies

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

Hertfordshire Local Government Pension Scheme

In 2014/15, the contributions paid to Hertfordshire County Council in respect of employer's contributions, added years contributions and lump sum payments were £7.255m (7.456m in 2013/14).

35. Prior Period Adjustments

No Prior Period Adjustments have been made to the Chief Constable's Accounts.

36. Termination Benefits

The PCC terminated the contracts of a number of employees in 2014/15 incurring liabilities of £0.162m (£1.201m in 2013/14). See note 37 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 PCC's savings plan and financial strategy.

37. Exit Packages

All redundancies in 2013/14 and 2014/15 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.

Exit package cost band including special payments	Total number of exit packages by cost band 2013/14	Total number of exit packages by cost band 2014/15	Total cost of exit packages in each band 2013/14 £'000	Total cost of exit packages in each band 2014/15 £'000
£0 - £20,000	39	8	393	59
£20,001 - £40,000	11	-	299	-
£40,001 - £60,000	4	-	192	-
£60,001 - £80,000	3	-	211	-
£80,001 - £100,000	1	-	87	-
£100,001 - £120,000	-	1	-	103
Total	58	9	1,182	162

38. Post Balance Sheet Events

The Chief Constable has one material non adjusting post balance sheet event as follows:

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The Ombudsman found in favour of the plaintiff, which meant that for all Police Pension Scheme 1987 cases where pension entitlements were drawn between 1 December 2001 and 1 December 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculations and expect to make the necessary payments by within the financial year 2015/16. The Home Office has agreed that they will provide full reimbursement of the payments made. There has therefore been no impact on the financial statements for 2014/15.

POLICE PENSION SCHEME FUND ACCOUNTS 2014/15

FUND ACCOUNT

	Note	Police Pension Scheme		New Police Pension Scheme		Total Police Pension Schemes	
		2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Contributions receivable							
From employer							
- normal	P3	-12,674	-12,196	-3,740	-4,127	-16,414	-16,323
- early retirements		-208	-404	-	-	-208	-404
From members	P3	-7,078	-7,157	-1,758	-2,013	-8,836	-9,170
Transfers in							
- individual transfers in from other schemes	P4	-259	-132	-355	-228	-614	-360
Benefits payable							
- pensions		29,927	31,355	-	-	29,927	31,355
- commutations and lump sum retirement benefits		6,817	8,044	-	-	6,817	8,044
- lump sum death benefits		-	93	-	-	0	93
Payments to and on account of leavers							
- refunds of contributions		3	17	-	-	3	17
- individual transfers out to other schemes	P4	169	702	-	-	169	702
Net amount receivable for the year before top-up grant		16,697	20,322	-5,853	-6,368	10,844	13,954
Transfer received from the Policing Body	P5	-16,697	-20,322	5,853	6,368	-10,844	-13,954
Balance as at 31 March		0	0	0	0	0	0

NET ASSETS STATEMENT AS AT 31 MARCH

	31 March 2014 £'000	31 March 2015 £'000
April pension paid in advance in March	2,556	2,674
Total Assets	2,556	2,674
Commutation Payments	-65	-
Amount Owing To Police Fund	-2,491	-2,674
Total Liabilities	-2,556	-2,674
Net Assets	0	0

P1. Summary of the Police Pension Scheme Fund Operations

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

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

P2. Accounting Policies

The accounts have been prepared in accordance with the 2014 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy.

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 2015.

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

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.

Separate contribution rates, a percentage of pensionable pay as shown below, apply to the old Police Pension Scheme and the new 2006 Police Pension Scheme.

	Employer	Employee
	%	%
Police Pension Scheme	24.2	13.5 to 14.0
New Police Pension Scheme	24.2	10.7 to 12.0

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.

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.

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.

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 2015. The details in respect of the PCC's long-term police pension obligations are set out in the Pensions-related disclosure note 30 that follows the main financial statements.

CHIEF CONSTABLE OF HERTFORDSHIRE CONSTABULARY ANNUAL GOVERNANCE STATEMENT 2014/15

Chief Constable for Hertfordshire Annual Governance Statement 2014-15

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 is the third Annual Governance statement produced by the CC and reflects the governance arrangements in place until 31 March 2015, and up to the date of signing of this document.

2. The Purpose of the Governance Framework

This statement has been prepared for the 2014/15 financial year, and reflects the significant governance changes from 1 April 2014. In particular, as part of the arrangements for Stage 2 transfer the Chief Constable now has responsibility for all staff. The statement also reports on the effectiveness of the governance arrangements throughout the year and outlines future actions to enhance the governance arrangements.

The governance framework 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. At the strategic level the framework forms part of the three force Scheme of Governance, which was jointly agreed with Bedfordshire and Cambridgeshire in April 2014. In September 2014 the joint scheme of governance was extended to include Financial Regulations and contract standing orders. The financial management arrangements set-out in the scheme of governance conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. The governance of the collaboration programme (and the collaborated functions that it delivers) remains an area of ongoing development as the work progresses.

The Scheme of Corporate Governance is available on the PCC's website.

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

The CC is accountable to the PCC.

Both the CC and PCC must have due regard to the Strategic Policing Requirement set by the Home Secretary.

The governance framework includes:

- A definition of the roles of the PCC and the CC
- Delegations from the PCC
- Consents to the CC
- Financial Regulations
- The Operating Model for the PCC and Constabulary
- 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 continues 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 Constabulary has a three-force Professional Standards meeting chaired by the Professional Standards lead for the three forces and with the PCC for Cambridgeshire taking the lead role.

In Hertfordshire, the Commissioner ensures additional scrutiny and accountability through the Police and Crime panels as well as through the development of the External Ethics Committee. The three force meeting is supported by Ethics Committees in each force which considers matters encompassing equalities and inclusion, ethics and integrity and corporate health.

In addition, the PCC visits the Professional Standards department each month. He reviews all files that relate to gross misconduct and will dip sample files that relate to topical issues to ensure that all are being dealt with in an acceptable way and that any lessons learnt are taken forward.

Audit Committee

The PCC and CC have a joint Audit Committee that provides independent scrutiny and assurance on the adequacy of the corporate governance and risk management frameworks and the associated control environments. In addition, the Audit Committee gives advice according to good governance principles and proper practices and oversees the financial reporting processes. In particular the Audit Committee:

- Supports the PCC, the CC and statutory officers in ensuring that effective governance is in place and functioning efficiently and effectively, and making any recommendations for improvement.
- Monitors the effective development and operation of the internal control environment and risk management processes and make recommendations for improvement to the PCC and CC, as appropriate.
- Reviews any issue referred to it by the statutory officers of the PCC and CC in relation to corporate governance, risk management or assurance and make recommendations, as appropriate.
- Reviews and endorse the PCC's and the CC's Governance Statements and Accounting Statements, including the Commissioner's group accounts, bringing to the attention of the PCC and CC any omissions or any amendments proposed for consideration.
- Receives and scrutinise performance reports on treasury management and ensure effective scrutiny of the treasury management strategy and policies.
- Undertakes an annual review of the PCC's and the CC's system of internal audit.
- Reviews and endorse the strategy and plans of internal and external audit, bringing to the attention of the PCC and CC any significant issues which the committee consider merit inclusion.
- Reviews progress in delivering the work and reports of internal and external audit and provide an opinion to the PCC and CC on the quality and strength of investigations and findings.
- Reviews matters arising from the work of internal and external audit, including the external auditor's Annual Governance Report and Audit letters and advise the PCC and CC on the adequacy of response plans.
- Monitors management action in response to the work of internal and external audit and bring to the attention of the PCC and CC where further or timelier action is considered appropriate.

Scrutiny and Monitoring of Performance

Performance is reported at a number of weekly and monthly Constabulary meetings including at Operational and Strategic Performance Boards. Some of the performance objectives require Action Plans, which are presented quarterly at the Strategic Performance Board. Others are measured through the routine performance monitoring framework or are subjected to reports on progress from the Business Leads.

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

- A bi-weekly Chief Officers group (COG), that includes some Heads of Department where policies are set and strategic issues facing the Constabulary are discussed and actioned.
- A monthly Strategic Chief Officers group to consider key strategic issues emerging or affecting the Force identify how best to respond to them and ensure that they are taken forward by the most appropriate Chief Officer or introduced to the PCC if appropriate.
- A bi- weekly Bedfordshire, Cambridgeshire and Hertfordshire Chief Officer Board to cover all collaboration issues

- A daily management meeting chaired by the Chief Superintendent, Local Policing Command (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 Operational Performance Board which is attended by an Assistant Chief Constable and scrutinises performance in detail.
- A Strategic Performance Board which is the CC's board reviewing performance to which a representative from the PCC's Office is invited.
- A Strategic Executive Board (SEB) which is chaired by the PCC, who holds the CC to account for performance. This gives a forum for strategic issues to be discussed.
- Force Tasking and Co-ordinating (T&C) meetings held bi-monthly with LPC T&C meetings taking place every two weeks to review operational priorities and task resources, with the meetings being light touch on alternate occasions and more detailed on the other occasion.
- The LPC's 28 day Operation Performance Review to review performance issues surrounding local policing.
- Chief Officer representation at the monthly Joint Protective Services (JPS) Board which oversees the performance of JPS.

There are strong processes in place to ensure that Policing Priorities are 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, and identifies development needs. 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 record of successfully managing risk in order to deliver innovative programmes of change. A proactive approach is taken to managing opportunities that can deliver business and performance benefits, as well as risks.

The Constabulary use a risk database called 'Orchidsoft' to manage its risks. The benefits of using the system are that: risks can be accessed via the force Intranet, access to users can be tailored to ensure they only view what they need to, there is a full audit trail built into the system, and it provides consistency in managing risk.

The Corporate Risk Register is reviewed and updated monthly by each individual Risk Owner. The risk register review process is kept under review by the Audit and Evaluation Manager. During 2014-15 the Constabulary the Strategic Risk Management Board was re-introduced to provide a formal framework to enable the Constabulary to manage risks to the achievement of the strategic priorities, organisational reputation and the delivery of services to the community.

The Risk Management Board (RMB) reports to the Chief Officers Group (COG) and the Police and Crime Commissioner's Strategic Executive Board (SEB) and Joint Audit Committee (JAC).

Local risk registers are also managed on Orchidsoft. This allows local risks to be escalated to corporate level if required, or corporate risks to be downgraded, but managed locally.

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. The Constabulary has a Strategic Training Council chaired by a Superintendent which is responsible for prioritising training matters to ensure that all new legislation is complied with. The Council is supported by a dedicated Learning and Development department that ensures appropriate training as identified by the Council is provided when needed.

Ensuring Ethical Standards of Behaviour including Confidential Reporting

Policing in Hertfordshire follows the “Herts Way” which identifies three core policing objectives:

- Keep People Safe
- Catch Criminals
- Reduce Crime

The three core policing objectives have recently been updated to link to the Code of Ethics for Police Officers that was introduced in June 2014. This provides the ethical standards to which Officers adhere.

The Constabulary has a collaborated Professional Standards Department (PSD) with Bedfordshire and Cambridgeshire. PSD has continued to maintain its focus on criminal, misconduct and anti-corruption investigations during 2014/15 with some significant success. In addition, new measures and procedures have been established to demonstrate integrity and openness with regards to Gifts and Hospitality and Business Interests. The main aim of PSD is to prevent and detect unethical behaviour, dishonesty and corruption and so provide an enhanced quality of service and reassurance to the public.

PSD continue to deliver a range of briefings and communications to officers and staff to ensure that all staff are aware of required standards of professional behaviour and of their responsibility to challenge and report potential wrong doing.

The Governance arrangements for Bedfordshire, Cambridgeshire and Hertfordshire PSD are being enhanced with a newly constituted tri-force PSD Governance Board chaired by the designated DCC lead (Cambridgeshire) and attended by respective DCCs and senior HR and Finance representatives.

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 or the PCC.

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 PCC is currently consulting on revisions to his Policing Plan.

The Constabulary carry out monthly 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 2014/15 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 and the National Police Air Service hosted by West Yorkshire.

There is an overarching memorandum of association for the collaboration work stream and a formal section 22 agreements for each collaborated area.

Collaboration arrangements form three work streams:

- Joint Protective Services
- Operational Support
- Organisational Support

Collaborative boards have been established for all three work streams and meet on a monthly basis, There is a designated PCC and Chief Officers lead for each stream, with Hertfordshire being responsible for Operational Support. In addition PCC oversight is supplemented through the BCH Strategic Alliance Meeting. The joint County Community Safety Unit brings together professionals from the police and the county council's former Crime and Drugs Strategy unit (CDSU). This unit has more than 120 staff working in four key areas:

- Vulnerable people, which includes domestic violence, safeguarding adults and child protection.
- Offender management, involving the support of Hertfordshire Probation Service.
- Safer communities, which takes responsibility for work around anti-social behaviour and alcohol misuse.
- County drug strategy.

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 by 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 Head of ICT, the Force Solicitor, the Chief of Staff, the Head of PSD 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:

- Audit Results Report
- Annual audit letter

The key matters that the External Auditor reported were that Hertfordshire had

- an unqualified opinion on their accounts and had prepared its financial statements well
- had an adequate internal control environment
- had an unqualified value for money conclusion

HMIC

The first PEEL Inspection was completed for Hertfordshire using the evidence from inspections undertaken in the previous 12 months the findings were that:

- In terms of its effectiveness, Hertfordshire Constabulary is good at reducing crime and preventing offending. It is also good at investigating crime and tackling anti-social behaviour. There were some initial concerns about the approach to domestic abuse, but there were improvements in this area over the course of the year.
- The efficiency with which the force carries out its responsibilities is good.
- The force is acting to achieve fairness and legitimacy in some of its practices that were examined this year.

When considering value for money HMIC found that Hertfordshire Constabulary has impressive and well-established joint working arrangements with Bedfordshire Police and Cambridgeshire Constabulary. The force is very well-placed to be able to continue to provide an effective service to the public while reducing its costs further.

When considering whether Hertfordshire Constabulary acts with integrity HMIC found that the joint professional standards department with Bedfordshire Police and Cambridgeshire Constabulary had insufficient capacity to prevent, reduce and investigate corruption matters effectively. Since the inspection there has been a successful growth bid to increase capacity. In addition, the three forces are continuing to develop their joint policies and procedures to improve the efficiency and effectiveness of how they jointly manage and respond to unprofessional behaviour, misconduct and corruption.

The HMIC Crime and Data Integrity report on Hertfordshire Constabulary was released in August 2014. The report was critical of our crime recording standards, however the recommendations in the report have been implemented and there is now confidence that the figures are more accurate with compliance improving.

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 substantial assurance on the operation of controls to mitigate risks in all areas that were selected for audit because of their risk profile in Hertfordshire, with the exception of the IT Strategy. In addition, Internal Audit consider that the Constabulary now has a robust plan to achieve Code of Connection compliance but work to implement this is still progressing.

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.
- Performance monitoring arrangements within the Constabulary.
- The Professional Standards Department who comply with National Guidelines for their operation.

Follow up of actions raised in previous Annual Governance Statements:

- Revisions to the governance arrangements were consolidated during the following the Stage 2 transfer, leading to a combined scheme of governance for Bedfordshire, Cambridgeshire and Hertfordshire.
- The Constabulary has worked to ensure that crime recording statics are more accurate.
- The collaborated Procurement unit has worked to resolve the control failures that needed to be addressed to provide the robust service that the Constabulary and PCC require. This involved putting in place consistent scheme of governance, a joint contracts register and appropriate tender authorisation procedures.
- Work continued to complete the action plan to implement Management of Police Information Requirements.
- Work continued to achieve Code of Connection compliance.

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

The Constabulary has to make significant savings over the coming years. These savings have to be delivered whilst maintaining an efficient and effective police service.

During the year there were issues around baseline IT security and there is now a sound plan to ensure external accreditation for the Code of Connection compliance. In the coming months further work is required to achieve resilience in this area.

Hertfordshire Constabulary has a collaborated ICT department with Bedfordshire, working to an informal IT Strategy, pending the extension of collaborative ICT provision with Cambridgeshire. Work to achieve a three force collaborated ICT department is progressing and as part of this the collaboration partners have recognised that a joint ICT strategy will need to be developed. Bedfordshire, Cambridgeshire and Hertfordshire have worked up an IT Strategy Roadmap, including details of timeframes, financial costs and accountabilities for the ICT Infrastructure.

HMIC found that the joint professional standards department with Bedfordshire Police and Cambridgeshire Constabulary had insufficient capacity to prevent, reduce and investigate corruption matters effectively. Since the report the capacity of the unit has increased.

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*

.....
Michelle Dunn
Temporary Deputy Chief Constable
on behalf of Andy Bliss
Chief Constable for Hertfordshire

.....
James Hurley
Chief Financial Officer

24th September 2015

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

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