

# Essex Police

**The 2020/21 Statement of Accounts for the  
Police, Fire and Crime Commissioner Group  
and the Police, Fire and Crime Commissioner**

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# **Narrative Report 2020/21**

# Narrative Report

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The purpose of the Narrative Report is to provide information on the Police, Fire and Crime Commissioner (PFCC) and PFCC Group, its main objectives and strategies and the principal risks that it faces. The content of the Narrative Report is as follows:

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# Narrative Report

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The purpose of the Narrative Report is to provide information on the Police Fire and Crime Commissioner and the Force, its main objectives and strategies and the principal risks it faces.

## Police, Fire and Crime Commissioner's Report

The last year has been a difficult and challenge time but it has also shown the strength of policing in Essex and how our longer-term strategy of growth, investment and partnership has started to deliver real results for the people of Essex.

By the end of March 2021, we had recruited over 500 extra officers in the last three years and have secured the financial commitment to recruit a further 218 in the next twelve months. This extra capacity across the force has had a significant positive impact, as has closer collaboration with partners and a stronger focus on prevention.

Before the pandemic the levels of violence in our communities had already started to level off with positive signs that these would start to fall. Anti-social behaviour, burglary and theft have been falling for several years. The trend of reducing levels of crime have continued throughout the pandemic.



Our investments in technology have helped our officers be more efficient and be able to spend more time in their communities and less behind desks. Our work within Community Safety Partnerships has given local people a real voice in resolving the issues that are important to them and our ability to work together with partners mean more issues are resolved earlier and better outcomes are being achieved across the county.

COVID-19 has changed the level of reporting with reductions in crime nationally and we will have to wait until there is sufficient data to fully understand the longer term impact of the pandemic on crime levels, but in Essex the foundation of this reduction in crime was already in place and we have taken every opportunity presented by the changes in crime over the last year to hit criminals hard, support victims and put in place longer term improvements to help benefit our county now and in the future.

We are incredibly fortunate in our country to have a police force that works with the community they serve, are recruited from that same community and as a result have strong community support. Creating an environment where everybody can thrive is something that we all contribute towards whether we are officers, volunteers, members of community groups or by being part of a community that doesn't tolerate crime, that reports it, provides intelligences and is willing to give evidence where necessary.

The relationship between the police and the public has never been more important than it has over the last year. For all our safety, police across the country have been asked to enforce regulations that were unthinkable just a few years ago. As individuals we have had to learn how to act to keep ourselves, our loved ones and our wider community safe. At the same time, we have seen our most vulnerable people placed at increased risk, our children out of school and the value of self-isolating, all of which has required us to put extra support in place.

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Given these challenges it is very positive to see what we have achieved as a community, as a county and as a country. Over the last year Essex Police has worked as a central partner within the Essex Resilience Forum which has led the response to the COVID-19 pandemic in Essex. The Chief Constable, along with the Deputy Chief Fire Officer, has chaired the Strategic Coordination Group pulling together the countywide response with senior officers involved at all levels within the coordinated response to the pandemic.

As a service Essex Police had also had to tread a very careful line enforcing regulations appropriately while also maintaining the confidence and support of the wider community. Their approach has proven successful as blatant breaches have been robustly tackled and high levels of public confidence have been maintained. In fact, public confidence in Essex Police has reached extremely high levels during the year with periods where over 80% of people have said they were confident or very confident in them.

This positive response to the pandemic and the longer-term trends in reported crime show our plan is working what has been even more pleasing is the clear support the public has for our police force. It is this relationship and our ability to work together that will enable us to push out crime, reduce offending and make Essex safer.

Finally, I would like to thank the Chief Constable, his senior team and all the officers and staff who have done such a good job over the last year. It is at these most difficult times that you see the true strength and commitment of the people within the service.

## Chief Constable's Report



Essex Police continues to grow and to put the new and existing resources at its disposal to best use to protect and serve the County. This report relates to the second full Financial Year since the introduction of the current Essex Police Force Plan, which is focused on Victims, Vulnerability, Violence and Visibility.

The number of Officers, Volunteers (including Special Constables) and Police Staff is increasing, funded by both central Government and the local precept.

To ensure that these men and women are appropriately skilled, equipped and enabled the force continues to re-invest savings achieved through its extensive modernisation programme to offer an improved service to the public and to businesses. This ranges from the force's capability to respond to the most serious crimes requiring extensive long-term investigations to the reassurance afforded to local communities through an increased visible presence in communities and crime prevention.

This report is a demonstration of the commitment of the Chief Constable and of all those at Essex Police to deliver justice to every victim of crime.

During the year, seven men were sentenced to a total of 92 years and 10 months imprisonment for one of the most appalling crimes committed in the 180 year history of the force. Following the discovery of the bodies of 39 men, women and children in a lorry trailer in October 2019, the force made public commitment to bring those responsible to justice wherever they might be within the UK or overseas. Delivering on that promise would not have been possible without the sustained long-term investment the force is making in training and developing its officers and staff and its equipment and facilities. Equally, this outcome would not have been possible if the force had not invested significant time in securing the trust and confidence of the people of Essex and further afield.

The force has and will police with the consent of all communities and make full use of all available resources to be a diverse and inclusive organisation.

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In 2020/21 the force grew to 3,369 officers (Full Time Equivalent) and it will grow further in the coming year and will continue to encourage an increasing proportion of candidates from diverse backgrounds. Our colleagues are not only growing in number, they are growing in capability. While continuing to deliver the Force Plan to catch criminals, protect people and keep people safe during the Covid-19 pandemic, the force has taken the opportunity to accelerate the introduction of enabling technology which means that our people are better connected than ever before and more able to share information. Agile working capabilities will mean that officers and staff can spend even more time with the people who need our help and less time travelling to and from police buildings. This has already assisted the force in the development of an environmental strategy in order that we can protect our rural and urban areas as well as the people within them.

The force is proud to report one of the lowest rates of sickness of any UK police force during the year. However, a number of officers, staff and volunteers have, like so many, experienced bereavement and our thoughts remain with the family and friends of all those whose lives and livelihoods have been lost.

Our work to unite our County against criminals and to deliver the Force Plan in 2021/22 is already underway. Through dedication and hard work we are having a positive impact on serious and organised crime groups and have achieved some of the largest seizures of drugs and cash in the history of the force, preventing drugs from getting into our communities and dismantling the gangs that deal in them. One such operation saw more than £21m worth of Class A drugs and £1.85m of cash being seized in Essex by our Serious Crime Directorate as part of an international operation, led in the UK by the National Crime Agency.

This is only possible with sustained investment and the support of the people of Essex. During 2020, independent surveys of the public showed that confidence has reached record levels since the introduction of the survey in 2017. This is encouraging. However, everyone at Essex Police is aware that trust must not only be earned but also maintained and never taken for granted.

I have a vision of a united Essex in which we celebrate our diversity and where we value each other's differences. The recovery which is now underway following the global Covid-19 pandemic will bring new businesses and new communities to our County and to neighbouring areas and we will use all our resources to make sure that Essex is a safe and prosperous place to live and work.

## Police and Crime Plan

### Local, Visible and Accessible Policing

Local, visible and accessible policing is essential to deliver a policing service that is properly connected to the community, where the public work with the police to squeeze out crime and wherever possible crime is prevented from happening.

Since 2018 we have grown the force by over 500 officers, taking the total number of officers to 3,369. In 2020-21 there has been an increase of 151 officers and 60.8 staff. This growth will continue over the next year with a commitment to recruit a further 218 officers in 2021-2022.

As the multi-year growth programme has been delivered, we have seen significant improvement both in public confidence and in the underlying levels of crime. The number of crimes recorded in Essex fell by 11.4% in the twelve months to March 2021 compared to the same period a year earlier. This is a significant drop and while much of the reduction can be attributed to the national lockdowns it also reflects, in part, a pattern we were starting to see prior to the pandemic, where the growth in crime was slowing and starting to decline.

The public's confidence that Essex Police do a good or very good job follows a similar pattern, with steady, consistent increases throughout 2019-2020 and then significant jumps in 2020-2021. Overall, in 2020-2021 76% of the public felt Essex Police was doing a good or very good job compared to 65% in 2019-2020.



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This positive trend is also reflected when we ask the public whether the police understand their community's issues, with 71% of people agreeing or strongly agreeing in 2020-2021 compared to 60% in 2019-2020.

This increased confidence and reduction in overall crime has developed as we have continued to grow the force. The introduction of Town Centre Teams comprising 58 officers and ten sergeants in 2019, had an immediate impact and has continued to drive down business crime and anti-social behaviour, while coinciding with a significant increase in the public's confidence in policing.

Similar growth across community policing, local policing and some of our specialist teams has gained traction through the last year. The introduction of Community Safety Engagement Officers based in Community Safety Hubs has increased capacity in terms of local engagement and continues our investment in local Community Safety Partnerships as an important way of giving local communities influence over resolving local issues. Together these extra resources and continued investment have led to an increase in public satisfaction with the level of local policing from 64% for the 12 months to December 2019 to 75% by the end of December 2021.

Overall confidence in Essex Police continues to show a strong year on year improvement. In Q1 2020-21 81% of respondents thought that Essex Police did a good or excellent job in their local area, which represents a significant increase compared with Q1 2019-20 at 65% and Q1 2018-19 at 69%.

We have continued our investment in tackling rural crime with the growth of the specialist Rural Engagement Team, representing a dedicated investment of £623k. The team have made a significant difference in rural communities and focus on unauthorised encampments, hare coursing and rural theft. The work of this dedicated team has seen a reduction in the number of unauthorised encampments from 229 in 2018 to 182 for the 12 months to March 2021.

The Business Crime Team was established in February 2020 and works closely with business networks such as the Chamber of Commerce, Federation of Small Businesses and business groups across the county to prevent business crime and provide specialist advice to local community policing teams.

In early 2020 we increased the number of Children and Young People officers (CYP) from 13 to 33 as a result of increased funding from the policing precept. These officers work to identify children and young people who are most at risk of becoming repeat offenders or at serious risk of harm/vulnerability. They engage with young people in senior schools to support a partnership approach in keeping young people safe and reducing crime and anti-social behaviour. The work being completed by the CYP officers is providing increased accessibility and visibility with school staff and children and young people and has received positive feedback.

At the same time, our shared School Liaison Team with Essex County Fire and Rescue Service has continued to reach out to schools providing a boarder range of community safety advice to all school children across Essex. Following the pandemic this team developed a range of videos, teaching plans and supporting material to help teachers, children and parents engage their children while teaching from home.

Alongside this growth in officers, we have also continued to develop and improve the technology, helping them to work more efficiently. The mobile first programme has continued to save officers time with 50% of all daily recorded crime now completed via smartphones without the need to return to a station. This success has led to the deployment of extra applications at officers' request, including What3words, an interpreting service, bike register and in September 2020 a stop and search module which was supported by a mobile fingerprint scanner. This has resulted in more successful arrests.

Our Special Constabulary has also continued to deliver a strong service for the public with 521 officers by the end of 2020/21, maintaining Essex Police's position as the second largest Special Constabulary in the country. This year we have also continued to see a significant increase in the number of hours delivered by the Special Constabulary with a 11.45% increase over the year to 214,503 hours, the equivalent to 122 full time officers.



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This strong volunteering base is also reflected in the strength of our Police Cadet Programme which has maintained its position as the largest in the Eastern Region with 410 Cadets and 80 Leaders. We also continue to benefit from a large Active Citizen Programme consisting of 69 Active Citizens and 110 Police Support Officers and significant participation in over 15 Watch schemes from Neighbourhood Watch, to Farm Watch. Together these groups reach over 215,000 people across Essex and provide vital crime prevention advice and act as an extremely useful conduit to the public.

At the same time our Community Safety Accreditation Scheme (CSAS) programme is the largest in the country, with 460 accredited people from 44 organisations working together with police across the county in a range of roles and with a wide range of powers given to them by the Chief Constable.

During the year we have also seen a significant improvement in accessibility with investments in an online Live Chat function on the Essex Police website, which went live in April 2020 and the launch of a Single Online Home. The Live Chat function is available seven days a week and received over 10,000 conversations in the first six months. Following the successful launch of the Single Online Home website, police were also able to significantly improve online reporting systems, including a dedicated way to report anti-social behaviour.

Providing a timely and effective Emergency (999) and non-emergency (101) public call system remains a priority. Over 2020-21, largely down to the impact of the pandemic, we have seen a significant reduction in 999 calls with 306,439 calls compared to 353,743 the year before, a 13.4% reduction. Over this period the average time for a call to be answered came down from 9 sec to 7 and the abandon rate fell from 1.8% to 1.5%.

We did not see the same reduction in 101 call volumes with overall numbers increasing from 292,472 to 295,105, a 0.9% increase. However, over the period the force did continue to improve call handling times getting the average down from 3 min 50 sec to 2 min 36 seconds. They also reduced the abandoned rates from 22.7% to 19.2%.

The biggest improvement in call handling over the year was in relation to public calls which experienced a reduction in the volume of calls from 107,925 to 79,762, a 26% reduction. Over this period the average wait time reduced from 13 min 48 sec to 3 min 2 sec and the abandon rate from 21.8% to 5.8% a significant improvement.

## Cracking down on anti-social behaviour

Since 2016 there has been a significant year-on-year reduction in anti-social behaviour. With a 21% reduction between 2016-and 2019-20. While this underlying trend is well established, over the last year, since breaches of COVID regulations have been classified as ASB, we have seen a 34.4% increase in reported anti-social behaviour. However, once the COVID related incidents have been removed and we consider the impact of this change in how we record the data we can expect to see a continued long-term reduction in the number of ASB incidents. In the two weeks prior to Christmas, Essex Police recorded the lowest two-week period for non-Covid related ASB in the last ten years.

HMICFRS assessed Essex Police as Good at dealing with ASB in 2016, 2017 and 2019, and while there has been no separate inspection since 2019 the progress shown in these inspections has continued. The force wide growth programme, for example, has continued to increase the resources and investment in local policing, including the introduction of Town Centre Teams in 2019. This has increased the amount of resources each year that are focused on local, preventative policing.

Anti-social behaviour is defined as “any behaviour where the victim is suffering harassment, alarm, distress, nuisance or annoyance”. The responsibility for tackling it is shared between local councils and Essex Police. As such a lot of the activity is delivered through local Community Safety Partnerships that Community Policing Teams are represented on. In rural communities this support is also supplemented by the Rural Engagement

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Team who work closely with local police to offer specialist advice and guidance on tackling rural crime such as Hare Coursing, Unauthorised Encampments and the theft of rural machinery.

Expert advice is also provided to Community Policing Teams by specialist ASB Officers who advise on proactive tactics and guidance, as well as training and briefings on changes to legislation and assisting with Criminal Behaviour Orders (CBOs) and ASB Injunctions.

As discussed in other sections of this report the introduction of Community Safety Engagement Officers during the year has had a big impact on the engagement at a local level. This has been further bolstered by the introduction of a stronger analytic capability which has allowed local policing teams working with Community Safety Partnerships to have a much stronger intelligence focus. This ensures resources are allocated efficiently and the biggest impact is made with the resources we have.

As well as strengthening the size and strength of the force through the Commissioner's office we also provide direct funding to the Community Safety Partnerships. In 2020-21 this amounted to £272,558. Working directly with the Commissioner's office each Community Safety Partnership commits to a local informed annual plan with clear local priorities and objectives. This structure is designed to ensure collaboration and partnership is at the heart of how these teams operate, and that local people get the opportunity to have their say in the priorities for their area. This local variation can be seen in the priorities for the different partnerships with rural crime being a priority in Maldon, while gangs and street drinking appear more frequently in urban areas.

## ***Restorative Justice***

Successfully preventing anti-social behaviour is often about proactive problem solving. Identifying why an issue is happening and then working within the community or with individuals to resolve those underlying issues. Restorative and Mediation practices, which are delivered directly out of the Police, Fire and Crime Commissioner's office, are an effective approach to tackling these issues and are becoming increasingly popular as the impact of the approach is understood.

Restorative Justice is a voluntary process which facilitates communication between somebody who has been harmed and the person who has caused that harm. It has been proven to result in a reduction in reoffending, high participant satisfaction and an improvement in victim recovery.

Our Essex Restorative Justice and Mediation Service accepts referrals ranging from community issues and anti-social behaviour to the most serious offences. The team has grown from 2 members of staff when the service launched in 2015, to 4 in 2020, managing a team of 40 trained volunteers. Traditionally carried out face-to-face, the team had to adapt to changing circumstances caused by the pandemic this year. Even given this challenge the team processed 297 referrals and 55 cases were carried out using socially distanced meetings or virtual discussions leading to 156 participants being engaged in the restorative process.

Feedback from victims has been very positive with the service being rated 4.5 / 5. Two thirds of those asked reported that the process had a positive impact on their situation and 80% said they felt better after speaking with facilitators. 80% of victims would recommend the service to others. General feedback was equally as positive and as an example one victim said "I think your understanding and sensitivity in these issues is faultless".

Satisfaction rates for those responsible for the harm was even higher with the service being rated at 4.9 out of 5. All of those who responded felt the process had had a positive impact on them and agreed that they had a better understanding of how your actions affect others as a result of this process" and "Do you think that you will behave differently in future as a result of the RJ process". 100% of referrers said they would use the service again and rated it an average of 4.8 out of 5.

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Over the last year the service has focused on improving restorative justice access for victims of domestic abuse, which led to an increase in referrals in domestic abuse cases of 57% on the year before. Lots of discussions have been had with relevant services, and during International Restorative Justice week the service hosted a webinar around the use of RJ in domestic abuse cases which was attended by over 160 people.

## Breaking the cycle of domestic abuse

Domestic abuse accounts for 35.6% of all violent crime in Essex. In 2020-2021 there were 28,952 cases recorded. Reported incidents have grown significantly over the last ten years as we have worked hard to encourage victims and survivors to come forward to report crimes. Changes in law in relation to controlling and coercive behaviour and stalking, have also resulted in new offences and legislation leading to more criminal incidents being recorded. Over the last year, as well as building our support for victims, we have increased our focus on changing the behaviour of perpetrators to prevent domestic abuse from happening in the first place and breaking the cycle.

Jane Gardner, the Deputy Police, Fire and Crime Commissioner, chairs the countywide Southend, Essex and Thurrock Domestic Abuse Board (SETDAB). This is made up of partners from across Essex with a focus on working together to support victims and reduce offending.

In May 2020, SETDAB launched a new, ambitious five-year strategy which focuses on the delivering five key outcomes:

**Outcome 1:** Children and young people can recognise and form healthy relationships.

**Outcome 2:** People experiencing and at risk of experiencing domestic abuse are supported to be and feel safe.

**Outcome 3:** Everyone can rebuild their lives and live free from domestic abuse.

**Outcome 4:** Supporting and disrupting perpetrators to change their behaviour and break the cycle of domestic abuse.

**Outcome 5:** Communities, professionals and employers are able to recognise domestic abuse at the earliest opportunity and have the confidence to take action.

On behalf of the Board, the Police, Fire and Crime Commissioner for Essex and Essex Police take the lead on outcome 2 and outcome 3.

To support people experiencing and at risk of experiencing domestic abuse, a wide range of specialist services are commissioned by the Commissioner which provide specialist, tailored support when and where it is most effective.

Victim Support is the first level of support provided and offers a wide range of general support for all victims of crime. This high-volume service received £1,650,000 over the last three years to provide this important function.

Specialist domestic abuse organisations such as Next Chapter, Safe Steps and Changing Pathways are provided with £2.465 million as part of a jointly commissioned contract with Essex County Council, Southend-on-Sea Borough Council and Thurrock Council worth over £14.875 over five years. This funding delivers an integrated domestic abuse support service including refuges, Independent Domestic Abuse Advisors and community-based support. This funding includes the delivery of a 7-day a week, single point of access; the Compass helpline, which delivers advice and support for victims and professionals.

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Specialist support services are also commissioned for the victims of rape and sexual abuse, including historic child sexual abuse. Over three years, the Synergy Rape Crisis Partnership receives £5.281 million to deliver specialist support across the county including therapeutic support, advocacy, counselling and Independent Sexual Violence Advisors (ISVAs). Synergy also offers a single point of contact for victims of abuse to engage through, ensuring help and advice can be found in a consistent and accessible way.

This year a new two-year funding arrangement was put in place for an additional six Independent Sexual Violence Advisors as part of a broader initiative to provide more support earlier in the process. This is to help victims and improve the number of cases that make it through to the courts. Between October and December 2020, the number of victims referred to ISVA increased by 84 per cent compared to the same period a year earlier, an increase from 159 to 289.

The national lockdown presented new challenges around domestic abuse and heightened concern for victims. To manage this potential risk a wide range of activity was developed to reach out to potential victims and perpetrators to reduce the risk of incidents occurring and ensure that victims could access support.

The Commissioner secured £605,967 of extra funding for local domestic abuse charities to increase the capacity of local services. The funding also helped to make venues and services COVID-secure, so they could continue to provide vital support to victims. Sexual violence organisations were also provided with £415,000 to support their work during COVID including the provision of extra counselling.

As well as supporting victims a significant focus continues to be on challenging perpetrators and getting them to change their behaviours. Dealing with domestic abuse incidents can be complex. Where it is appropriate Essex Police officers will pursue a prosecution through the criminal justice system, however, this is not always possible. In these situations, the force has increasingly focussed on alternative ways to safeguard victims using Domestic Violence Protection Notices and Orders (DVPNs and DVPOs) and the application of the Domestic Violence Disclosure Scheme (DVDS) otherwise known as “Clare’s Law”.

Since March 2020, the number of DVPNs has tripled monthly, as officers, legal advisors and partners have received training on how to apply for them and use them successfully. This has resulted in a hugely positive response from victims and stakeholders who have seen Essex as leading the way. Importantly, better internal resourcing has also led to much more effective monitoring and as a result we have seen a significant increase in prison sentences for breaches of the orders

The Commissioner has also invested heavily in perpetrator behaviour change programmes to confront and change dangerous behaviour before it can cause more harm. In Essex, this work is delivered by The Change Project. The Commissioner has provided £170,000 to deliver the programme which has had over 280 referrals in the last year and has been able to deliver a 95 per cent reduction in physical violence. This is important work and vital to driving down the number of people affected by domestic abuse in our county.

The success of this project led to a further investment of £219,000 by the Commissioner to provide additional capacity to deliver domestic abuse perpetrator change programmes to targeted communities including BAME, LGBTQ+ and rural communities in Essex. There are areas where research indicates that domestic abuse is underreported. The funding was also used to deliver training to front line professionals in order to prevent adolescent to parent violence.

Working through SETDAB we also developed and delivered a virtual awareness week to support the national “16 days of action against domestic abuse” campaign in November 2020. This included five daily webinars for partners, leafleting in local supermarkets and a media campaign. It resulted in more than 8,000 engagements on social media and activity across the week drove views on the partnership website up over 300 per cent. Our specialist domestic abuse service providers reported an increased volume of contacts during the period, demonstrating that the action was successful in encouraging more people to seek support.

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## Tackling gangs and serious violence

Violence in our communities affects us all; the vulnerable who are groomed into a life of crime, the families living without a loved one, the victims of drug driven crime and all of us in wider society who want to live free from the fear of violence.

Reducing violence in our communities and the impact of gangs and drug driven violence is important for all of us. In Essex we were one of the first counties to develop a Violence Reduction Unit or, as we have called it in Essex, our Violence and Vulnerability Partnership. The Partnership, which is chaired by the Commissioner, has tested and trialled a range of interventions in recent years and through careful evaluation has developed a strategic approach that is delivering significant results in the fight against violent crime.

Working together, the Partnership closely aligns activity to prevent violence and protect the vulnerable with strong, robust enforcement activity. Across Essex the wider strategic approach includes:

- Identifying and tackling organised crime gangs, county lines and drug supply.
- Delivering a proactive, robust local enforcement programme in partnership with communities.
- Reducing the risk of young or vulnerable people being exploited by gangs and help those involved in gangs to break away.

This approach has started to turn the tide of violent crime in Essex with violence with injury down by 13.5% over the last year. This is a very positive result and while partly driven by the COVID restrictions, which have been in place over the last year, it also reflects the trend we had started to see prior to COVID of a gradual reduction in the growth of violent crime leading to an overall reduction.

As the Partnership has continued to develop, so has our understanding of the specific nature of the problem we collectively face and importantly how we can intervene to reduce the risk to young people by breaking the business models used by county line gangs, which has such a devastating impact in our county.

We now know the profile of those in Essex who use drugs and whose activity fuels the violence that goes hand in hand with drugs. This has allowed us to develop interventions to focus on users, reinforcing to them the real cost and impact of their activity to society.

Through the development of a serious problem profile we now have a much better understanding of the small number of individuals who cause disproportionate levels of harm in our communities. How they act and importantly how we can identify them early and tackle the behaviour, is key in preventing them from affecting our communities. Our work in Accident and Emergency Departments is just one example of where this level of insight has led us to develop an early intervention by trained youth workers. This has proven to be very successful with most young people engaged continuing with ongoing support. The ability to target the right people, in the right way and at the right time is enabling us to change the course of these young people's lives and prevent future violence happening.

This targeted approach has also been successfully used through the integration of safeguarding officers within Essex Police's specialist gang enforcement teams. These safeguarding officers work with partners to support young or vulnerable people who are swept up in enforcement activity against higher up county line gang members. This approach provides the opportunity, where appropriate, to reach out and stop a young or vulnerable person falling further into a life of crime.

Over the last two years the Partnership has also recognised the importance of building broad capacity within our communities, particularly within our voluntary and community sectors. Through targeted funding we have been able to foster a strong and robust network of organisations that provide a wide range of interventions in

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local communities across the county from youth clubs, boxing sessions to after school sport activities for at risk children. These deliver an ongoing level of capacity that reduces the risk of young people falling into a life of crime.

One example of a group that has benefited from this support is Changing Lives which was set up in Harlow in 2018 to raise children's awareness about the dangers of gangs and gang activity. The group uses a mix of physical activities and wellbeing programmes to prevent young people from getting involved in anti-social behaviour and criminal activity.

While these individual examples provide a flavour of the innovative and effective interventions currently underway, the real strength of the approach over the last few years has been the integrated and system wide strategy that this broader partnership has been able to deliver. By taking a holistic view of how we work together to support young and vulnerable people and reduce violence, we can spot opportunities to intervene early, to make a difference and stop people falling through the gaps. Just one example of this has been health workers who support young people leaving care. Through this work it has been identified that programmes to provide specialist input into health provision in schools, in particular to health nurses, would help identify early those at risk and empower these people to influence the at risk young people they come into contact with.

Since the start of our Partnership approach in 2017-18 we have embraced our collective responsibility to tackle violence in our communities, support those at risk of being exploited and create the communities we all want to live in. Having spotted this trend early, the Partnership has been well positioned to benefit from the government's increased funding and focus on this vital area. This has enabled us to learn, to innovate and most importantly to collaborate. As a result, we know what works in our communities, we know what we must do together and the effort that is required to see this through.

As a key member of the wider Partnership, Essex Police has played a central role in the development of this work. Over the last year they have also redeveloped and strengthened their own capacity to provide robust enforcement action against gangs and county lines.

A key development was the creation, in July 2020, of the Serious Violence Unit (SVU). The Unit uses an intelligence led approach to target gang leaders and County Lines. They have also boosted evidence gathering capacity which has resulted in an increase in convictions and sentences. The Unit takes a broad approach to tackling gangs and is supported by expert drug witnesses who can provide timely expert advice to support prosecutions and a dedicated legal resource to target gangs through civil injunctions.

Between the 1st April; 2020 and the 25th March 2021 the work of the SVU has resulted in 288 arrests, 268 people have been charged so far, £300,082 of cash has been seized and £598,000 worth of drugs. The success of the unit has led to further investment and growth being planned for 2021-2022. This will be funded from increases in the local policing precept and central government funding.

The introduction of safeguarding officers in 2019 and 2020 provided a stronger focus on vulnerability, supporting those people who are being exploited and leading to several successful charges for Child Trafficking and Compulsory Labour of Adults. A child victim navigator also works within the team to provide specialist care and support to victims of trafficking and exploitation.

The safeguarding officers and the victim navigator role (designed to help victims understand the process and access relevant support) have helped Essex Police protect and safeguard victims of modern-day slavery and trafficking and helped build stronger prosecution cases. This has led to three separate charges, two for child trafficking and one for adult forced labour under the Modern-Day Slavery Act and demonstrates the impact of this new approach.



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The extra investment has also helped improve the enforcement approach, with increased focus on identifying, targeting and prosecuting those gang leaders and County Lines. This new focus has led to more County Lines being dismantled and fewer restarting again after being targeted.

A key area going forward for the SVU is to work through the Violence and Vulnerability Unit to target and reduce the drug user market in Essex, thus reducing the scale and business model for gangs and county lines. Extra investment has also been agreed for 2021-2022 that will result in a further 30 officers joining the Unit. This will lead to a further increase in proactive operations against gang leaders, more offenders brought to justice and more assets seized.

Another area of significant focus within our fight against serious violence and gangs is the work we are doing to bring the perpetrators of rape and serious sexual assaults to justice, and ensure victims get the help and support they need. Over the last year we have seen an 9.6% reduction in the number of reported rapes. We have also seen a significant increase in the number of rapes within a domestic context with 43% of all reported rapes now domestic.

Over the year the force has continued to focus on engaging and supporting victims, building strong prosecutive cases, ensuring evidence available digitally is used effectively and investing in more capacity and strong collaboration with partners such as the Crown Prosecution Service. As a result of this focus the number of cases solved has started to increase with 15% more cases solved. While this is still significantly lower than we would want it to be it is a clear sign that the strategy is starting to work.

Several significant initiatives have made a difference this year. The introduction of a victim feedback panel in partnership with our commissioned services, a victim closure document piloted in January that is completed at the end of a case, as well as a revision to the standard operating picture, have all come together to set a high standard and ensure teams involved in this important work are hearing and learning from the experience of victims.

Operational activity targeting high risk offenders has also been stepped up with regular enforcement activity helping to protect the most vulnerable and target the most harmful.

While this work shows that we are moving in the right direction the tragic death of Sarah Everard and the national outpouring of emotion that has happened since, has clearly show that there is much more we need to do in policing but also as a wider society to challenge and address male violence against women. No woman should feel unsafe in her own community, but the sad truth is that many do.

We need to create a society where women can live free from the fear of violence which has a real psychological and emotional impact and we have worked hard to encourage survivors of abuse and violence to come forward and when they have we have put in place specialist support services to help them cope and move on while at the same time robustly targeting offenders to break the cycle of violence against women.

Tackling male violence against women has been a key priority for the Commissioner and over recent years we have listened to the experience of victims and survivors and increased our funding for support services such as counselling, advocacy, therapeutic support and Independent Sexual Violence Advisors. This advice and support from frontline services has been invaluable in helping to improve the services we offer and how we can prevent these crimes happening.

In the last year the team the Commissioner's team and Essex Police have worked with rape crisis centres, police, health and local authorities to develop Essex's first partnership sexual violence and abuse strategy which we outline in more detail under Protecting Children and Vulnerable People.

While progress is being made the number of rapes and sexual assaults that lead to a successful conviction are still woefully low. It is important that victims feel confident to report crime, that they are supported through



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the criminal justice system, that stronger investigations are undertaken, and we need more successful prosecutions. We must do better.

Domestic Violence Protection Orders are a valuable power to tackle offending early and in Essex we issue more of these than anywhere else in the country, but we should be doing more. Much more work is needed to protect them from harassment and abuse in public places and this will be a clear focus for us in coming years.

## **Disrupting and preventing organised crime**

Working locally, regionally and nationally Essex Police take a hard line in pursuing organised crime groups, disrupting their activity, pursuing and prosecuting those involved and confiscating their assets.

Leading this fight are dedicated Serious Organised Crime units (SOC) based across the country and working with colleagues regionally and locally. These teams have recently grown due to the increased investment secured by the Commissioner through the local policing precept and national funding. They are also supported by a separate specialist money laundering team, a dedicated Modern Slavery and Human Trafficking Unit and the Prevent and Protect Team who work with partners to reduce the risk of organised crime to the public.

While much of the work undertaken by these teams cannot be published, one outstanding success that has received publicity during the year is Operation Venetic. This was an international operation which resulted in the identification and disruption of several organised crime groups in the UK and in Essex. The dedicated specialist resources we have invested in Essex gave the force the capacity to respond proactively to the national intelligence secured under Operation Venetic and resulted in a significant number of arrests and seizures.

As well as this high profile work the force has successfully identified, targeted and closed down over 100 organised crime groups over the last two years, including the group responsible for the tragic death of 39 people found deceased in a lorry in Grays, on 23rd October 2019. After a successful international investigation by Essex Police the trial for these offences took place at the end of 2020/early 2021 and in January at the Old Bailey seven men were sentenced to over 92 years in total for their involvement.

While varying in size, complexity and operational sophistication an indication of the success of this work can be seen in the fact that since April 2020, the Serious Organised Crime Unit have made 70 arrests, executing 56 warrants and charged 47 people. This has resulted in 183 KG of Class A drugs being seized, 40 KG Class B drugs, £2,693,500 in cash, 11 viable firearms recovered, 1161 un-harvested cannabis plants seized, and 29 people safeguarded.

The launch of the Serious Violence Unit in June 2020, which is discussed in more depth in our section on tackling gangs, has also increased the identification of criminal exploitation of vulnerable victims by county lines and gangs, and this has led to improved identification of the organised crime gangs who are often the controlling influence behind the activity.

As well as strong, robust enforcement the Prevent & Protect Teams identify current and emerging issues relating to serious organised crime and proactively develop strategies to minimise their impact and tackle their criminal activity. This team focuses on cybercrime, fraud, modern day slavery and human trafficking, gangs and organised crime gangs. The team provide education and awareness to allow individuals and businesses to protect themselves from the effects of serious organised crime as well as preventing people engaging in serious organised crime in the first place. Working with partners including Essex Chamber of Commerce, Barclays, Anglia Ruskin University and many more, the team deliver educational events to raise awareness of types of crimes that businesses and the public are susceptible to and how they can protect themselves from becoming a victim or a repeat victim of organised crime. Over the last year the team have undertaken over 194 individual engagements reaching over 800 people.

# Narrative Report

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During the year the team have also developed the Essex Fraud Alert System (EFAS) which works with partners to utilise their own communication mechanisms to deliver advice and warnings about current scams and threats. This has been extended by providing monthly alerts to local magazines. Through these channels we estimate that Essex Police are able to reach over 370,000 residents with timely accurate fraud prevention advice. This proved to be very successful during the Covid pandemic where the force was able to react quickly to new and emerging scams.

The team have also developed work targeting romance fraud, supporting vulnerable fraud victims as well as working with key businesses to identify weaknesses in their processes and strengthen them against exploitation.

## **Protecting children and vulnerable people from harm**

Protecting the most vulnerable in our society is a key responsibility for all of us and is rightly prioritised by the Commissioner and Essex Police. Work is undertaken with partners and across the force to ensure young and vulnerable people receive the support they need when they are the victim of crime, that perpetrators are identified, investigated and wherever possible prosecuted and, most importantly, that incidents are prevented from happening in the first place.

While young and vulnerable people can become the victim of any crime there are certain types of crime where they are particularly vulnerable. In the previous section on tackling gangs and serious violence, we highlighted a significant amount of work that is being undertaken to prevent the exploitation of young and vulnerable people by gangs.

Sexual violence and exploitation are also areas which can affect young and vulnerable people and as such, an area of focus for both the Commissioner and Essex Police. The annual Crime Survey of England and Wales (CSEW) estimates that 20% of women and 4% of men have experienced some type of sexual assault since the age of 16. This suggests that 240,034 female and 48,007 men in Essex have experienced some type of sexual assault. The CSEW showed that around 83% of victims did not report their experiences to the police.

The CSEW indicates that the underlying volume of sexual abuse has not changed significantly since 2005. In Essex we have worked hard to increase the number of victims who are comfortable coming forward to report and to seek support.

The Police, Fire and Crime Commissioner for Essex has a responsibility to commission services to support victims of crime, which includes victims of sexual violence and abuse. In Essex the demand has grown significantly in recent years and between 2018 and 2020 new referrals into support services increased by 29% (data provided by Synergy Rape Crisis Partnership).

NHS England and the Police Fire and Crime Commissioner for Essex jointly commission the Essex Sexual Assault Referral Centre (SARC) which is a safe place for victims of sexual assault to be examined, interviewed, and referred to further support services. They help victims understand their options and make an informed choice in deciding how they wish to proceed. SARC examinations have seen an increase in demand for their services by 16% between 2018 and 2020).

Essex is also one of only 5 local areas that successfully applied to receive devolved Rape Support Funding from the Ministry of Justice. This has brought commissioning services to a much more local level allowing the partnership, through the Commissioner, to tailor support to the needs of our communities.

Sexual violence happens both within coercive, intimate relationships and within wider family relationships. Data from Essex Rape Crisis Partnership shows that 23% of victims aged 16 and over had experienced sexual violence perpetrated by an intimate partner. An additional 33% of victims had experienced sexual violence and

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child sexual abuse within their family, perpetrated by a family member (predominantly father, stepfather, grandfather or brother).

In the 12 months up to February 2021 there was a 5.1% fall in the number of recorded Child Abuse offences (a reduction of 284) compared to the same period 12 months earlier. While this is a positive trend there is still much more that we can do to protect those affected by these crimes.

Our approach to tackling serious sexual violence is set out in the Essex Sexual Abuse Strategy. This was developed in 2020-2021 and brought together a range of stakeholders including councils, charities, support organisations, health partners and the emergency services. It aims to help organisations work together to prevent the volume and impact of sexual violence and abuse in Southend, Essex and Thurrock. It focuses on prevention, victim services, building awareness, partnership working across the criminal justice system as well as on perpetrators.

The ambition of the partnership is to ensure there is a clear understanding of consent amongst children and young people, that victims can access appropriate support, and the rate of sexual abuse charges and prosecutions increases as victims feel more confident in coming forwards.

There has already been some strong initiatives that have been developed through the Partnership including the First Responders project, which ensures victims of crime receive support within 24 hours from when they choose to report the crime and the Drink Aware initiative, which is a preventative programme safeguarding those who are most vulnerable during the night time economy, by working with local businesses, third sector agencies and Police.

While much more work is underway the development of the strategy marks an important step forward in providing a joined up and sustained approach to tackling sexual violence in our communities.

Another area of crime which can affect young and vulnerable groups in our society is Hate Crime. Essex Police and the Commissioner also work closely with partners to promote the reporting, prevention and prosecution of hate crime through the Hate Crime Partnership. Since 2018 the Partnership has been implementing the Hate Crime Prevention Strategy which aims to improve victim satisfaction with the response to hate crime across Essex by dismantling barriers to reporting hate crime, improving operational response to hate crime, and tackling hate crime by increasing public awareness and promoting positive values.

To achieve these objectives the Partnership focuses on; understanding and preventing hate crime, increasing reporting and support for victims and improving our shared operational response to hate crimes.

Together the partnership has worked hard over the year to increase the reporting of hate crime by building stronger relationships with communities, better collaboration with the Independent Advisory Groups and delivering more visible publicity, including a Crimestoppers' online hate crime campaign that reached over 1.2 million people and a multi lingual "Stop the Hate" leaflet.

Between January and December 2020 Essex Police received 3,600 reports of hate crime, a 14.4% increase on the same period the year before. Over the same period, victims support received nearly 1,000 referrals for victims affected by hate crime, including 90 children and young people.

These reports were supported by over 800 Hate Crime Ambassadors trained by Essex Police and 50 Hate Incident Reporting Centres spread across Essex. Awareness of Hate Crime in schools has also been a focus with programmes delivered to over 18,000 students since 2018.

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## Improve safety on our roads

More people are killed on our roads than from all other forms of crime put together. The four main driving offences – drug driving, drink driving, speeding and driving without a seatbelt - are without a doubt the biggest killers in our county.

As well as this direct impact, we know the road network is used by criminals and effective, robust policing of our roads can help to tackle other forms of crime such as organised crime groups, drugs and county lines, burglary and anti-social behaviour. During 2020, more than 150 people have been arrested by roads policing teams for a range of criminal offences including possession of weapons, burglary, violence, dangerous driving, possession with intent to supply class A drugs and high-end road traffic offences. This is an increase of over 30 arrests compared to the whole of 2019.

Working through the Safer Essex Roads Partnership, the Commissioner, Essex Police and Essex County Fire and Rescue Service have continued to work hard to make our roads safer. Over the last ten years this has led to a significant fall in the number of people killed or seriously injured from 1,099 in 2010 to 641 for the 12 months to March 2021.

During the year the Partnership took the ambitious step to commit to its Vision Zero Strategy which builds on the success over the last ten years and aims to achieve zero people killed or serious injured on our roads by 2040. This will require a cultural change by communities, stakeholders and industry, acknowledging that everyone has a responsibility for safe use of the road network.

As in many areas of our lives, 2020 has presented unique challenges to policing on our roads. The first national lockdown drastically reduced traffic volumes and enabled the roads policing team to significantly increase proactive and preventative policing patrols. This increased proactive capacity helped tackle the high-end speeding offences which increased during this period while also improving the detection of drug driving offences.

Following the increase in the precept for 2020-2021 funding for an additional 24 officers was allocated to Essex Police. This growth provided further opportunities to increase the proactive focus on road safety and the disruption of those who use vehicles with criminal intent.

As part of the previous officer uplift programme in 2019 – 2020, an additional 17 Police Constables were posted to roads policing units. These officers have had a direct impact on the number of arrests, collision investigation, stop & search and intelligence submissions undertaken. This is expected to continue to develop as the officers gain further experience in their new role and the next cohort of officers start to make an impact.

While the COVID pandemic has had a significant impact on the amount of traffic on our roads there has also, unfortunately, been an increase in the number of incidents involving motorcyclists. Overall, motorcyclists remain the most at-risk group, representing 23 per cent of all recorded collisions involving death and serious injury.

A study of collisions during the COVID period has also shown that while there have been far fewer collisions, the severity of those that have happened have been far higher, due mainly to increased vehicle speeds. Across Essex, we have seen a 15 per cent increase in vehicle speeds during the COVID lockdown period - a worrying trend that has had a real impact on people's lives.

In response, we developed a new strategy referred to as “Unpredictable Visibility” that delivers more visible roadside activity using detection devices such as TRUCAM. Enforcement takes place in specific locations identified to maximise the overall impact of the tactic within one district. The tactic has been shown to reduce reoffending rates by 10 per cent and provide a stronger impact on drivers caught in 30mph zones than the use

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of static speed cameras. To support this activity the Commissioner has recently approved the purchase of three LASERCAM 4 devices which also allow for activity at night.

During October 2020, two separate fatal road traffic collisions highlighted links to drivers who were driving stolen vehicles, with links to organised car theft. This led to the development of a successful target operation focused on high harm cross boarder criminality that is conducted in partnership with the Metropolitan Police, Havering & Dagenham.

A similar proactive approach has been taken with our approach to commercial vehicles. Historically, the focus with these vehicles was upon mechanical defects and drivers' hours offences. Whilst these offences remain critical to improving safety on the roads, opportunities are now taken to gain valuable intelligence around organised immigration crime and wider threats to national security. Both proactive and reactive operations have been taken to target organised illegal immigration at Essex Ports and key service stations.

An important part of our approach to reducing the number of people killed and seriously injured on our roads is Community Speed Watch. This provides a valuable additional resource in the fight against speeding but also builds community participation and is vital to achieve the cultural and societal change that is essential for us to deliver our ambitious goals of zero deaths in Essex by 2040. Unfortunately, the COVID pandemic has placed significant restrictions on our Community Speed Watch Groups with most groups having to suspend their activity based on national guidance. This was disappointing for the members of the groups and for us. We have worked hard during the later stages of the pandemic to develop ways to get as many groups as possible active again. A full review was conducted, and the scheme restarted fully in March.

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## Performance Framework

The PFCC chairs a Performance and Resources Board that holds the Chief Constable and the force to account for the performance of the force officers and staff against the delivery of the Police and Crime Plan.

On a monthly basis, the current performance data of the papers and minutes of the Performance and Resources Board are published on the OPFCC website at:

[www.essex.pfcc.police.uk/scrutiny/essex-police-performance/](http://www.essex.pfcc.police.uk/scrutiny/essex-police-performance/)

The Police, Fire and Crime Panel receive a quarterly report on the progress against the seven priorities in the Police and Crime Plan.

Crime, including violent crime, has risen. This is in line with the national trend for crime increase. While some of this increase is due to the means by which Stalking & Harassment is now counted (following changes to Home Office Counting Rules in April 2018), and internal improvements that Essex Police has employed to ensure better Crime Data Accuracy (CDA), the trend is now stabilising.

Police and Crime Plan Priorities	Police Priority Indicators	12 months to March 2020	12 months to March 2021	Number Difference	% Difference	Direction of Travel
Priority 1 - More local, visible and accessible policing	Percentage of people who have confidence in policing in Essex (internal survey) <sup>1</sup>	64.7	76.3	11.6	-	Improving
	Confidence Interval <sup>2</sup>	1.1	0.9			
	Confidence in the local police (CSEW) <sup>3</sup>	46.9	48.6	1.6	-	Stable
	Confidence Interval <sup>2</sup>	4.5	3.9			
	Number of all crime offences	167,266	148,135	-19,131	-11.4	Improving
	Harm (Crime Severity) Score - All Crime <sup>8</sup>	-	12.0	-	-	-
	Emergency response attendance within 15 minutes (urban) or 20 minutes (rural)	77.2	82.6	5.4	-	Improving
Priority 2 - Crack down on anti-social behaviour	Number of anti-social behaviour incidents	41,262	60,329	19,067	46.2	Deteriorating
	Percentage of people who have confidence that the policing response to ASB is improving (internal survey) <sup>4</sup>	64.0	70.3	6.3	-	Improving
	Confidence Interval <sup>2</sup>	1.1	1.1			
Priority 3 - Breaking the cycle of domestic abuse	Number of incidents of domestic abuse	42,767	41,518	-1,249	-2.9	Improving
	Number of repeat incidents of domestic abuse	20,776	19,165	-1,611	-7.8	Improving
	Number of domestic abuse arrests	12,232	14,214	1,982	16.2	Improving
	Number of Domestic Violence Protection Notices (DVPNs) and Protection Orders (DVPOs)	198	224	26	13.1	Improving
	Number of domestic abuse offences solved	2976	3406	430	14.4	Improving
Priority 4 - Tackling gangs and serious violence	Number of homicides <sup>7</sup>	63	18	-45	-71.4	Improving
	Number of violence with injury offences (new definition from Nov 2017)	15,262	13,204	-2,058	-13.5	Improving
	Harm (Crime Severity) Score for Violence with Injury, Rape, Other Sexual Offences and Robbery of Personal Property <sup>8</sup>	-	7.4	-	-	-
	Number of Violence with Injury, Rape, Other Sexual and Robbery of Personal Property Offences solved	2,747	2,937	190	6.9	Improving
	Stop and search for weapons	3,348	2,257	-1,091	-32.6	Deteriorating
	Knife-enabled crime <sup>9</sup>	1,108	1,528	420	37.9	Deteriorating
Priority 5 - Disrupting and preventing organised crime	Number of Organised Criminal Group disruptions	122	252	130	106.6	Improving
	Trafficking of drugs arrests	1,877	2,007	130	6.9	Improving
Priority 6 - Protecting children & vulnerable people	Number of child abuse outcomes <sup>5</sup>	323	319	-4	-1.2	Deteriorating
	Child abuse offences	5,547	5,458	-89	-1.6	
	Child abuse solved rate	5.8	5.8	0.0	-	Stable
	Child Sexual Abuse/Exploitation investigations	1,974	2,056	82	4.2	-
	Modern Slavery referrals made to the National Referral Model (NRM)	132	109	-23	-17.4	Deteriorating
Priority 7 - Improve safety on our roads	Number of driving related mobile phone crime on Essex roads <sup>10</sup>	1,530	478	-1,052	-68.8	Improving
	Number of driving under the influence of drink and/or drugs on Essex roads	3,694	3,883	189	5.1	Deteriorating
	All people killed or seriously injured (KSI) in road collisions <sup>6</sup>	821	641	-180	-21.9	Improving

Notes to this table are detailed overleaf

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**Note 1** - Question from the independent survey commissioned by Essex Police (Percentage of people who have confidence in policing in Essex). Results are for the period 12 months December 2020 versus the 12 months to December 2019.

**Note 2** - The confidence interval is the range +/- between where the survey result may lie. This is mainly influenced by the number of people answering the survey. The more people that answer the survey, the smaller the interval range.

**Note 3** - Crime Survey of England and Wales data are no longer available at Force level. Data are for the 12 months to March 2020.

**Note 4** - Question from Essex Police's own confidence and perception survey (Percentage of people who have confidence that the policing response to ASB is improving). Results are for the period 12 months to December 2020 versus the 12 months to December 2019

**Note 5** - Solved outcomes are crimes that result in: charge or summons, caution, crimes taken into consideration, fixed penalty notice, cannabis warning or community resolution.

**Note 6** - 'Killed or Seriously Injured' (KSI) refers to all people killed or seriously injured on Essex's roads, regardless of whether any criminal offences were committed. 'Causing Death/Serious Injury by Dangerous/Inconsiderate Driving' offences (detailed on p.11) refers to the number of crimes of this type.

**Note 7** - Please note that on Wednesday 23 October 2019 the bodies of 39 Vietnamese nationals were discovered in a lorry trailer in Grays. This tragic incident is reflected in the Homicide numbers.

**Note 8** - Crime Severity Score measures 'relative harm' of crimes by taking into account both the volume and the severity of offences, and by weighting offences differently. Data are for the 12 months to January 2021.

**Note 9** - The number of knife crime offences is an indicator of how effective Essex Police is at identifying knife-enabled offences, and is not necessarily reflective of the number of these offences that have been committed in the county. This is because the identification of these offences is reliant on the appropriate indicator being manually added to the crime record. A manual review of knife flags was conducted and missing flags were added retrospectively. Additionally a new data quality process was introduced in June 2020. Whilst this has enabled us to better understand knife crime in Essex, the process has consequently inflated the figures. As such, no inferences can be drawn as to the current trend.

**Note 10** - The year on year data for driving offences related to mobile phones are not comparable due to a legal appeal (which occurred in October 2019). The current phone use legislation is awaiting clarification in the courts, which has been delayed due to the impact of COVID-19. Since the appeal, fewer offences have been prosecuted.



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## Current Structure

The Police & Crime Commissioner (PCC) was established by the Police Reform and Social Responsibility Act 2011 (PRSRA) as a corporation sole with a separate body of Chief Constable, also as a corporation sole. Mr Roger Hirst was elected Police and Crime Commissioner on 5th May 2016 and appointed Jane Gardner as Deputy Police and Crime Commissioner.

From 1st October 2017, the PCC also took on the governance of Essex County Fire and Rescue Service, becoming the country's first Police, Fire and Crime Commissioner (PFCC). The governance arrangements of the PFCC and Chief Constable are included in the joint Annual Governance Statement.

## The Role of the PFCC

The PFCC is responsible for the totality of policing in Essex. The public accountability for the delivery and performance of the police service is placed into the hands of the PFCC on behalf of the electorate of Essex. The PFCC provides the local link between the police and communities, working to translate the legitimate desires and aspirations of the public into action.

The PFCC is responsible for setting strategic direction and objectives of the force through the Police and Crime Plan and setting an annual budget, monitor financial outcomes, approve a medium-term financial plan and capital programme in consultation with the Chief Constable.

The PFCC is also responsible for the scrutiny, support and challenge of overall performance of the force including against the policing priorities to protect Essex and holds the Chief Constable to account for the performance of the force's officers and staff. He prepares and issues an annual report to the Police Fire and Crime Panel on performance against the objectives set within the Plan.

The PFCC has wider responsibilities than those relating solely to the police force, namely:

- Delivery of community safety and crime reduction
- Ability to bring together Community Safety Partnerships at the force level
- Allocate crime and reduction grants within Essex
- Duty to ensure that all collaboration agreements with other local policing bodies and forces deliver better value for money or enhance the effectiveness of policing capabilities and resilience
- Enhancement of the delivery of criminal justice in their area

## The Role of the Chief Constable

The Chief Constable has day to day responsibility for financial management of the force within the framework of the agreed budget allocation and levels of authorisation issued by the PFCC. He is accountable to the PFCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. The Chief Constable is responsible to the public and accountable to the PFCC for leading the force in a way that is consistent with the attestation made by all constables on appointment and ensuring that it acts with impartiality.

The Chief Constable supports the PFCC in the delivery of the strategy and objectives set out in the Plan, and in planning the force's budget. In agreement with the PFCC the Chief Constable enters collaboration agreements with other Chief Constables, other policing bodies and partners that improve the efficiency or effectiveness of policing.

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The respective responsibilities of the PFCC and Chief Constable as corporations sole are brought together in legal and accounting terms to form the 'PFCC Group'.

## Our Workforce

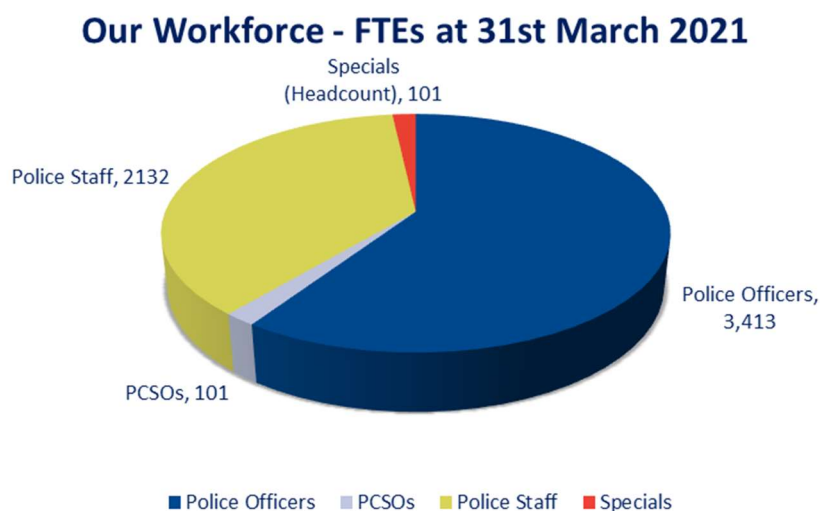
Essex Police's Diversity, Equality and Inclusion Strategy 2020-2025 recognises that there is a unique life-enhancing power in genuine equality, greater diversity and dignity for all. One of the objectives within this strategy is to attract, recruit, progress and retain a more diverse workforce that better reflects our communities to improve confidence in Essex Police. In 2020, Essex Police launched a new #FitTheBill police officer recruitment campaign, 'We Value Difference', to attract more diversity into the force. Nationally, policing struggles to attract people who are black, Asian, minority ethnic, LGBTQ, female or who declare other protected characteristics. The 'We Value Difference' campaign tackles diversity and inclusion in its entirety and shows that it is our values (Transparency, Impartiality, Integrity and Public Service) which define us and that these values are what policing is most interested in.



Within the first 2 months of the campaign, the number of applications from black, Asian and minority ethnic men and woman double compared to previous recruitment campaigns. The campaign is changing the make-up of the force and making it more representative of the communities it services.

During 2020/21 our police officer strength numbers increased by 120 FTEs to 3,413.

The chart below shows the make-up of the workforce for the group as at 31st March 2021



# Narrative Report

Essex Police is growing and during the 2021/22 year the Police Officer establishment will grow by 184 additional officers, 132 of which are as a result of the governments ambition to recruit an additional 20,000 Police Officers nationally. At the end of 2020/21 the force had recruited 44 additional officers above the established budget of 3,369 officers to assist in meeting the 2021/22 target of bringing the total number of officers to 3,553 FTE by March 2022.

The growth in officer numbers is expected to continue into 2022/23 as part of the final year of the government's national uplift programme.

In addition to making the most of our own workforce, partnership working and collaboration permeates throughout the force and is fully embedded within both force business planning and delivering services. The force uses a wide variety of different models and approaches to maximise the benefits working in partnership brings. The force collaborates with other forces at a national level, regional and local level and has joint operational and support directorates with Kent Police to maximise efficiency and effectiveness.

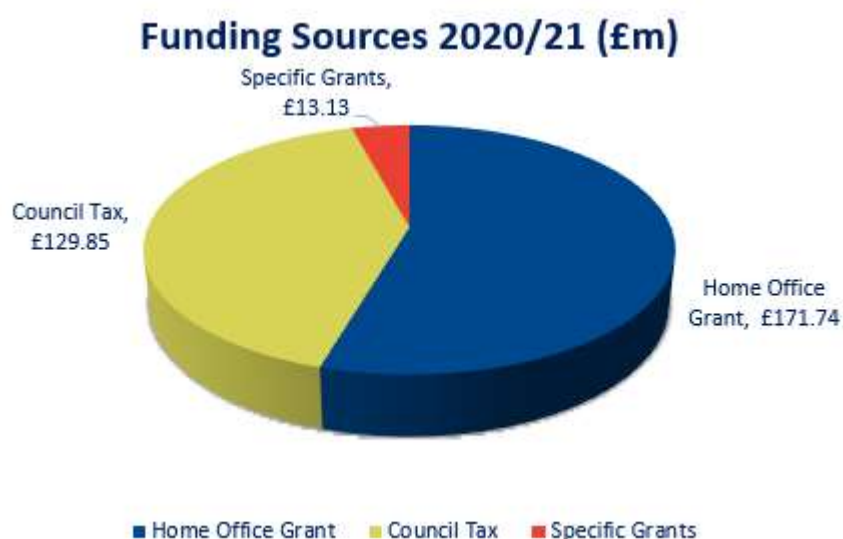
## Financial Overview

In recognising the respective responsibilities of the PFCC and Chief Constable all assets, liabilities and contracts are in the name and ownership of the PFCC whereas most police staff along with police officers and PCSO's are employed by the Chief Constable.

An ambitious programme of transformation is underway to help prepare Essex Police to meet the demands of today and the future involving, police estates, technology and an enhanced police operating model.

## Where the Money Comes From

The chart below shows an analysis of the PFCC's key sources of funding in 2020/21 totalling £314.715m. The Home Office core grant paid to the PFCC accounted for 55% of the total funding. These grants and income raised by Council Tax funded the net revenue budget for 2020/21 of £314.715m.



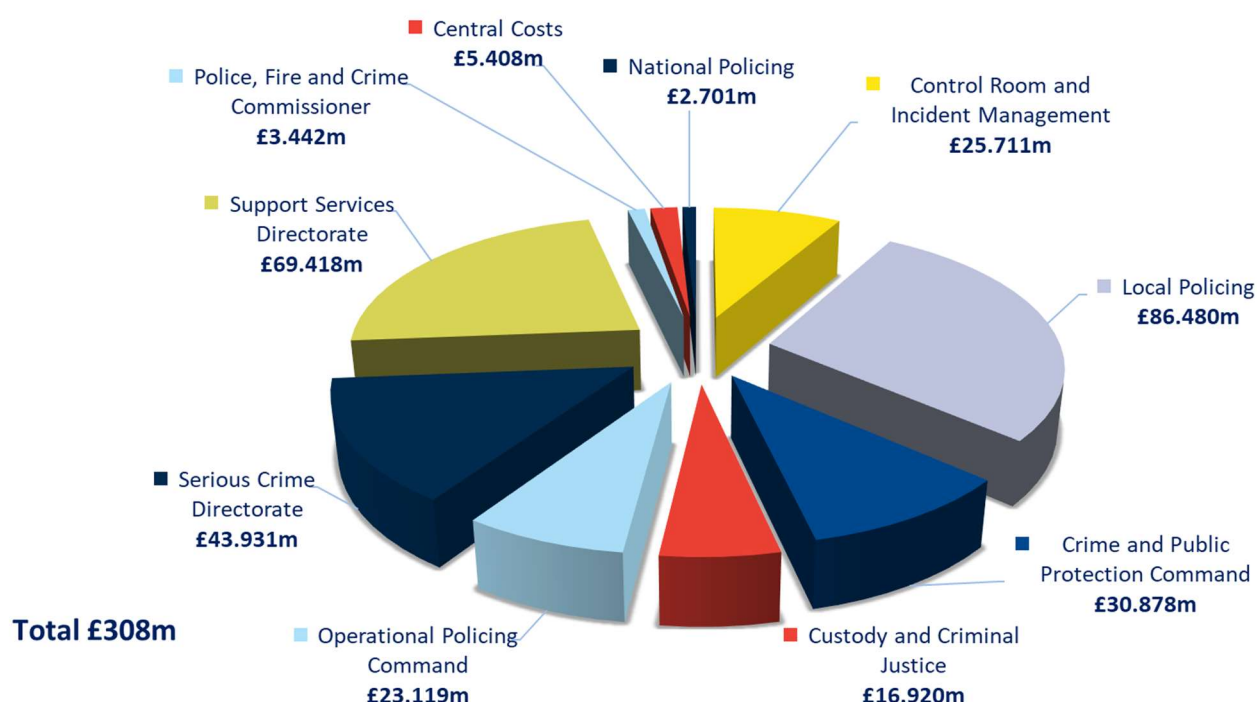
Essex Police remains one of the lowest funded forces nationally being second lowest in 2020/21 and 4th lowest in receipt of government grant per head of population (Source: HMICFRS 2020 Value for Money Profiles).

Essex Police has a good track record of delivering cash and efficiency savings to maximise the benefit out of every penny. In 2020/21 £5.8m savings were delivered with £4.8m of these recurring annually and there continues to be an ambitious savings programme with £4.5m programmed to be delivered in 2021/22.

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## What the Money is Spent on

The graph below shows an analysis of the Group's net revenue expenditure totalling £308.008m.



## Financial Performance

The Chief Constable has operational control of Police Officers, PCSOs and Police Staff (excluding OPFCC staff). The PFCC has strategic control of all assets, income, OPFCC staff and liabilities and is responsible for establishing most reserves and controlling all cashflow.

The tables overleaf show budgeted and actual net expenditure, the latter is also included in note 9 (Expenditure and Funding Analysis). The net expenditure excludes depreciation, pensions liabilities, accumulated absences and other items which do not impact on the transfer to or from the General Reserve. These charges are included and accounted for in the Comprehensive Income and Expenditure Statement (CIES) within the Core Financial Statements in accordance with proper practice. The Expenditure and Funding Analysis shows how the funding has been used and provides a link to the figures reported in the Comprehensive Income and Expenditure Statement.

The net expenditure budget of £315.118m, as approved at the Police and Crime Panel in February 2020, included planned contributions of £0.402m from earmarked reserves. The actual position for the year was a surplus of £6.728m with £2.840m secured and transferred to earmarked reserves for specific operations and projects in 2021-22 and the remainder transferred to the general fund for future use. The main reason for the surplus was £11.692m of extra funding received from the government. As most of the income was received late in the year, the Force and PFCC was not able to utilise all of it in the period.

# Narrative Report

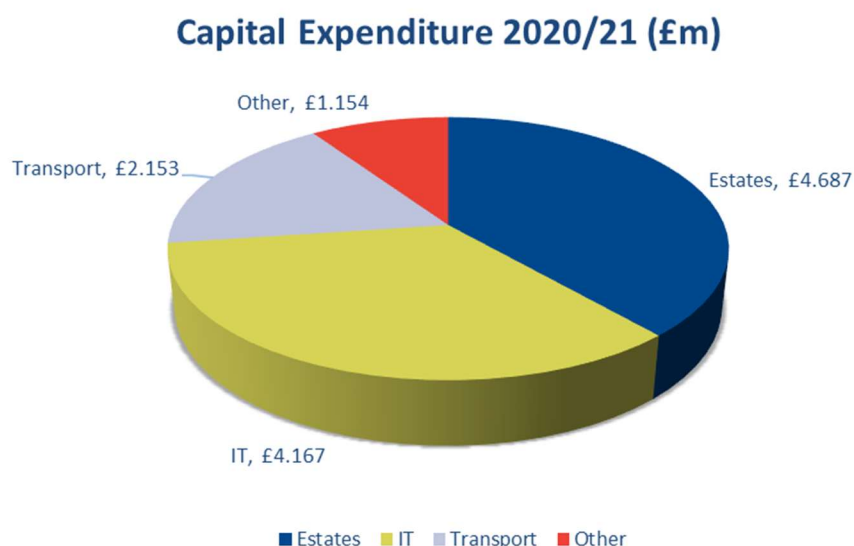
Group - 2020/21 Financial Performance	Budget (*) £000	Actual £000	Variance over / (under) £000
<b>Employees</b>			
Police Officer pay and allowances	187,159	192,613	5,454
PCSO pay and allowances	3,510	3,549	38
Police staff pay and allowances	87,749	86,474	(1,274)
Ill-health/medical pensions	4,506	4,184	(322)
Training	1,350	1,119	(231)
Other employee expenses	362	874	512
	<b>284,637</b>	<b>288,814</b>	<b>4,177</b>
<b>Other Service Expenditure</b>			
Premises	10,836	9,826	(1,010)
Transport	6,571	5,574	(997)
Supplies & services	37,958	36,295	(1,663)
Third party payments	6,584	9,031	2,447
	<b>61,948</b>	<b>60,725</b>	<b>(1,222)</b>
<b>Gross Operating Expenditure</b>	<b>346,585</b>	<b>349,539</b>	<b>2,955</b>
<b>Income</b>	<b>(33,705)</b>	<b>(45,397)</b>	<b>(11,692)</b>
<b>Net Cost of Services</b>	<b>312,880</b>	<b>304,142</b>	<b>(8,738)</b>
<b>Other Expenditure / (Income)</b>			
Interest (receivable) / payable	3	(17)	(20)
Cost of the disposal of fixed assets	30	-	(30)
Capital & other adjustments	2,205	3,883	1,678
	<b>2,238</b>	<b>3,866</b>	<b>1,628</b>
<b>Net Expenditure</b>	<b>315,118</b>	<b>308,008</b>	<b>(7,109)</b>
<b>Sources of Funding</b>			
Police grant	(115,509)	(111,680)	3,829
Formula funding grant	(56,231)	(60,060)	(3,829)
Council tax precept	(128,392)	(128,412)	(20)
Council tax support grant	(10,992)	(10,992)	-
Council tax freeze grant	(2,133)	(2,133)	-
Collection fund surplus	(1,458)	(1,458)	-
	<b>(314,716)</b>	<b>(314,736)</b>	<b>(20)</b>
<b>(Surplus)/Deficit before Transfer to Earmarked Reserves</b>	<b>402</b>	<b>(6,728)</b>	<b>(7,129)</b>
<b>Transfer to/(from) Earmarked Reserves</b>	<b>(402)</b>	<b>2,840</b>	<b>3,242</b>
<b>Transfer to/(from) the General Reserve</b>	<b>0</b>	<b>3,887</b>	<b>3,887</b>

(\* Budget approved at Police Fire and Crime Panel on 6th February 2020)

# Narrative Report

## Capital Expenditure

A capital investment programme amounting to £22.948m for 2020/21 was approved in February 2020 to maintain the infrastructure needed to support an effective and efficient police service. By March 2021 capital approvals had been updated to £12.330m reflecting decisions to reprofile schemes into future years. The £12.161m invested during 2020/21 is shown in the chart and table below.



## Estates

Of a total spend of £4.687m, £3.989m related to the major refurbishment of Chelmsford Police Station with the remainder primarily spent on the maintenance and refurbishment of the estate.

## IT

Investment in IT of £4.167m included expenditure on:

- £2.764m for the annual refresh programme including replacement of servers, printers, docking stations, desktop and laptop computers along with the wider IT infrastructure and telephony network;
- £0.644m on digital interview recording infrastructure to replace current end of life solution and provide end to end business process support operationally; and
- £0.262m on additional remote working infrastructure for Covid-19

## Transport

Investment in Transport of £2.153m included expenditure on:

- £2.097m for the annual fleet replacement programme; and
- £0.056m on maintenance of the Marine Unit's Rigid Inflatable Boat



# Narrative Report

## Other

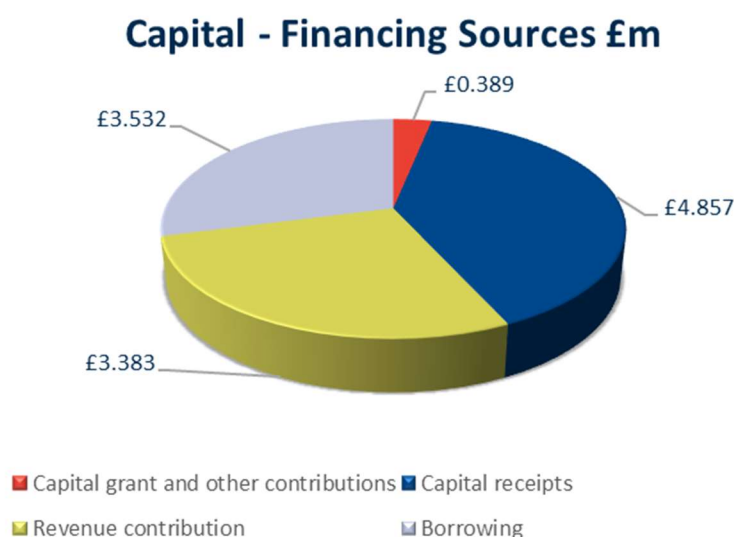
This includes investment in Tasers, both replacement of existing units and an uplift in the number of units (£0.221m), OPC laser scanners and handheld cameras (£0.257m), body armour replacement (£0.240m), automatic number plate recognition (ANPR) equipment (£0.203m) and the remaining spend on other specialist equipment.

The Force has a capital investment programme totalling £93m over the five year period commencing 2020/21. There are three main areas of spend, Estates, Transport and Information Technology. The programmed investment will support the vision and strategic priorities within the Police and Crime Plan. The main element of spend relates to Estates, with a forecast investment of £57m and Information Technology with a forecast investment of £23m. This requirement is linked to a historic lack of investment in the estate leading to ongoing requirements for modernisation and maintenance and includes a key project to significantly redevelop and modernise the Force HQ site in Chelmsford. The investment in IT relates to a wide range of national and locally led projects with the overriding objective to provide more efficient digital solutions for all aspects of operational policing and their support services.

## Capital Funding

Capital investment is funded from four main sources, primarily from capital receipts, government grants and contributions and revenue contributions. If capital investment exceeds these available resources the force can borrow to finance its capital investment providing it can demonstrate that it is complying with the Prudential Code of Practice which requires any borrowing to be affordable, prudent and sustainable. There was a need to borrow to finance 2020/21 capital investment but due to the level of cash resources held it has been possible to fund this spend from internal borrowing thereby avoiding interest payments. It is anticipated that there will be a need to externally borrow from 2021/22 onwards to fund future investment plans.

Capital financing resources applied in 2020/21 are shown below.



Future capital expenditure is planned to increase over the coming years as investment in estates and IT takes place with capital expenditure forecast to be in excess of £90m over the next five years with indicative borrowing of £48m over the same period. At present it is not clear what impact the current global COVID-19 pandemic will have on these investment plans or the level of capital receipts that will be available to part fund them.



# Narrative Report

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The Force is expecting to use £41m of capital receipts to part finance the five year programme. With an annual capital grant of less than £0.3m there is a need to finance a significant part of the investment programme with borrowing totalling £44m by March 2025. The revenue cost of borrowing to finance the capital programme is forecast to reach £1.7m per annum by 2024/25.

## Reserves

Our revenue reserves are key to the financial strategy of the force, ensuring that we have some resilience to cope with unpredictable financial pressures and long-term financial commitments. Specific earmarked reserves are held to manage known financial liabilities and possible risks.

The main elements of the PFCC's reserve strategy are:

- To establish and maintain a General Reserve position of approximately 3% of net revenue expenditure over the medium term;
- The PFCC will apply a prudent approach to reserves; and
- Earmarked Reserves will be created and held for significant events, change programmes and related costs. This includes transformation and saving programmes.

## General Reserve

The General Reserve is held to provide a working balance to protect the force against unexpected cost pressures. This is particularly critical during uncertain times such as the COVID-19 pandemic where the force faces financial pressures in responding to the crisis and uncertainties around future funding.

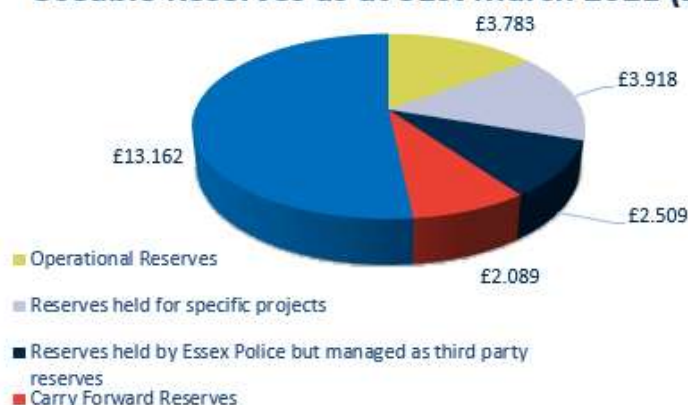
The balance on the General Reserve at 1st April 2020 was £9.275m. During 2020/21 £1.527m was transferred to the general reserve when a Home Office special grant was awarded. The grant funded expenditure that had been incurred during 2019/20 to help the force investigate the discovery of the bodies of 39 men, women and children in a lorry trailer in Grays in October 2019. A further £2.357m was transferred as a result of the year's underspend resulting in a net increase of £3.887m to a balance of £13.162m at 31<sup>st</sup> March 2021 (4% of the 2021/22 budgeted net expenditure).

## Earmarked Reserves

Included under the heading are earmarked reserves and future capital funding reserves as described in the CIES and further referred to as the PFCC's earmarked reserves and total £12.299m at 31st March 2021. Included within these reserves is £2.509m held but managed by third parties, an example of which is a reserve to hold receipts received through the Asset Recovery Incentive Scheme to fund crime reduction related expenditure. The level of reserves alongside the general reserve are shown in the chart below.

# Narrative Report

**Useable Reserves as at 31st March 2021 (£m)**



## Pension Liabilities

Accounting standards require that the total future liabilities for the cost of pension payments to past and present police officers and police staff are fully reflected in the Balance Sheet. Accordingly, the Balance Sheet figures included within the accounts (see note 42) includes net liabilities of £240.309m (2019/20 £150.015m) for police staff and £3,328.893m (2019/20 £2,849.818m) for police officers.

The statutory arrangements for funding the police officer deficit and the PFCC's arrangements for funding the police staff deficit, however, mean that the financial position of the PFCC remains sound.

## Future Trends and Risks

### Trends in Crime and the force's long-term vision

Emergency incidents are on an upwards trend, despite changes to demand during COVID restrictions, and are forecast to continue to increase over the next few years. Victim based crime is forecast to increase over the next 4 years and although violence with injury incidents has reduced in the past 12 months they are forecast to increase in volume and therefore increasing the complexity of the investigation workload.

Prevention remains a key focus of the Force building on investment already made during 2019/20 and 2020/21 to strengthen activity to tackle the issues causing the most harm. The Force will continue working with partners to deliver against a Crime Prevention Strategy and whole system approach to enable the force to optimise its investment. The force management strategy aligns existing resources (both financial and people) to unlock additional capacity, capabilities and potential to prevent crime.

Despite the Force growing, with its allocation of the additional 20,000 officers nationally and investment from increases in council tax, Essex Police has a good track record of delivering cash and efficiency savings to maximise the benefit out of every penny. In 2020/21 £5.8m savings were delivered with £4.8m of these recurring annually and there continues to be an ambitious savings programme with £4.5m programmed to be delivered in 2021/22. This is in the context of funding challenges from being one of the lowest funded forces in the country.

### Current and emerging risks and mitigation

There remains financial uncertainty over the medium term with the originally anticipated three year comprehensive spending review, expected to provide some certainty over funding over the medium term, being replaced with a one year funding settlement for 2021/22. The short term nature of annual funding settlements makes it difficult to plan for the medium and long term with any certainty.

# Narrative Report

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With the detrimental impact of COVID-19 on government finances this is expected to result in significant funding challenges to Essex Police and partners with the potential withdrawal of non-statutory services and these challenges are likely to impact public services for some years to come.

COVID-19 is also impacting funding through the Council Tax, with lower than projected increases to the council tax base and reduced collection rates compared to assumptions previously built into the Medium Term Financial Strategy. There has been financial support from central government in regard to loss of income caused by COVID-19 over the course of 2020/21 but it is not clear to what extent support will continue into the next financial year.

The mitigation to these funding challenges will be the continuation of the work to review services and drive out efficiencies and cashable savings, this includes the review of the Essex Police estate to generate capital receipts to fund other vital capital investment and reduce annual revenue estate running costs.

In addition to the risks around future funding the following are strategic risks that the force and the PFCC is currently facing which are likely or almost certain to have a major impact:

- **Uncertainty regarding future funding levels** – this creates a risk that the PFCC will not be able to set a balanced budget. This risk may be realised due to an imbalance between the resources available from central government grants, precepts, recharges and other sources and the demands placed on the Force and service budgets by the public, central government, inspectorates etc. COVID-19 legacy will have a significant impact on the availability and distribution of public funding, as well as on levels of taxation set and received going forward;
- **Emergency Services Mobile Communications Programme (EMSCP)** - Cost will continue to escalate due to the continuing delays of the national ESMCP and the Emergency Services Network in delivering a credible, comprehensive, and fit for purpose communications solution;
- **Reduced External Forensic Capacity** – Challenges relating to capacity of external providers to meet national policing needs for forensic analysis;
- **Failure to deliver the local business case for joint governance of Police and Fire and Rescue Service as well as wider collaboration across Seven Forces** – this may lead to the lost opportunity to realise cashable and non-cashable savings as well as other potential benefits.

Strategic risks and associated mitigating actions are reviewed regularly by the force, the PFCC and Joint Audit Committee.

# **Statement of Responsibilities & Introduction**

# Statement of Responsibilities

## Statement of Responsibilities for the Statement of Accounts for the PFCC for Essex and the PFCC for Essex Group

### The Commissioner's responsibilities

The Commissioner is required:

- to make arrangements for the proper administration of his financial affairs and to ensure that one of his officers (the Head of Finance to the Police, Fire & Crime Commissioner for Essex) has the responsibility for the administration of those affairs;
- to manage his affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

### Completion of the Approval Process by the PFCC for Essex

I approve these Statement of Accounts.



Roger Hirst  
Police, Fire and Crime Commissioner for Essex  
24th November 2021

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### The Head of Finance to the PFCC's Responsibilities

The Head of Finance is responsible for the preparation of the Commissioner's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in The United Kingdom ('The Code of Practice'). In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.
- The Head of Finance has also:
- ensured that proper accounting records are kept which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts have been prepared in accordance with proper accounting practices and provide a true and fair view of the financial position of the Commissioner at 31<sup>st</sup> March 2021 and its income and expenditure for the year then ended.



Julia Berry FCCA  
Head of Finance to the PFCC for Essex  
24th November 2021

# Introduction

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## Introduction

The Statement of Accounts consists of the following sections:

### Core Financial Statements

These comprise:

- **Comprehensive Income and Expenditure Statements** - these show the accounting cost in the year to the PFCC and the Group of providing services rather than the amount to be funded from taxation. This distinction is very important in interpreting the accounts. The PFCC sets a precept (I.e. the police share of council tax) to cover expenditure classified in accordance with regulations and this will be very different to the accounting cost.
- **Balance Sheet** - this sets out the assets and liabilities of the PFCC and the Group as at 31st March 2021. Net assets of the PFCC (assets less liabilities) are matched by reserves held by him. Reserves are reported in two categories:

**Useable reserves** – these are reserves that the PFCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For example, capital reserves can only be applied to fund capital expenditure or to repay debt and not to fund revenue expenditure.

**Unusable reserves** - hold unrealised gains and losses such as those arising from revaluations.

- **Movement in Reserves Statements** - this shows the movement in the year on the different reserves held by the PFCC and the Group. The net increase/decrease before transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the PFCC.
- **Cash Flow Statement** – this summarises the inflows and outflows of cash with third parties. The statement shows how the PFCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the PFCC are funded by way of taxation and grant income or from recipients of the services provided by the PFCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PFCC's future service delivery.

### Notes to the Financial Statements

These comprise an index of notes and a detailed analysis of the summarised financial information in the Core Financial Statements. These also set out the accounting policies adopted by the PFCC, which explain the basis on which the PFCC's financial transactions are presented. One of the key notes is the **Expenditure and Funding Analysis** which provides a reconciliation between the cost of providing services, chargeable to the General Fund, and the accounting cost of providing services in the year.

### Glossary of Terms

This explains the technical accounting and financial terms used in this document.

# **Independent Auditors Report**



# Independent auditor's report to the Police, Fire and Crime Commissioner for Essex

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of the Police, Fire and Crime Commissioner (PFCC) for Essex (the 'Police, Fire and Crime Commissioner') and its subsidiary the Chief Constable for Essex (the 'group') for the year ended 31 March 2021 which comprise the Comprehensive Income & Expenditure Statement for the Police, Fire & Crime Commissioner for Essex Group, the Comprehensive Income & Expenditure Statement for the Police, Fire & Crime Commissioner for Essex, the Balance Sheet for the Police, Fire & Crime Commissioner for Essex Group and the Police, Fire & Crime Commissioner for Essex, the Cash Flow Statement for the PFCC for Essex Group, the Cash Flow Statement for the PFCC, the Movement in Reserves Statement for the Police, Fire & Crime Commissioner for Essex Group and the Movement in Reserves Statement for the Police, Fire & Crime Commissioner for Essex and notes to the financial statements, including a summary of significant accounting policies, and include the Police Officer Pension Fund financial statements comprising the Police Officer Pension Fund Account. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police, Fire and Crime Commissioner as at 31 March 2021 and of the group's expenditure and income and the Police, Fire and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police, Fire and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police, Fire and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police, Fire and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Head of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Police, Fire and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police, Fire and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police, Fire and Crime Commissioner and group and the Police, Fire and Crime Commissioner and group's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police, Fire and Crime Commissioner's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Head of Finance with respect to going concern are described in the 'Responsibilities of the Police, Fire and Crime Commissioner and the Head of Finance for the financial statements' section of this report.

#### **Other information**

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Police, Fire and Crime Commissioner and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Police, Fire and Crime Commissioner and the group obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police, Fire and Crime Commissioner, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police, Fire and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Police, Fire and Crime Commissioner and the Head of Finance for the financial statements**

As explained more fully in the Statement of Responsibilities, the Police, Fire and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Head of Finance. The Head of Finance 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the Police, Fire and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Police, Fire and Crime Commissioner and the group will no longer be provided.

The Police, Fire and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police, Fire and Crime Commissioner and the group and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and the Local Government Finance Act 2012. We also identified the following additional regulatory frameworks in respect of the Police Pension Fund Regulations 2007, The Police Pensions Regulations 2015, The Police Pensions Regulations 2006 and the Public Service Pensions Act 2013.
- We enquired of senior officers and the Police, Fire and Crime Commissioner concerning the Police, Fire and Crime Commissioner and group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Police, Fire and Crime Commissioner whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Police, Fire and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement, and
  - accounting estimates made in respect of the valuation of assets and liabilities in the Balance Sheet.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Head of Finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on entries meeting the risk criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the valuation of the net defined benefit pensions liability;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team's communications in respect of potential non-compliance with relevant laws and regulations included the potential for fraud in revenue and expenditure recognition and the significant accounting estimates related to the valuation of land and buildings and the valuation of the net defined benefit pensions liability.

- Assessment of the appropriateness of the collective competence and capabilities of the Police, Fire and Crime Commissioner and group's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the police sector
  - understanding of the legal and regulatory requirements specific to the Police, Fire and Crime Commissioner and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Police, Fire and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Police, Fire and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police, Fire and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

## **Report on other legal and regulatory requirements - the Police, Fire and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Police, Fire and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police, Fire and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Police, Fire and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Police, Fire and Crime Commissioner's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

### **Responsibilities of the Police, Fire and Crime Commissioner**

The Police, Fire and Crime Commissioner is responsible for putting in place proper arrangements for securing 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.

### **Auditor's responsibilities for the review of the Police, Fire and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police, Fire and Crime Commissioner has made 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 Police, Fire and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police, Fire and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Police, Fire and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Police, Fire and Crime Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Police, Fire and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements - Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for the Police, Fire and Crime Commissioner for Essex for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Police, Fire and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police, Fire and Crime Commissioner for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

## **Use of our report**

This report is made solely to the Police, Fire and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Police, Fire and Crime Commissioner those matters we are required to state to the Police, Fire and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police, Fire and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

*Paul Grady*

Paul Grady, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

24 November 2021



# **Statement of Accounts 2020/21**

# Statement of Accounts – Financial Statements

## Comprehensive Income and Expenditure Statement – Police, Fire & Crime Commissioner for Essex Group (For the years ended 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2021)

	2019/20 Gross Expenditure	2019/20 Gross Income (restated)	2019/20 Net Expenditure (restated)	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Employees</b>						
Police officer pay and allowances	205,525	-	205,525	216,581	-	216,581
PCSO pay and allowances	3,502	-	3,502	3,549	-	3,549
Police staff pay and allowances	92,377	-	92,377	106,773	-	106,773
Ill-health/medical pensions	3,881	-	3,881	4,184	-	4,184
Training	1,127	-	1,127	1,119	-	1,119
Other employee expenses	628	-	628	874	-	874
	<b>307,040</b>	-	<b>307,040</b>	<b>333,080</b>	-	<b>333,080</b>
<b>Other service expenditure</b>						
Premises	14,690	-	14,690	7,906	-	7,906
Transport	8,083	-	8,083	7,212	-	7,212
Other service expenditure	40,099	-	40,099	40,601	-	40,601
Third party payments	10,250	-	10,250	9,031	-	9,031
	<b>73,122</b>	-	<b>73,122</b>	<b>64,750</b>	-	<b>64,750</b>
<b>Income</b>						
Fees charges and other service income	-	(17,486)	(17,486)	-	(14,390)	(14,390)
Government grants and contributions	-	(22,878)	(22,878)	-	(31,145)	(31,145)
	-	<b>(40,364)</b>	<b>(40,364)</b>	-	<b>(45,535)</b>	<b>(45,535)</b>
<b>Provision of Police Services - PFCC Group</b>	<b>380,162</b>	<b>(40,364)</b>	<b>339,798</b>	<b>397,830</b>	<b>(45,535)</b>	<b>352,295</b>
(Gain)/loss on the disposal of non current assets	-	(1,878)	(1,878)	-	(1,360)	(1,360)
<b>Other Operating Expenditure</b>	-	<b>(1,878)</b>	<b>(1,878)</b>	-	<b>(1,360)</b>	<b>(1,360)</b>
External interest payable	1	-	1	-	-	-
Net interest on the defined benefit pensions liability						
- Police officers	72,732	-	72,732	66,116	-	66,116
- Police staff	4,324	-	4,324	4,457	-	4,457
Interest receivable and similar income	-	(182)	(182)	-	(17)	(17)
<b>Financing and Investment Income and Expenditure</b>	<b>77,057</b>	<b>(182)</b>	<b>76,875</b>	<b>70,573</b>	<b>(17)</b>	<b>70,556</b>
<b>Taxation and Non-Specific Grant Income</b>						
Police grant	-	(103,551)	(103,551)	-	(111,680)	(111,680)
Formula funding	-	(56,231)	(56,231)	-	(60,060)	(60,060)
Council tax precept	-	(123,302)	(123,302)	-	(128,693)	(128,693)
Council tax support grant	-	(10,992)	(10,992)	-	(10,992)	(10,992)
Council tax freeze grant	-	(2,133)	(2,133)	-	(2,133)	(2,133)
Pensions top up grant	-	(37,417)	(37,417)	-	(33,767)	(33,767)
Capital grant	-	(956)	(956)	-	(251)	(251)
	-	<b>(334,582)</b>	<b>(334,582)</b>	-	<b>(347,576)</b>	<b>(347,576)</b>
<b>(Surplus)/Deficit on Provision of Police Services - PFCC Group</b>	<b>457,219</b>	<b>(377,006)</b>	<b>80,213</b>	<b>468,403</b>	<b>(394,488)</b>	<b>73,915</b>
<b>Other Comprehensive Income and Expenditure</b>						
(Surplus)/deficit on revaluation of fixed assets	-	(2,695)	(2,695)	-	(2,426)	(2,426)
Remeasurement of the net defined benefit liability						
- Police officers	-	(276,470)	(276,470)	424,668	-	424,668
- Police staff	-	(48,473)	(48,473)	66,912	-	66,912
	-	<b>(327,638)</b>	<b>(327,638)</b>	<b>491,580</b>	<b>(2,426)</b>	<b>489,154</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>457,219</b>	<b>(704,644)</b>	<b>(247,425)</b>	<b>959,983</b>	<b>(396,914)</b>	<b>563,069</b>

This statement shows the full cost in the year of providing policing services rather than the amount to be funded from taxation. It includes liabilities such as pensions and employee benefits where there is a neutral impact upon the amounts funded from council tax.

The 2019/20 restatement relates to £0.2m of PFCC recharges which have been reclassified to Sales, Fees and Charges (previously Government Grants & Contributions). For further details please refer to Note 15.

# Statement of Accounts – Financial Statements

## Comprehensive Income and Expenditure Statement – Police, Fire & Crime Commissioner for Essex (For the years ended 31st March 2020 and 31st March 2021)

	2019/20 Gross Expenditure	2019/20 Gross Income (restated)	2019/20 Net Expenditure (restated)	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure
	£000	£000	£000	£000	£000	£000
<i>Employees</i>						
Police staff pay and allowances	1,742	-	1,742	1,842	-	1,842
Training	1,103	-	1,103	1,116	-	1,116
Other employee expenses	354	-	354	412	-	412
	<b>3,199</b>	<b>-</b>	<b>3,199</b>	<b>3,370</b>	<b>-</b>	<b>3,370</b>
<i>Other service expenditure</i>						
Premises	14,690	-	14,690	7,906	-	7,906
Transport	6,882	-	6,882	6,243	-	6,243
Supplies & Services	39,366	-	39,366	40,440	-	40,440
Third party payments	8,759	-	8,759	9,031	-	9,031
	<b>69,697</b>	<b>-</b>	<b>69,697</b>	<b>63,620</b>	<b>-</b>	<b>63,620</b>
<i>Income</i>						
Fees charges and other service income	-	(17,486)	(17,486)	-	(14,390)	(14,390)
Government grants and contributions	-	(22,878)	(22,878)	-	(31,145)	(31,145)
	<b>-</b>	<b>(40,364)</b>	<b>(40,364)</b>	<b>-</b>	<b>(45,535)</b>	<b>(45,535)</b>
<b>Provision of Police Services - PFCC (before Intra-Group Funding)</b>	<b>72,896</b>	<b>(40,364)</b>	<b>32,532</b>	<b>66,990</b>	<b>(45,535)</b>	<b>21,455</b>
Intra Group Funding for Chief Constable's Net Service Cost	308,640	-	308,640	320,463	-	320,463
<b>Net Cost of Provision of Police Services - PFCC</b>	<b>381,536</b>	<b>(40,364)</b>	<b>341,172</b>	<b>387,453</b>	<b>(45,535)</b>	<b>341,918</b>
(Gain)/loss on the disposal of non current assets	-	(1,878)	(1,878)	-	(1,360)	(1,360)
<b>Other Operating Expenditure</b>	<b>-</b>	<b>(1,878)</b>	<b>(1,878)</b>	<b>-</b>	<b>(1,360)</b>	<b>(1,360)</b>
External interest payable	1	-	1	-	-	-
Net interest on the defined benefit pensions liability						
- Police staff	33	-	33	26	-	26
Interest receivable and similar income	-	(182)	(182)	-	(17)	(17)
<b>Financing and Investment Income and Expenditure</b>	<b>34</b>	<b>(182)</b>	<b>(148)</b>	<b>26</b>	<b>(17)</b>	<b>9</b>
Police grant	-	(103,551)	(103,551)	-	(111,680)	(111,680)
Formula funding	-	(56,231)	(56,231)	-	(60,060)	(60,060)
Council tax	-	(123,302)	(123,302)	-	(128,693)	(128,693)
Council tax support grant	-	(10,992)	(10,992)	-	(10,992)	(10,992)
Council tax freeze grant	-	(2,133)	(2,133)	-	(2,133)	(2,133)
Pensions top up grant	-	(37,417)	(37,417)	-	(33,767)	(33,767)
Capital grant	-	(956)	(956)	-	(251)	(251)
<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>(334,582)</b>	<b>(334,582)</b>	<b>-</b>	<b>(347,576)</b>	<b>(347,576)</b>
<b>(Surplus)/Deficit on Provision of Police Services - PFCC</b>	<b>381,570</b>	<b>(377,006)</b>	<b>4,564</b>	<b>387,479</b>	<b>(394,488)</b>	<b>(7,008)</b>
<b>Other Comprehensive Income and Expenditure</b>						
(Surplus)/deficit on revaluation of fixed assets	-	(2,695)	(2,695)	-	(2,426)	(2,426)
Remeasurement of the net defined benefit liability						
- Police staff	-	(447)	(447)	787	-	787
	<b>-</b>	<b>(3,142)</b>	<b>(3,142)</b>	<b>787</b>	<b>(2,426)</b>	<b>(1,639)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>381,570</b>	<b>(380,148)</b>	<b>1,422</b>	<b>388,266</b>	<b>(396,914)</b>	<b>(8,647)</b>

The group's account shows the full cost in the year of providing policing services rather than the amount to be funded from taxation. This means that it includes liabilities such as pensions and employee benefits where there is a neutral impact upon the amounts funded from council tax. The PFCC's account does not include police officers, PCSOs, staff (other than those employed by the PFCC), seconded officers or mutual aid. These costs are reported in the Chief Constable's Statement of Accounts and Group Comprehensive Income and Expenditure Statement.

For further details about the 2019/20 restatement please see the note included with the PFCC/Group Comprehensive Income and Expenditure Statement.

# Statement of Accounts – Financial Statements

## Balance Sheet - Police, Fire & Crime Commissioner for Essex Group and the Police, Fire & Crime Commissioner for Essex (For the years ended 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2021)

The Balance Sheet shows the value of the assets and liabilities recognised by the PFCC. The net liabilities of the PFCC are matched by the reserves held by the PFCC. For details of the 2019/20 restatement please refer to note 22.

Note	31st March 2020 (restated)		31st March 2021	
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
<b>Non current assets</b>				
18 Property, plant & equipment	88,186	88,186	96,658	96,658
19 Intangible assets	1,470	1,470	896	896
22 Long term debtors	33	33	29	29
<b>Non current assets total</b>	<b>89,689</b>	<b>89,689</b>	<b>97,583</b>	<b>97,583</b>
<b>Current assets</b>				
23 Short term investments	5,500	5,500	6,500	6,500
21 Inventories	938	938	1,323	1,323
22 Short term debtors	34,710	34,710	37,952	37,952
24 Cash and cash equivalents	8,289	8,289	5,312	5,312
25 Assets held for sale	3,298	3,298	3,556	3,556
<b>Current assets total</b>	<b>52,735</b>	<b>52,735</b>	<b>54,643</b>	<b>54,643</b>
<b>Current liabilities</b>				
26 Short term creditors	(31,053)	(33,953)	(31,435)	(37,603)
<b>Current liabilities total</b>	<b>(31,053)</b>	<b>(33,953)</b>	<b>(31,435)</b>	<b>(37,603)</b>
<b>Non current liabilities</b>				
27 Provisions	(3,315)	(3,315)	(3,172)	(3,172)
42 Pensions liabilities - Police officers	-	(2,849,818)	-	(3,328,893)
42 Pensions liabilities - Police staff	(1,184)	(150,015)	(2,105)	(240,309)
28 Capital grants - receipts in advance	(7)	(7)	-	-
<b>Non current liabilities total</b>	<b>(4,506)</b>	<b>(3,003,155)</b>	<b>(5,277)</b>	<b>(3,572,374)</b>
<b>Net assets/(liabilities)</b>	<b>106,865</b>	<b>(2,894,684)</b>	<b>115,513</b>	<b>(3,457,751)</b>
<b>Usable reserves</b>				
34 General reserve	(9,275)	(9,275)	(13,162)	(13,162)
34 Earmarked revenue reserves	(7,460)	(7,460)	(11,694)	(11,694)
34 Future capital funding reserve	(2,000)	(2,000)	(606)	(606)
35 Usable capital receipts	(1,088)	(1,088)	-	-
<b>Usable reserves total</b>	<b>(19,823)</b>	<b>(19,823)</b>	<b>(25,462)</b>	<b>(25,462)</b>
37 <b>Unusable (reserves)/deficit</b>				
Revaluation reserve	(10,416)	(10,416)	(10,939)	(10,939)
Capital adjustment account	(76,474)	(76,474)	(81,073)	(81,073)
Pensions reserve - Police officers	-	2,849,818	-	3,328,893
Pensions reserve - Police staff	1,184	150,015	2,105	240,309
Collection fund adjustment account	(1,351)	(1,351)	(174)	(174)
Accumulated absences account	15	2,915	30	6,197
<b>Unusable reserves total</b>	<b>(87,042)</b>	<b>2,914,507</b>	<b>(90,051)</b>	<b>3,483,214</b>
<b>Total reserves</b>	<b>(106,865)</b>	<b>2,894,684</b>	<b>(115,513)</b>	<b>3,457,751</b>

I certify that the statement of accounts give a true and fair view of the financial position of the PFCC/Group and its income and expenditure for the year ended 31st March 2021.



Julia Berry FCCA, Head of Finance to the PFCC for Essex, 24<sup>th</sup> November 2021

# Statement of Accounts – Financial Statements

## Cash Flow Statements

For the years ended 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2021

The Cash Flow statements show the changes in cash and cash equivalents of the PFCC and the PFCC Group during the reporting period. These statements have been prepared using the indirect method in accordance with the accounting standard IAS 7 Statement of Cash Flows.

The Cashflow statements show how the PFCC generates and uses cash and cash equivalents (liquid investments) by classifying cash flows as operating, financing and investing activities:

- The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PFCC and the PFCC Group are funded by taxation and grant income, or from the recipients of services provided.
- Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PFCC and the PFCC Group's future service delivery.
- Cash flows arising from financing activities are useful in estimating future demand on cash flows by providers of capital (such as borrowing or lease commitments) to the PFCC and PFCC Group.

The cashflow statement for the PFCC group also highlights the continued need for cash to enable investment in non-current assets that are partly financed from operating activities, as well as operating policing demands.

### Cash Flow Statement for the PFCC for Essex Group

Note	2019/20 £000 Group	2020/21 £000 Group
<b>Net (Surplus)/Deficit on the Provision of Services:-</b>	<b>80,213</b>	<b>73,915</b>
29 Adjustment to (surplus)/deficit on the provision of services for non-cash movements	(88,622)	(84,103)
29 Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	2,278	4,157
<b>29 Net cash flows from operating activities</b>	<b>(6,131)</b>	<b>(6,031)</b>
30 Net cash flows from investing activities	5,745	9,008
31 Net cash flows from financing activities	-	-
<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>(386)</b>	<b>2,977</b>
Cash and cash equivalents at the beginning of the reporting period	7,903	8,289
Cash and cash equivalents at the end of the reporting period	8,289	5,312
<b>Movement in cash equivalents</b>	<b>386</b>	<b>(2,977)</b>

### Cash Flow Statement for the PFCC

Note	2019/20 £000 PFCC	2020/21 £000 PFCC
<b>Net (Surplus)/Deficit on the Provision of Services:-</b>	<b>4,564</b>	<b>(7,008)</b>
29 Adjustment to (surplus)/deficit on the provision of services for non-cash movements	(12,973)	(3,180)
29 Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	2,278	4,157
<b>29 Net cash flows from operating activities</b>	<b>(6,131)</b>	<b>(6,031)</b>
30 Net cash flows from investing activities	5,745	9,008
31 Net cash flows from financing activities	-	-
<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>(386)</b>	<b>2,977</b>
Cash and cash equivalents at the beginning of the reporting period	7,903	8,289
Cash and cash equivalents at the end of the reporting period	8,289	5,312
<b>Movement in cash equivalents</b>	<b>386</b>	<b>(2,977)</b>

# Statement of Accounts – Financial Statements

## Movement in Reserves Statement – Police, Fire & Crime Commissioner for Essex Group For the year ended 31<sup>st</sup> March 2020

This statement shows the movement in the year on the different reserves held by the PFCC Group, analysed into 'usable reserves' and 'unusable reserves'. The Balance Sheet provides a split of what is included within each of these headings.

The (surplus)/deficit on the provision of services line shows the true economic cost of providing policing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Reserve for council tax setting purposes. The (increase)/decrease before the 'Transfers to Earmarked Reserves' line shows the General Reserve balance before any discretionary transfers to or from earmarked reserves.

2019/20 Group Usable Reserves									
	Held for revenue purposes			Held for capital purposes			Total Usable	Total Unusable	Total Reserves
	General	Earmarked	Total General & Earmarked	Future Capital Funding	Capital Receipts	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2019</b>	<b>(9,226)</b>	<b>(6,273)</b>	<b>(15,499)</b>	<b>(1,255)</b>	<b>(6,055)</b>	-	<b>(22,809)</b>	<b>3,164,918</b>	<b>3,142,109</b>
(Surplus) / deficit on provision of services (accounting basis)	80,213	-	80,213	-	-	-	80,213	-	80,213
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(327,638)	(327,638)
<b>Total Comprehensive Income and Expenditure</b>	<b>80,213</b>	<b>-</b>	<b>80,213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,213</b>	<b>(327,638)</b>	<b>(247,425)</b>
Adjustments between accounting basis and funding basis under regulations	(82,195)	-	(82,195)	-	4,967	-	(77,228)	77,228	-
<b>Net (Increase) / Decrease before Transfers to Usable Reserves</b>	<b>(1,982)</b>	<b>-</b>	<b>(1,982)</b>	<b>-</b>	<b>4,967</b>	<b>-</b>	<b>2,985</b>	<b>(250,410)</b>	<b>(247,425)</b>
Transfers (to) / from Usable Reserves	1,932	(1,187)	745	(745)			-	-	-
<b>(Increase) / Decrease in year</b>	<b>(50)</b>	<b>(1,187)</b>	<b>(1,237)</b>	<b>(745)</b>	<b>4,967</b>	<b>-</b>	<b>2,985</b>	<b>(250,410)</b>	<b>(247,425)</b>
<b>Balance at 31st March 2020</b>	<b>(9,275)</b>	<b>(7,460)</b>	<b>(16,735)</b>	<b>(2,000)</b>	<b>(1,088)</b>	<b>-</b>	<b>(19,823)</b>	<b>2,914,508</b>	<b>2,894,684</b>

# Statement of Accounts – Financial Statements

## Movement in Reserves Statement – Police, Fire & Crime Commissioner for Essex Group For the year ended 31<sup>st</sup> March 2021

2020/21 Group Usable Reserves									
	Held for revenue purposes			Held for capital purposes			Total Usable	Total Unusable	Total Reserves
	General	Earmarked	Total General & Earmarked	Future Capital Funding	Capital Receipts	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2020</b>	<b>(9,275)</b>	<b>(7,460)</b>	<b>(16,735)</b>	<b>(2,000)</b>	<b>(1,088)</b>	-	<b>(19,823)</b>	<b>2,914,507</b>	<b>2,894,684</b>
(Surplus) / deficit on provision of services (accounting basis)	73,915	-	73,915	-	-	-	73,915	-	73,915
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	489,154	489,154
<b>Total Comprehensive Income and Expenditure</b>	<b>73,915</b>	<b>-</b>	<b>73,915</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,915</b>	<b>489,154</b>	<b>563,069</b>
Adjustments between accounting basis and funding basis under regulations	(80,640)	-	(80,640)	-	1,088	-	(79,552)	79,552	-
<b>Net (Increase) / Decrease before Transfers to Usable Reserves</b>	<b>(6,725)</b>	<b>-</b>	<b>(6,725)</b>	<b>-</b>	<b>1,088</b>	<b>-</b>	<b>(5,637)</b>	<b>568,706</b>	<b>563,069</b>
Transfers (to) / from Usable Reserves	2,840	(4,234)	(1,394)	1,394			-	-	-
<b>(Increase) / Decrease in year</b>	<b>(3,885)</b>	<b>(4,234)</b>	<b>(8,119)</b>	<b>1,394</b>	<b>1,088</b>	<b>-</b>	<b>(5,637)</b>	<b>568,706</b>	<b>563,069</b>
<b>Balance at 31st March 2021</b>	<b>(13,162)</b>	<b>(11,694)</b>	<b>(24,856)</b>	<b>(606)</b>	<b>-</b>	<b>-</b>	<b>(25,462)</b>	<b>3,483,213</b>	<b>3,457,751</b>



# Statement of Accounts – Financial Statements

## Movement in Reserves Statement – Police, Fire & Crime Commissioner for Essex For the year ended 31<sup>st</sup> March 2020

This statement shows the movement in the year on the different reserves held by the PFCC, analysed into 'usable reserves' and 'unusable reserves'. The Balance Sheet provides a split of what is included within each of these headings.

The (surplus)/deficit on the provision of services line shows the true economic cost of providing policing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Reserve for council tax setting purposes. The (increase)/decrease before the 'Transfers to Earmarked Reserves' line shows the General Reserve balance before any discretionary transfers to or from earmarked reserves.

2019/20 PFCC Usable Reserves									
	Held for revenue purposes			Held for capital purposes			Total Usable	Total Unusable	Total Reserves
	General	Earmarked	Total General & Earmarked	Future Capital Funding	Capital Receipts	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2019</b>	<b>(9,226)</b>	<b>(6,273)</b>	<b>(15,499)</b>	<b>(1,255)</b>	<b>(6,055)</b>	-	<b>(22,809)</b>	<b>(85,478)</b>	<b>(108,287)</b>
(Surplus) / deficit on provision of services (accounting basis)	4,564	-	4,564	-	-	-	4,564	-	4,564
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(3,142)	(3,142)
<b>Total Comprehensive Income and Expenditure</b>	<b>4,564</b>	<b>-</b>	<b>4,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,564</b>	<b>(3,142)</b>	<b>1,422</b>
Adjustments between accounting basis and funding basis under regulations	(6,546)	-	(6,546)	-	4,967	-	(1,579)	1,579	-
<b>Net (Increase) / Decrease before Transfers to Usable Reserves</b>	<b>(1,982)</b>	<b>-</b>	<b>(1,982)</b>	<b>-</b>	<b>4,967</b>	<b>-</b>	<b>2,985</b>	<b>(1,563)</b>	<b>1,422</b>
Transfers (to) / from Usable Reserves	1,932	(1,187)	745	(745)	-	-	-	-	-
<b>(Increase) / Decrease in year</b>	<b>(50)</b>	<b>(1,187)</b>	<b>(1,237)</b>	<b>(745)</b>	<b>4,967</b>	<b>-</b>	<b>2,985</b>	<b>(1,563)</b>	<b>1,422</b>
<b>Balance at 31st March 2020</b>	<b>(9,275)</b>	<b>(7,460)</b>	<b>(16,735)</b>	<b>(2,000)</b>	<b>(1,088)</b>	<b>-</b>	<b>(19,823)</b>	<b>(87,041)</b>	<b>(106,865)</b>

# Statement of Accounts – Financial Statements

## Movement in Reserves Statement – Police, Fire & Crime Commissioner for Essex For the year ended 31<sup>st</sup> March 2021

2020/21 PFCC Usable Reserves									
	Held for revenue purposes			Held for capital purposes			Total Usable	Total Unusable	Total Reserves
	General	Earmarked	Total	Future	Capital	Capital			
	General	Earmarked	General & Earmarked	Capital Funding	Receipts	Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1st April 2020</b>	<b>(9,275)</b>	<b>(7,460)</b>	<b>(16,735)</b>	<b>(2,000)</b>	<b>(1,088)</b>	-	<b>(19,823)</b>	<b>(87,042)</b>	<b>(106,865)</b>
(Surplus) / deficit on provision of services (accounting basis)	(7,008)	-	(7,008)	-	-	-	(7,008)	-	(7,008)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(1,639)	(1,639)
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,008)</b>	<b>-</b>	<b>(7,008)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,008)</b>	<b>(1,639)</b>	<b>(8,647)</b>
Adjustments between accounting basis and funding basis under regulations	282	-	282	-	1,088	-	1,370	(1,370)	-
<b>Net (Increase) / Decrease before Transfers to Usable Reserves</b>	<b>(6,726)</b>	<b>-</b>	<b>(6,726)</b>	<b>-</b>	<b>1,088</b>	<b>-</b>	<b>(5,638)</b>	<b>(3,009)</b>	<b>(8,647)</b>
Transfers (to) / from Usable Reserves	2,840	(4,234)	(1,394)	1,394	-	-	-	-	-
<b>(Increase) / Decrease in year</b>	<b>(3,886)</b>	<b>(4,234)</b>	<b>(8,120)</b>	<b>1,394</b>	<b>1,088</b>	<b>-</b>	<b>(5,638)</b>	<b>(3,009)</b>	<b>(8,647)</b>
<b>Balance at 31st March 2021</b>	<b>(13,162)</b>	<b>(11,694)</b>	<b>(24,856)</b>	<b>(606)</b>	<b>-</b>	<b>-</b>	<b>(25,462)</b>	<b>(90,051)</b>	<b>(115,513)</b>

# Statement of Accounts – Notes to the Financial Statements

## Introduction

This section contains notes which are intended to aid interpretation of the financial statements (as set out on p43 to 50) and provide further information on the financial performance of the Police, Fire and Crime Commissioner for Essex and the Police, Fire and Crime Commissioner for Essex Group during 2020/21. The notes set out within this section are as follows:

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# Statement of Accounts – Notes to the Financial Statements

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# Statement of Accounts – Notes to the Financial Statements

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## 1. Creation of Police, Fire & Crime Commissioner and Chief Constable Single Entities

### Introduction

Following the Police Reform and Social Responsibility Act 2011 (The Act) Essex Police Authority was replaced on 22<sup>nd</sup> November 2012 with two ‘corporation sole’ bodies, the Police and Crime Commissioner (PCC) for Essex and the Chief Constable. It was the Government’s intention that the reforms under the Act were phased in over a period of several years. On the 1st October 2017 the Police & Crime Commissioner became the first PCC in the country to receive approval from the Home Secretary to take on the governance of the fire and rescue service in addition to his existing role with the police service. This change was approved after submitting a detailed business case to the Home Office after a period of local consultation. The new name of the PCC is now the Police, Fire and Crime Commissioner (PFCC).

### Accounting Principles

The accounting recognition of assets, liabilities and reserves during the first period of transition, reflected the powers and responsibilities of the PCC as designated by the Act and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting relationship is also underpinned by the relationships as defined by local regulations, local agreement and practice. On 22<sup>nd</sup> November 2012, the assets, liabilities and reserves of the Police Authority were transferred directly to the PCC and during the first phase of transition remained under the PCC’s control.

Revised legislation came into effect on 1st April 2013 granting the Chief Constable the same status as local authorities under Sections 21 and 22 of the Local Government Act 2003. This enables the Chief Constable to apply the statutory override for employee benefits, which means that the Chief Constable must take responsibility for the cost of employing officers, PCSO and staff.

A second stage transfer took place on 1st April 2014 and all staff, except those employed by the Office of the PCC, transferred to the corporation sole of Chief Constable.

The powers and responsibilities of the PFCC were updated by the Home Office in July 2018 as set out in the Revised Financial Management Code of Practice (for the Police Forces of England and Wales).

All payments for the Group are made by the PFCC from the police fund and all income and funding is received by the PFCC. The PFCC has the responsibility for managing the financial relationships with third parties and has legal responsibilities for discharging the contractual terms and conditions of suppliers.

The Chief Constable and PFCC have recognised the expenditure and income associated with day-to-day direction and control and the PFCC’s funding to support the Chief Constable in the Chief Constable’s Accounts, with the main sources of funding (i.e. central government grants and council tax) and the majority of balances being shown in the PFCC’s accounts. Transactions in respect of operational police officer and staff costs, and transfer liabilities to the Chief Constable’s Balance Sheet for employment and post-employment benefits are also recognised in the Chief Constable’s Comprehensive Income and Expenditure Statement (CIES) in accordance with International Accounting Standard 19 (IAS19).

The rationale behind transferring the liability for employment benefits is that IAS19 states that the employment liabilities should follow employment costs. Because employment costs are shown in the Chief Constable’s CIES, on the grounds that the Chief Constable is exercising day-to-day direction and control over police officers and police staff, it follows that the employment liabilities are therefore shown in the Chief Constable’s balance sheet.

# Statement of Accounts – Notes to the Financial Statements

## 2. Summary of Significant Accounting Policies

These are categorised as follows:-

### Policies applying to the PFCC Group

- 2.1 General Principles
- 2.2 Accruals of Income and Expenditure
- 2.3 Overhead and Support Services
- 2.4 Employee Benefits
- 2.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors
- 2.6 Revenue Recognition
- 2.7 Events after the Reporting Period
- 2.8 Retirement Benefits – Police Staff
- 2.9 Contingent Assets and Liabilities

### 2.1 General Principles

The Statement of Accounts summarises the PFCC's and the CC's financial transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. Essex Police is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, and this requires the preparation to be in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance, issued under Section 12 of the 2003 Act.

The accounts have been prepared on a going concern basis principally using an historic cost convention, modified to account for the revaluation of certain categories of non-current assets, and financial instruments.

### 2.2 Accruals of Income and Expenditure

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

- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Adoption of IFRS 15 - Revenue from contracts with customers is recognised when goods and or services are delivered and title passed. Activity is accounted for in the year that it takes place.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The PFCC Group generally adopts a minimum accruals threshold of £1,000 for its each year-end entries.

# Statement of Accounts – Notes to the Financial Statements

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## 2.3 Overhead and Support Services

The costs of overhead and support services are included within the subjective analysis of income and expenditure analysis shown in the Comprehensive Income & Expenditure Statement, in accordance with the CIPFA Code of Practice. The Comprehensive Income & Expenditure Statement follows the requirement to report in accordance with the format used by management to make strategic decisions.

## 2.4 Employee Benefits

### Short Term Benefits

Short term benefits are those due to be settled within twelve months of the year end. They include such benefits as salaries, allowances, paid annual leave and paid sick leave, and they are recognised as an expense for services in the year in which police officers and police staff provide service to the PFCC.

The PFCC recognises liabilities at the balance sheet date in respect of the following benefits:-

- outstanding annual leave entitlements
- time off in lieu

These are measured at the average pay rate per grade of police officer/police staff.

The initial accruals at the IFRS adoption date are recognised on the balance sheet in the Short Term Accumulating Absences Account, matched by a corresponding liability in the Accumulating Absences Adjustment Account within the Unusable Reserves section.

Subsequent increases and decreases in these liabilities are recognised as a charge or credit to the Comprehensive Income and Expenditure Statement, which are then reversed out through the Movement in Reserves Statement to ensure that there is no impact upon the General Reserve and the amount chargeable to council tax payers. Within the balance sheet there is a corresponding increase or decrease in the Short Term Accumulating Absences Account and the Accumulating Absences Adjustment Account.

### Long Term Benefits

The PFCC recognises liabilities at the balance sheet date in respect of long term disability benefits (i.e. injury and ill health award) for police officers.

The Commissioner regards the measurement of long term disability benefits as being subject to the same degree of uncertainty as the measurement of other post-employment benefits.

In accordance with this view, the PFCC has adopted an IPSAS 25 (International Public Sector Accounting Standards) interpretation of long term disability benefits, which means that it accounts for these benefits in the same way as defined post-employment benefits, i.e. as actuarial gains and losses, through the police officer pension scheme liabilities and the police officer pension scheme reserve.



# Statement of Accounts – Notes to the Financial Statements

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## 2.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & 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 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 PFCC'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.

## 2.6 Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable by the service recipient and represents the amounts receivable for goods or services provided in the normal course of business net of discounts and VAT. Revenue is recognised when goods are delivered and title has passed. The provision of services contains many aspects and revenue is only recognised when all related work has been completed. Consideration received in advance is recognised as deferred revenue in the Balance Sheet and released as income is earned. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

## 2.7 Events After the Reporting Period

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 event can be identified:-

- a) 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
- b) those that are an indication 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

## 2.8 Retirement Benefits - Police Staff

Police Staff (including Police Community Support Officers) are eligible to join the Local Government Pension Scheme (LGPS). This is also a defined benefits scheme administered by Essex County Council. The scheme is funded, meaning that there are investment assets built up to meet future pension liabilities.

The Scheme is accounted for as follows:

- The liabilities of the LGPS 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, based on the same set of assumptions as identified for police officers

# Statement of Accounts – Notes to the Financial Statements

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- Liabilities are discounted to their value at current prices, based on the market yields at the reporting date on high quality corporate bonds
- The assets of the Fund are included in the Balance Sheet as follows:
  - a) Quoted securities are included at realisable values (i.e. current bid price)
  - b) All other assets are included at fair value
- The change in the net pension liability is analysed into the following components:
  - a) Current service cost: the increase in liabilities as a result of years of retirement benefits earned this year - charged to the Comprehensive Income and Expenditure Statement
  - b) Past service cost (gain): the increase (decrease) in liabilities from current year decisions, the effect of which relate to retirement benefits earned in previous years - charged (credited) to the Comprehensive Income and Expenditure Statement
  - c) Interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid - charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - d) Re-measuring's comprising the expected return on plan assets: the annual investment return on the fund assets based on an average of the expected long-term return -credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
  - e) Gains/losses on settlement and curtailments: the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to the Comprehensive Income and Expenditure Statement
  - f) Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement
  - g) Contributions paid to the Essex Council Pension Fund: cash paid as employer's contributions to the pension fund

Statutory provisions limit the PFCC to raising council tax to cover the amounts payable by the PFCC to the pension fund in the year. In the Movement in Reserves Statement there are, therefore, appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

## 2.9 Contingent Assets and Liabilities

The Group recognises material contingent assets and liabilities which arise from past events whose existence can only be confirmed by the occurrence of one of more uncertain future events, which are not wholly within the Group's control. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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.

# Statement of Accounts – Notes to the Financial Statements

## Policies applying to the PFCC

2.10	Income
2.11	Council Tax Income
2.12	Reserves
2.13	Provisions
2.14	Value Added Tax
2.15	Provision for Bad Debts
2.16	Inventories and Long-Term Contracts
2.17	Property, Plant and Equipment
2.18	Intangible Assets
2.19	Assets Held for Sale
2.20	Non-Current Assets Out of Use
2.21	Capital Grants and Contributions
2.22	Donated Assets
2.23	Minimum Revenue Provision
2.24	Revenue Expenditure Funded from Capital
2.25	Leases
2.26	Financial Instruments
2.27	Cash and Cash Equivalents

### 2.10 Income

The PFCC is the recipient of all funding, including government grants, precept and other sources of income, related to policing and crime reduction and funding for the Chief Constable is via the PFCC. The PFCC is responsible for allocating this funding in consultation with the Chief Constable, or in accordance with any grant terms. The Chief Constable will provide professional advice and recommendations.

### 2.11 Council Tax Income

The PFCC raises council tax income by precepting upon the fourteen district and borough councils in Essex. In their capacity as billing authorities, these councils are regarded as acting as agents for the PFCC. Each billing authority credits the council tax income that it collects to its Collection Fund, and pays to the PFCC the precept or demand for the year, plus or less the PFCC's share of the surplus or deficit on the Collection Fund for the previous year.

The PFCC is required to include in its Comprehensive Income & Expenditure Statement its share of the accrued council tax income of each billing authority, i.e. the PFCC's precept upon the billing authority plus or less its share of council tax debtors and creditors.

Council tax income is accounted for in the PFCC's financial statements as follows:

#### Comprehensive Income & Expenditure Statement and Movement in Reserves Statement

The accrued council tax income is credited to the Comprehensive Income & Expenditure Statement. In order that there is a neutral impact upon the General Reserve, the difference between the accrued council tax income and the amount to be credited to the General Reserve under statute is transferred to the Collection Fund Adjustment Account via an adjusting item in the Movement in Reserves Statement.

# Statement of Accounts – Notes to the Financial Statements

---

## Balance Sheet

The PFCC's share of each billing authority's council tax debtor and creditor balances and impairment allowance for doubtful debts is recognised in the balance sheet.

The council tax income adjustment on the Movement in Reserves Statement is taken to the Collection Fund Adjustment Account.

## **2.12 Reserves**

The PFCC maintains a General Reserve to cover contingencies and for cash flow management, and earmarked reserves representing funds set aside for specific purposes. Reserves are created by appropriating amounts in the Movements in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement and the reserve is then appropriated back into the Movements in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, which do not represent usable resources for the PFCC. These reserves are explained in the relevant policies.

## **2.13 Provisions**

The PFCC has set aside provision for future insurance claims and staff severance payments, which are likely to be incurred but cannot yet be determined precisely.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the PFCC becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, and where it becomes more likely that a payment will not now be required, or a lower settlement than anticipated will be made, the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

When some or all of the payment required to settle a provision is expected to be met by a third party, this is only recognised as income in the Comprehensive Income and Expenditure Statement if it is certain that reimbursement will be received if the obligation is settled.

## **2.14 Value Added Tax**

The Comprehensive Income and Expenditure Statement excludes all amounts related to VAT as VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

## **2.15 Provision for Bad Debts**

A provision is made in the balance sheet for bad and doubtful debts, based on an age analysis of the outstanding debt at the balance sheet date. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the Comprehensive Income and Expenditure Statement for the income that may not be collected.

A share of the impairment allowances for the doubtful council tax debts in respect of each billing authority is also included in the balance sheet. These allowances are determined by each billing authority in accordance with its own policy for doubtful debts.

# Statement of Accounts – Notes to the Financial Statements

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## 2.16 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet on an average cost basis with the exception of vehicle parts, which are included at historic cost.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## 2.17 Property, Plant and Equipment

Property, plant and equipment are tangible assets that have a physical substance and are held for use in the provision of services on a continuing basis.

Recognition: Expenditure on the acquisition or creation of new assets or the enhancement of existing assets is capitalised, provided that these assets yield benefit to the PFCC for a period of more than one year.

The PFCC operates a de minimis limit below which items will not be charged to capital on the grounds of materiality. The limit for individual items is £10,000 except for vehicles where a £7,500 limit applies. An exception to this covers certain equipment items which are individually below the de minimis, but when aggregated exceed the limit, e.g. IT hardware, body armour.

Expenditure that maintains, but does not add to, the future economic benefits or service potential of the asset (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

From 1st April 2010, where a significant component of an asset is replaced or enhanced, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount of the asset.

Measurement: Assets and components are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset or component into working condition for its intended use.

Assets are carried in the Balance Sheet using the following measurement bases:

- Assets under construction - historic cost
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Land and buildings – current value, for which existing use value is used, net of accumulated depreciation
- Vehicles, plant and equipment - historic cost less depreciation as a proxy for fair value
- Specialised assets where no active market exists (e.g. radio masts) – depreciated replacement cost

Land and buildings are revalued at least every five years by an external valuer in accordance with the Royal Institution of Chartered Surveyors (R.I.C.S.) Valuation Standards. However, to ensure that the Balance sheet reflects the current value of assets at a materially correct level, those assets with a net book value at 1 April 2020 in excess of £2million have also been revalued.

# Statement of Accounts – Notes to the Financial Statements

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This policy change will be reviewed annually.

An increase in an asset value following revaluation is matched by a credit to the Revaluation Reserve to recognise unrealised gains unless the increase reverses a previous impairment loss or revaluation decrease on the same asset.

A reduction in an asset value following revaluation, which is not identified as impairment, is matched by a debit to the Revaluation Reserve to the extent of any credit balance in respect of the asset. Any difference is charged to the Comprehensive Income and Expenditure Statement and then transferred to the Capital Adjustment Account.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007, the date of its formal implementation. Gains arising before that date were consolidated into the Capital Adjustment Account.

When an asset is disposed of the residual value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account and reported through the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account and reported through the Movement in Reserves Statement.

Capital Receipts: Proceeds from the disposal of assets in excess of £10,000 are categorised as capital receipts and can be used to fund new capital expenditure. Any unused receipts are held in the Usable Capital Receipts Reserve.

Depreciation: All assets with a determinable finite life are depreciated by allocating the value of each asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is not provided on freehold land, where it is deemed to have an unlimited useful life. For all other assets a depreciation charge is made from the date they become available for use and up to the date of disposal.

Components of an asset are recognised for depreciation purposes where the cost of the component is significant in relation to the total cost of the asset.

- Depreciation is calculated on the following basis:
- Buildings – straight line allocation over the economic life of the building as determined by the PFCC's property advisors, assuming no residual value
- Plant, vehicles and equipment - straight line allocation over the economic life of the assets, assuming no residual value

Components - straight line allocation over the economic life of the assets, assuming no residual value. The residual value, useful life and depreciation method are reviewed at each financial year end.

Although depreciation is calculated on the estimated economic life of the specific individual asset concerned, approximate average depreciation periods are as follows:

- Buildings 20-60 years
- Vehicles 3-8 years

# Statement of Accounts – Notes to the Financial Statements

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- Plant, IT and equipment 3-30 years
- Marine vessels 10-25 years

Typically the standard estimated economic lives used by the force in practice are 40 years for buildings and 7 years for shorter-life assets such as vehicles or plant & IT.

Non-financial assets such as surplus assets are measured at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value measurement of an asset or liability is based on the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the PFCC takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques used are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

## Componentisation Policy

The componentisation policy applies from 1st April 2010 where an item of property, plant and equipment is enhanced, acquired or revalued. Recognition will follow capital expenditure where:

- a new component is added to an asset
- an existing component of an asset is refurbished or upgraded
- a component of an asset is replaced
- a new asset is acquired or constructed
- an existing asset is revalued

To be separately recognised a component must be identified as part of a material asset and exceed the PFCC's de minimis level.



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In accordance with the Code, the carrying amount of a replaced or restored component of an asset is derecognised, with the carrying amount of the new component being recognised. This accounting treatment applies regardless of whether the replaced part had been depreciated separately. Where it is not possible to determine the carrying amount of the replaced part, the cost of the new part is used as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

## Material assets and the PFCC's de minimis for components

The PFCC operates a policy of only separately identifying components which are 20% or more (and greater than £100,000) of the total asset value. Where the component element is below this level it is included as part of the main structure of the building.

## Property assets

Where appropriate the PFCC separates assets between the following components:-

- Land
- Main building structure/fabric (to include roof)
- Windows
- Plant and engineering (including IT infrastructure)
- Custody facilities
- Radio masts

All police houses will only be separated into land and buildings under the component policy. This reflects the relatively low value of individual assets and the PFCC's policy of disposal of police housing.

All surplus properties will not be separated under the component policy as this reflects the valuation of surplus assets as highest and best use based on what is physically possible rather than its current use.

All other property assets will only be separated into separate components where the total asset value is equal to or greater than £500,000. Assets below this value will continue to be separated into land and buildings only. This reflects the relatively low value of individual assets and significant proportion of each assets value that relates to land, which is not depreciated.

The impact of the above exclusions is unlikely to result in a material misstatement of the accounts (i.e. depreciation charges and the assets carrying amount).

## Equipment assets

The PFCC analyses all capital equipment purchases and separates these into components as appropriate. This continues the policy applied before the introduction of IFRS. As an example, IT projects are separated between hardware and software components.

## Vehicle and marine assets

All of the fleet is below the £100,000 de minimis set for the componentisation policy.

# Statement of Accounts – Notes to the Financial Statements

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## Revaluation Reserve balances

Reserve balances on property are recorded by asset with separate balances for land and building elements of an asset.

In accordance with guidance contained within *LAAP Bulletin 86 - Componentisation of Property, Plant & Equipment under the 2010/11 IFRS-based Code*, the revaluation reserve balance for a building will not be allocated across the various components that are recognised.

All other assets are held at historic cost and are not revalued.

Future revaluation gains or losses on property are to be allocated across components.

## Impairment of assets

At the end of each financial year the PFCC assesses its assets for indication of impairment. This occurs where an asset is carried at an amount which exceeds the amount that could be recovered through use or sale of the asset.

Derecognition: An asset is derecognised when it is disposed of or when no future economic benefits or service potential are expected from its use or disposal.

Any impairment loss identified as part of this review, or as a result of a valuation exercise, is accounted for as follows:

- An impairment loss on a revalued asset is recognised in the Revaluation Reserve to the extent of any credit balance for that asset. The difference is then accounted for in Comprehensive Income and Expenditure Statement.
- A loss which does not result from revaluation is recognised in the Comprehensive Income and Expenditure Statement.

As an impairment loss is not a proper charge to council tax, the amount is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. At the end of each financial year the PFCC also assesses whether an impairment loss from previous reporting periods may no longer exist. In such circumstances, an estimate of the recoverable amount of the asset(s) is made. The reversal of an impairment loss is made up to the carrying amount that would have been determined for the asset if no impairment had been previously recognised. Any excess above the carrying amount is treated as a revaluation gain and taken to the Revaluation Reserve.

Charges to revenue for fixed assets - The Comprehensive Income and Expenditure Statement is charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets
- impairment losses on assets
- amortisation of intangible assets such as software licences

The PFCC is not required to raise council tax to cover depreciation, impairment losses or amortisation. However the PFCC is required to make a prudent provision from revenue to contribute towards the reduction in its overall borrowing requirements, which is equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement. Depreciation, impairment losses and

# Statement of Accounts – Notes to the Financial Statements

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amortisation are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two amounts.

## 2.18 Intangible Assets

Expenditure on the PFCC's intangible fixed assets, covering purchased computer software licences, is capitalised and disclosed separately. These assets are measured at cost as fair value cannot easily be determined. Intangible assets are amortised to the Comprehensive Income and Expenditure Statement from when the asset is available for use on an equal basis over their economic lives. The residual value assumed for intangible assets is normally zero. The amortisation period and method is reviewed at least at the end of each financial year.

An asset is derecognised on disposal or when no future economic benefits are expected from the asset. The gain or loss from derecognition is recognised in the Comprehensive Income and Expenditure Statement. These amounts are then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

## 2.19 Assets Held for Sale

Assets are classified as held for sale where they meet strict criteria in accordance with the Code. Assets held for sale are measured at the lower of their carrying amount and fair value (market value) less costs to sell at initial reclassification and at the end of each reporting date (i.e. 31st March), and are not subject to depreciation.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## 2.20 Non-Current Assets Out of Use

Where an asset does not qualify as held for sale there may be a circumstance where the asset will not be reclassified back to the asset classification from where it originally came i.e. assets that are surplus to service needs but that do not meet the definition of either investment property or assets held for sale. In this instance the asset is held as a 'surplus asset' under Property, Plant and Equipment.

# Statement of Accounts – Notes to the Financial Statements

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## 2.21 Capital Grants and Contributions

All capital grants and contributions received by the PFCC are accounted for on an accruals basis and are initially recognised as income in the Comprehensive Income and Expenditure Statement.

Where the grant or contribution has a condition attached then the grant is not recognised as income until that condition is met. In those circumstances the grant is recognised as a receipt in advance. A condition is assumed to be attached where it conveys a requirement to return the grant if the condition is not met.

Where the grant is used to finance capital expenditure it is credited to the Capital Adjustment Account.

Where capital expenditure has not yet been incurred the grant is reversed out of the Comprehensive Income and Expenditure Statement and credited to the Capital Grants Unapplied Account.

A grant or contribution that becomes repayable is accounted for as a revision to an accounting estimate and is therefore recognised prospectively.

## 2.22 Donated Assets

Assets which are transferred to the PFCC at nil value or acquired at less than fair value are treated as donated assets.

Donated assets transferred to the PFCC for nil consideration are recognised immediately at fair value as an asset on the Balance Sheet. Where there are no conditions attached to the transfer, or the PFCC has already matched the conditions, the asset is recognised in the Comprehensive Income and Expenditure Statement as income. Where conditions have not been satisfied the asset is credited to the Donated Assets Account and only recognised in the Comprehensive Income and Expenditure Statement once the conditions are satisfied.

Where a donated asset is acquired for less than fair value, the difference between the fair value of the asset and the consideration paid is recognised in the Comprehensive Income and Expenditure Statement as income. Where the transfer has a condition the difference is recognised in the Donated Assets Reserve until the condition is met.

Donated assets are revalued and depreciated in line with the accounting policies for Property, Plant and Equipment.

## 2.23 Minimum Revenue Provision

Where the PFCC finances capital expenditure by debt it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum value since 2008. The Local Government Act 2003 requires the PFCC to have regard to the Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Minimum Revenue Provision (the CLG guidance) most recently issued in 2018. The broad aim of the CLG guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits or, in the case of borrowing supported by government grants, reasonably commensurate with the period implicit in the determination of those grants. The CLG guidance requires the PFCC to approve an annual MRP statement each year, and recommends a number of options for calculating a prudent amount of MRP.

For capital expenditure incurred before 1<sup>st</sup> April 2008, MRP will be determined as 4% of the Capital Financing Requirement in respect of that expenditure. The PFCC has used this policy in respect of the

# Statement of Accounts – Notes to the Financial Statements

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unfinanced element of capital expenditure dating from this period, in accordance with option 2 of the guidance.

For expenditure after the 31<sup>st</sup> March 2008 the PFCC has chosen the 'Asset Life Method' for its MRP calculations. This is where MRP is determined by reference to the life of the asset being financed, normally by the equal instalment method or alternatively the annuity method. Estimated life periods will be determined in accordance with the asset lives specified in the Property, Plant & Equipment accounting policy (as referred to in 2.17). These charges will be started in the year after the asset becomes operational e.g. unfinanced capital expenditure incurred during 2020/21 will not be subject to an MRP charge until 2021/22.

Purchase of freehold land will be charged over 50 years. MRP on expenditure not related to non-current assets but which has been capitalised by regulation or direction, will be charged over 20 years (as per Option 3 of the CLG guidance).

As it may not always be feasible to assess the useful life of some individual assets, asset lives will be measured on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, where applicable, expenditure will be grouped together in a manner which reflects the nature of the main component of assets and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Further information in respect of the PFCC's approach to MRP is included within the annual Capital Strategy and Treasury Management Strategy documents.

## 2.24 Revenue Expenditure Funded from Capital

Some items of expenditure are permitted to be funded from capital resources that under accounting practice would be charged to the Comprehensive Income and Expenditure Statement. This expenditure does not result in a fixed asset on the balance sheet.

These charges will normally be grants or expenditure on property not owned by the PFCC. This expenditure is charged to the Comprehensive Income and Expenditure Statement. To avoid any impact on council tax, the charge is then moved to the Capital Adjustment Account.

## 2.25 Leases

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Where the lease transfers substantially all the risks and rewards to the PFCC it is accounted for as finance lease. All other lease arrangements are treated as operating leases.

In determining the accounting arrangements for an agreement where the PFCC is the lessee, consideration is given to substance of the transaction rather than the form of the agreement. The PFCC applies a number of tests to help determine the classification of the lease at its inception.

Where material, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. When the land has an indefinite economic life, the land element is normally classified as an operating lease.

Finance leases: The PFCC recognises finance leases as assets and liabilities at the lower of the fair value of the property or the present value of the minimum lease payments. Assets recognised as finance leases are depreciated in accordance with the policy for depreciation of owned assets and are revalued in the same way as the PFCC's other assets.

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Operating leases: Rentals payable are charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Arrangements containing a lease: An arrangement that conveys the right to use an asset in return for payment, but which does not take the legal form of a lease, may be accounted for as an embedded lease. An assessment is made whether fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use that asset. This assessment is made at the inception of the arrangement.

Where an embedded lease is identified it is assessed to determine whether this is a finance or operating lease. The accounting treatment applied is in accordance with the lease accounting policy.

## 2.26 Financial Instruments

### Adoption of IFRS 9

The PFCC has adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes relate to the remeasurement and reclassification of financial assets (as detailed in the section below) as well as the earlier recognition of impairments for these assets where applicable.

### Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, government grants and statutory items, do not give rise to financial instruments.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the PFCC that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets, or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the PFCC. The financial assets held by the PFCC during the year are accounted for under the following three classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the PFCC's business model is to collect those cash flows) comprising:-
  - Cash in hand
  - Force bank accounts with Lloyds bank
  - Fixed term deposits banks and building societies
  - Loans to UK local authorities
  - Certificates of deposit and covered bonds issued by banks and building societies
  - Treasury bills and gilts issued by the UK Government
  - Bonds issued by multilateral development banks and large companies
  - Lease receivables
  - Trade receivables for goods and services provided

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- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the PFCC's business model is to both collect those cash flows and sell the instrument; and equity investments that the PFCC has elected into this category) comprising:
  - Bonds issued by banks, building societies, the UK Government, multilateral development banks and large companies that the PFCC holds to sell if cash flow needs demand
  - Pooled bond, equity and property funds managed by fund managers held as strategic investments
  - Equity investments held for service purposes, and
- Trade receivables for goods and services provided that may be sold to a debt collection agency
- Fair value through profit and loss (all other financial assets) comprising:
  - Money market funds managed by fund managers
  - Pooled bond, equity and property funds managed by fund managers
  - Equity investments
  - Loans where the cash flows are not solely payments of principal and interest

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the PFCC.

## Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the PFCC and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the PFCC.

The majority of the PFCC's financial liabilities held are measured at amortised cost and comprise:

- Long-term loans (where applicable) from the Public Works Loan Board and commercial lenders:
  - Short-term loans from UK local authorities
  - Overdraft with Lloyds bank
  - Lease payables
  - Trade payables for goods and services received

## Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including treasury bills and shares in money market funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at the Balance Sheet date.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values are estimated by calculating the net present value of the remaining contractual cash flows at the Balance Sheet date, using the following methods and assumptions:



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- Loans borrowed by the PFCC are valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- The fair values of other long-term loans and investments are discounted at the market rates for similar instruments with similar remaining terms to maturity at the Balance Sheet date
- The fair values of financial guarantees are estimated based on the likelihood of the guarantees being called and the likely payments to be made
- The fair values of finance lease assets and liabilities are calculated by discounting the contractual cash flows (excluding service charge element) at the appropriate AA-rated corporate bond yield
- No early repayment or impairment is recognised for any financial instrument
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment

Fair values are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

## 2.27 Cash and Cash Equivalents

The PFCC's cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

The PFCC defines cash as money held at the bank and/or in overdraft. The PFCC defines cash equivalents as those funds that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash equivalents shall include investments placed in instant access call accounts and money market funds which are readily convertible to known amounts of cash, with insignificant risk of change in value.

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

## 3. Accounting Standards that have been issued but have not yet been adopted

Paragraph 3.3.2.13 of the 2020/21 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

Paragraph 3.3.4.3 and Appendix C of the Code adapt IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors on an annual basis to limit the impact of standards that have been issued but not yet

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adopted to those listed in Appendix C of the Code in the relevant year of accounts (in this case the 2021/22 Code). The adaption has been in place since the inception of the IFRS based Code in 2020/21.

This means that only the standards listed below are included in the requirements for IAS 8 for standards that have been issued and not yet adopted. This excludes IFRS 16 Leases (see separate section below) and IFRS 17 Insurance Contracts from being included in these reporting requirements.

The standards introduced by the 2021/22 Code and relevant for additional disclosures that will be required in the 2020/21 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations

It is not expected that Essex Police will be materially impacted by this change as such acquisitions are unlikely.

- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform: Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

These changes relate to the fact that in the UK, the FCA have announced a transition away from the London Inter Bank Offered Rate (LIBOR) to the Sterling Over Night Index Average (SONIA). By the end of 2021, the FCA will no longer seek to persuade, or compel, banks to submit to LIBOR. Interest Rate Benchmark Reform will impact entities reporting under IFRS and UK GAAP.

It is not expected that Essex Police will be materially impacted by these changes due to the nature of financial instruments currently in use, as well as those expected to be used as set out in the 2021/22 Treasury Management Strategy.

## IFRS 16 - Leases

The CIPFA/LASAAC Local Authority Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 Leases in the Code until the 2022/23 financial year. This aligns with the decision at the government's Financial Reporting Advisory Board to establish a new effective date of 1st April 2022 for the implementation of IFRS 16.

CIPFA LASAAC has taken this decision in response to pressures on public sector finance teams as a result of the COVID-19 pandemic. Essex Police note that this further deferral is limited to one year only and in preparation for the implementation of this wide-ranging and complex accounting standard with effect from the 2022/23 financial year, has set out the initial findings and expected impacts in the following tables. It should be noted that these figures are for explanatory purposes only and will be subject to further change and review prior to their formal inclusion in the financial statements for 2022/23 onwards.

The main changes proposed by the IFRS 16 standard relate to additional recognition and disclosure requirements for the lessee in leasing agreements they are involved in. The concept of 'right of use asset' is introduced whereby if the lessee has a right to use an asset over a period of more than twelve months, the asset is recognised on the lessee Balance Sheet (subject to materiality and lower limit exclusion thresholds).

When fully incorporated into the Code, the new requirements are expected to require one leasing note under the IFRS 16 legislation, which will supersede the current requirements for separate operating leasing and finance leasing disclosures (as currently set out in Note 17). The expected impact of the standard, based upon current work undertaken, is set out as follows:-

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## Leases inward (PFCC as lessee)

### Property Leases

The PFCC has several property leases which are of a duration greater than one year, and are not currently included within the PFCC's non-current assets. These leases have been identified and will need to be recognised from the 1st April 2021, with a corresponding lease liability.

Had they been recognised on the Balance Sheet from the 1st April 2021 their values would have been as follows:-

Balance Sheet		£000	£000
<b>Non-current assets (additional impact as at 1st April 2021)</b>		525	-
<b>Leasing liability (additional impact as at 1st April 2021)</b>			
Obligation - current			(88)
Obligation - long-term			(437)
<b>Net impact on Balance Sheet</b>		<b>525</b>	<b>(525)</b>

In addition, the charges to service operating leases previously made to the Net Cost of Services would be removed and replaced by charges to the Financing and Investment section of the Comprehensive Income and Expenditure Statement.

Had the leases in the above table been recognised within the 2020/21 Statement of Accounts the entries would have been as follows:-

Core Financial Statements		£000	£000
<b>Comprehensive Income &amp; Expenditure - Financing &amp; Investment</b>		8	
<b>Balance Sheet (repayment)</b>			
Obligation - current		88	
Cash & cash equivalents			(96)
<b>Net impact on Core Financial Statements</b>		<b>96</b>	<b>(96)</b>

To ensure the impact of the new standard is cost-neutral to the council tax payer, a corresponding minimum revenue provision charge would be enacted representing the value of the leasing obligation reduction in year. In addition, the new assets recognised would be depreciated in accordance with accounting policies. The latter is estimated at £0.084m for 2021/22.

### Donated assets

The PFCC has use of several assets without any rental payments being made for their use. These assets are not currently included within the PFCC's non-current assets but have been recognised under the new legislation on the basis that the donor does not demand the return of these assets (and therefore the asset is unimpeded). These assets will need to be recognised from the 1st April 2022, with a corresponding lease liability.

Had all of these assets been recognised on the Balance Sheet from the 1st April 2021 the total amount recognised would have been £9.678m, as shown in the table below. This comprises:-

- £6.244m relating to Stansted Airport Main Building e.g. representing various office space provided free under the terms of the Terrorism Act 2000 for on-site policing activity.

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- £1.628m relating to office space at Chigwell.
- £1.806m comprising six additional sites including right of use assets in shopping centres, airports, ports and other town centre locations.

To account for these assets in the Comprehensive Income & Expenditure Statement, a gain would be recognised for the corresponding value of the assets brought onto the Balance Sheet.

Had the leases in the above table been recognised within the 2020/21 Statement of Accounts the entries would have been as follows:-

Balance Sheet		£000	£000
<b>Non-current assets (additional impact as at 1st April 2021)</b>		9,678	
<b>Unusable reserves (additional impact as at 1st April 2021)</b>			
Capital adjustment account			(9,678)
<b>Net impact on Balance Sheet</b>		<b>9,678</b>	<b>(9,678)</b>

The donated assets recognised would also be depreciated in accordance with accounting policies. This charge is estimated at £0.161m for 2021/22.

Core Financial Statements		£000	£000
<b>Comprehensive Income &amp; Expenditure - Other Operating Expenditure</b>			(9,678)
<b>Movement in Reserves (additional impact as at 1st April 2021)</b>			
Appropriation to Capital adjustment account		9,678	
<b>Net impact on Core Financial Statements</b>		<b>9,678</b>	<b>(9,678)</b>

## Vehicles, plant, furniture & equipment

IFRS 16 requires all other assets which have previously been classified as operating assets and accounted for on a straight line basis cost through the Comprehensive Income and Expenditure Statement, to be recognised on the Balance Sheet from 1st April 2022. The exception to this rule are leases of less than one year or of de minimis value.

Had these assets been recognised on the Balance Sheet from the 1st April 2021 their values would have been as follows:-

Balance Sheet		£000	£000
<b>Non-current assets</b>		119	
<b>Leasing liability</b>			
Obligation - current			(65)
Obligation - long-term			(54)
<b>Net impact on Balance Sheet</b>		<b>119</b>	<b>(119)</b>

In addition, the charges to service operating leases previously made to the Net Cost of Services would be removed and replaced by charges to the Financing and Investment section of the Comprehensive Income and Expenditure Statement.

Had the leases in the above table been recognised within the 2020/21 Statement of Accounts the entries would have been as follows:-

# Statement of Accounts – Notes to the Financial Statements

Core Financial Statements		
	£000	£000
Comprehensive Income & Expenditure - Financing & Investment	1	
Balance Sheet - repayment (additional impact as at 1st April 2021)		
Obligation - current	65	
Cash & cash equivalents		(66)
Net impact on Core Financial Statements	66	(66)

To ensure the impact of the new standard is cost-neutral to the council tax payer, a corresponding minimum revenue provision charge would be enacted representing the value of the leasing obligation reduction in year. In addition, the new assets recognised would be depreciated in accordance with accounting policies. The latter is estimated at £0.058m for 2021/22.

## Lessor commitments (PFCC/Group)

IFRS 16 maintains most of the rules currently observed under the existing standard IAS 17. There is one major change which is related to income from sub-tenants on property leases. Where such income exists, a debtor would need to be created. Essex Police do not benefit from any sub-tenant income, and therefore for lessor commitments (or 'leases outward') it is not anticipated that these changes will have any material impact.

## 4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 2, the PFCC and Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are explained below.

### Joint Activities

The PFCC and Chief Constable participates in some joint activities with the Police and Crime Commissioner for Kent, in particular a shared Serious Crime Directorate and Support Services Directorate. The PFCC and Chief Constable also participate in some joint activities with other Eastern Region Authorities. These activities are deemed by the PFCC and the Chief Constable to be jointly controlled activities in accordance with the Code of Practice. Accordingly, the Statement of Accounts does not include group accounts for these activities. Further details of joint activities are shown in note 40, Jointly-Controlled Operations and Collaborative Activity.

### Impairment of Assets

Further information can be found in notes 16 and 18.

### Governance

On the 1st October 2017 the PFCC took on the governance of the Essex County Fire and Rescue Service (ECFRS), under the joint governance model. Under this model the Police, Fire and Crime Commissioner (PFCC) comprises two legal entities, the PFCC and the Police, Fire and Crime Commissioner Fire and Rescue Authority (PFCCFRA) which remain separate corporation soles. It should be noted that ECFRS continues to be a brand name for operational activities of the PFCCFRA. The Chief Constable was not impacted by this change, and their activities continue to be maintained within a separate corporation sole.

# Statement of Accounts – Notes to the Financial Statements

The PFCC is responsible for the formal oversight of Essex Police and the Chief Constable, including setting the strategic direction and holding the police to account; whilst the Chief Constable has direction and control over the force's officers and staff. To fully understand how police and criminal justice funds are spent a set of group accounts is created for these two separate legal entities. For accounting purposes the PFCC is the parent entity of the Chief Constable, and together form the group.

The accounts of the PFCCFRA remain separate and are not included within the PFCC Group Accounts, this is because the PFCC entity does not have control over the activities of PFCCFRA. All financial and governance decisions relating to ECFRS are made by the PFCCFRA and this control is embodied within the Commissioner. In making this judgement the PFCC has considered section 9.1 of the Code of Practice on Local Authority Accounting.

Accounting in the United Kingdom 2019/20 which sets out the requirement for accounting for Group Accounts. Paragraph 9.1.2.30 of 'The Code' sets out the criteria which must be met to control an entity; the PFCC does not meet these requirement for PFCCFRA and therefore no group is activities.

## McCloud v Sargeant judgement

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

On 16<sup>th</sup> July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31<sup>st</sup> March 2012 and on or after 1<sup>st</sup> April 2015 to be eligible for remedy.

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

### Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. For the PFCC Group, it is estimated that 1,460 members would choose their legacy scheme and thus increase the liabilities. Scheme actuaries originally estimated the increase in scheme liabilities for the PFCC Group to be 4.4% or £94.744m of Police Officer Pension Scheme liabilities. This was recognised in the 2018/19 accounts. In 2019/20, the estimated initial increase was a further 1% (equating to £28.62m of the 2019/20 Police Officer Pension liability) reflecting an additional years' benefits from the remedy, offset by a subsequent £12.782m reduction resulting from the clarification of eligibility criteria for members set out in HM Treasury's consultation. In 2020/21, the estimated increase is a further £9m of current service cost, reflecting an additional years' benefits from the remedy.

# Statement of Accounts – Notes to the Financial Statements

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

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

## Compensation Claims

Applicants have lodged claims for compensation, with the PFCC aware that 13,000 Injury to Feelings (ITF) claims have already been submitted nationally, and a further 37,000 ITF claims in the process of being issued to forces by the ET, the latter upon which different legal arguments may apply. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021 and a complex matching process between these test cases and the 13,000 claims already submitted may be required in due course. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31<sup>st</sup> March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, nor the element of these numbers of claims which could potentially impact the PFCC. Therefore, based on these facts and a lack of an accurate measurement basis for potential costs arising, no liability in respect of compensation claims is recognised in these accounts.

## **5. Events after the Reporting Period**

When an event occurs after the Balance Sheet date the PFCC is required to assess the accounting impact of this in accordance with the guidance of IAS 10. When such an event provides evidence of conditions that existed *at* the Balance Sheet date an adjusting event occurs, and the amounts recognised in the Statement of Accounts are amended to take into account any values arising from the adjusting event in question. However, when an event occurs that is indicative of conditions that arose *after* the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted but disclosed as a separate note instead. All events after the Balance Sheet date are reflected and reviewed up to the date when the Statement of Accounts is authorised for issue.

There have been no material events between the year-end and the date of approval of these accounts which are applicable to IAS 10, which require adjustment to these financial statements.

## **6. 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 of 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:



# Statement of Accounts – Notes to the Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment - valuations (COVID-19)</b>	<p>The PFCC has assessed the year-end impact of COVID-19 on its asset base and sought the professional advice of its external valuers to determine whether its assets are materially misstated. The outbreak of COVID-19 in 2020 seriously impacted global finances and market activity has continued to be impacted in many sectors. Nevertheless, the PFCC's valuers have stated that the valuations completed in 2020/21 are not being reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Valuation – Global Standards. As a consequence, a higher degree of certainty is attached to the 2020/21 valuations compared to those undertaken for the previous years' accounts.</p> <p>In addition, to assist with the amount of uncertainty in market activity the PFCC amended its annual valuation date for 2020/21, from 31<sup>st</sup> December to 28<sup>th</sup> February, thus providing more assurance in respect of the information received due to the closer proximity to the year-end date.</p>	<p>Whilst the removal of the 'material uncertainty' basis which the 2020/21 valuations were based on, provides the PFCC with additional assurance it nonetheless understands that there is still a risk of the pandemic impacting on asset values in the future. This means that the PFCC's valuers continue to be faced with circumstances in which their professional judgements may be impacted by uncontrollable external factors. Given this unknown future impact that COVID-19 might have on the real estate market, the valuation of the PFCC's non-current asset portfolio will continue to be kept under frequent review until such a time that the pandemic is no longer having an impact on economic activity, and particularly the sectors in which the PFCC holds assets.</p> <p>At the Balance Sheet date the conclusions made by the valuers mean that the PFCC is happy that it is highly unlikely that asset values are misstated, and therefore no adjustments have been made in the Statement of Accounts. The wider external context will continue to be reviewed in 2021/22 to assess any further impacts which require potential impairment entries.</p>
<b>Property, Plant and Equipment - valuations (rolling programme)</b>	<p>The PFCC adopts a rolling programme for its revaluation of non-current assets, with each asset valued at least once every five years. In addition, the PFCC has adopted a new measure with effect from 2019/20, to value all assets &gt; £2m (net book value) on an annual basis, thus reducing the impact of the potential swing in values by adopting the rolling programme for higher-value assets.</p>	<p>For 2020/21 the valuation date for the applicable assets being valued that year is the 28<sup>th</sup> February, with a market review process undertaken at the 31<sup>st</sup> March to ensure:- a) these assets have not changed value materially in the subsequent one month, and b) the remainder of the assets in the rolling programme have not changed value materially during the accounting period.</p> <p>Based on the year-end assessment, the PFCC is satisfied with its valuers conclusion that there have been no material swings between the 28<sup>th</sup> February valuation date and the 31<sup>st</sup> March year-end date, and therefore no further adjustments have been deemed necessary in the Statement of Accounts (however a minor degree of potential uncertainty remains, in light of the content of the separate COVID-19 disclosure above).</p> <p>An assessment of the cumulative potential impact on the PFCC's remaining assets had they all been revalued on an annual basis over the preceding five year period has been undertaken, with the cumulative under-valuation assessed at £0.868m as at the 31<sup>st</sup> March 2021 (equating to 0.9% of the year-end Property, Plant &amp; Equipment Balance Sheet value).</p>

# Statement of Accounts – Notes to the Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Accounting Estimates</b>	<p>The PFCC uses estimates in a wide range of its accounting approaches, which are consistent with the recommendations within IAS 8 <i>Changes in Accounting Policies, Changes in Accounting Estimates, Errors</i>, as well as the PFCC's accounting policies. In using estimates the PFCC recognises the material impact of such assumptions, the need to ensure these are accurate and timely, and that appropriation management review and approval procedures are in place.</p> <p>The PFCC uses material accounting estimates for areas such as the valuation of land and buildings, depreciation and valuations of pension liabilities. Where this work is undertaken with the involvement of a third party 'specialist' the PFCC understands that it solely is responsible for the estimates which are ultimately included within the financial statements.</p> <p>Assets are depreciated on a straight line approach over their estimated useful economic lives, that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets, as well as the period where related benefits will be obtained from these assets. The useful economic lives applied for assets are based upon accounting policy 2.17 'Property, Plant &amp; Equipment'.</p>	<p>Management will ensure that estimates used are as accurate as possible and ensure governance arrangements are in place to manage these processes. Where estimates differ to actual values which subsequently occur, management will seek to understand the reasons for such differences and implement procedures whereby processes for future estimates are revised to minimise the risk of further variances arising.</p> <p>Where estimates are complex and material such as valuations of non-current assets or pensions liabilities, the PFCC understands that a specialist may be required. In such instances additional scrutiny will be required to ensure the estimates are reviewed thoroughly prior to inclusion in the financial statements, and all of the associated rationale is fully understood.</p> <p>Where material, appropriate disclosures will be made in the financial statements to articulate how estimates have been used to calculate figures which are being presented, including any element of estimation uncertainty within these values.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p>
<b>Pensions Liability (LGPS) - actuary roll-forward approach</b>	<p>In determining the value of the employer liabilities for the LGPS scheme the actuary has rolled forward the results from the most recent funding valuation, using the financial and demographic assumptions set for accounting purposes. Therefore, no allowance is made for pension increase experience. Instead, after each triennial valuation the accounting liabilities are recalculated using up to date membership data and results. This sometimes results in experience items which then need to be incorporated into subsequent accounting reports.</p> <p>In respect of the Police Officer Pension Scheme a new valuation has been undertaken at the 1<sup>st</sup> April 2020, which has been incorporated into the 2020/21 Statement of Accounts, meaning the actuary roll-forward approach is not applicable for this scheme.</p>	<p>The roll forward approach adopted by the actuary means experience items may emerge representing the difference between the actual experience of the members of the fund, and the experience that had been assumed for them in previous accounting reports. As an example, if members died earlier than assumed this will result in an actuarial gain as the liabilities will be lower than estimated in the roll forward, or if members received higher than assumed salary increases then there will be an actuarial loss as the liabilities will be higher than estimated. In summary, the roll forward method adopted by the actuary is less accurate the use of a full actuarial valuation, however the impact is mitigated by the inclusion of the aforementioned experience items which are incorporated into subsequent accounting reports.</p>

# Statement of Accounts – Notes to the Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability - LGPS scheme assets</b>	<p>Estimation of the net liability to pay pensions also depends on judgements in respect of the performance of the underlying assets which the LGPS pension scheme invests in (it should be noted that the Police Officer Pension Scheme does not hold any assets). A firm of consulting actuaries is engaged to provide the PFCC with expert advice in respect of the forecasts to be applied.</p> <p>Whilst the actuary's valuer reported the 2019/20 year-end valuation of scheme assets on the basis of 'material valuation uncertainty' (per VPGA 10 of the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standard), this is not the case for the 2020/21 valuations, and therefore the figures for these financial statements can be viewed with more certainty, albeit with some remaining risk of variability.</p>	<p>Based on the current market conditions at the 31st March 2021, particularly in respect of the ongoing impact of COVID-19, the PFCC understands that the direction of the economy could have a direct impact on the net liability value. This will most likely be in the form of below-average returns on plan assets and market yields. In addition, the overall position is also influenced by the effect of market movements on the assumptions used to place a value on the defined benefit obligation. In summary however, the asset position is much stronger for 2020/21 year-end than the preceding year's financial statements reflected.</p> <p>The return on the fund (on a bid value to bid value basis) for the year to 31st March 2021 is estimated to be 28.65% (-5% 2019/20). The actual return on fund assets over the year may be different, particularly given the continued uncertainty of the longer-term effect of COVID-19 on financial markets, as set out in further detail in Note 38 'Financial Instruments - Risks'. Should expected returns be less than expected this could impact the PFCC's revenue account in the form of larger actuarial deficit payments in subsequent years.</p> <p>At the Balance Sheet date it is felt that due to continued estimation uncertainty no firm conclusions can be made in respect of potentially misstated asset values, however any variances which do occur are not expected to be substantially material, and therefore no adjustments have been made in the Statement of Accounts. The wider external context will continue to be reviewed in 2021/22 to assess any further impacts which require potential impairment entries.</p>
<b>Pensions Liability – sensitivity of variable factors (summary)</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the level at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PFCC with expert advice about the assumptions to be applied.</p>	<p>The various potential impacts of these uncertainties are illustrated in the relevant table in Note 42 that shows the outcome should a variance of +0.1% or - 0.1% occur based on the current assumptions. In addition, the effects on the net pensions liability of changes in individual assumptions can be measured.</p>
<b>Pensions Liability – sensitivity of variable factors (discount and mortality rates)</b>	<p>A small amendment to the discount or mortality rates used to calculate future pension liabilities can potentially have a material impact on the values recognised in the Balance Sheet and can be critical to accurate decision making when assessing future financial challenges. However, the various assumptions interact in complex ways and the PFCC will therefore work closely with its actuaries when determining these rates so the impact of any changes can be fully understood.</p>	<p>A 0.1% increase in the discount rate assumption for Police Staff pensions would result in a decrease in the pension liability of £16.539m. An increase of one year on mortality rate assumptions for members of the Police Officer Pension Scheme (covering the 1987, 2006 and 2015 CARE schemes) would result in an increase to the pension liability of £158.351m. Subsequent actions arising for the PFCC may include the potential requirement to increase deficit contributions.</p>

# Statement of Accounts – Notes to the Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Cashflow and Financial Instruments</b>	The PFCC has reviewed its cash and investment position in the context of COVID-19, particularly the assessment of its financial assets as well as increased levels of risk which need to be disclosed in the Statement of Accounts. Further details of this analysis can be found in Note 39, Financial Instruments - Risks.	The uncertainty of future income streams, particularly due to ongoing instability in financial markets, means that financial risks need to continue to be monitored during the 2021/22 financial year, as entities in both the public and private sector manage their cash resources due to the ever changing external context.
	The PFCC has also recognised within its Treasury Management Strategy 2021/22 that capital investment plans will equate to an external borrowing requirement in the forthcoming year. Whilst cash resources will reduce over the coming twelve months, a borrowing strategy has been agreed and approved by the PFCC.	An assessment of the impact of fluctuations in interest rates is set out in Note 38 however more wider liquidity issues, such as expected income streams deviating from original forecasts, would result in an additional external borrowing requirement, to that set out within the Treasury Management Strategy 2021/22. However, due to the range of debt instruments available to the PFCC as set in the borrowing strategy of this document, it is unlikely that the impact would be material in 2021/22, or cause the PFCC any liquidity concerns.

## 7. Contingent Liabilities

The PFCC and Chief Constable recognise material contingent liabilities, which arise from past events, whose existence can only be confirmed by the occurrence of one or more uncertain future events, which are not wholly within the PFCC's and Chief Constable's control.

### Allard & Ors v Devon and Cornwall Constabulary

The PFCC and Chief Constable for Essex Police, along with other PCC's, PFCC's and Chief Constables, have a contingent liability arising from the Allard & Ors v Devon and Cornwall Constabulary legal case. This claim relates to undercover officers in Devon and Cornwall Police claiming under Police Regulations that they were entitled to on-call payments due to having to respond to communications outside their normal working hours. The basis of the claim was that they had been 'recalled to duty' and were therefore entitled to overtime payments. The case was upheld against Devon and Cornwall at the High Court and the ruling applies to all other Home Office forces.

In respect of the 2020/21 accounts, the PFCC has assessed the potential financial value of all applicable claims at the Balance Sheet date using the criteria for IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Based on this assessment, specifically that the outstanding claims cannot be reliably measured, the associated provision value has been released back to the Comprehensive Income and Expenditure Statement during 2020/21. However, there is still uncertainty in respect of further claims arising and as these liabilities cannot be reliably measured at the present time, due to both timings and uncertainty as to whether these amounts will be claimed, a contingent liability has been recognised in the financial statements. Based on current estimates there are 21 further/expected cases which have not been claimed at the Balance Sheet date. To cover these potential liabilities the PFCC has transferred the remaining provision value of £0.673m into the Legal Claims earmarked reserve for the 2020/21 year-end position, and any future claims will be met from this reserve.

## 8. Date of authorisation of the Statement of Accounts for issue

The Statement of Accounts was authorised for issue on 24<sup>th</sup> November 2021 by Julia Berry FCCA, Head of Finance to the PFCC for Essex.

# Statement of Accounts – Notes to the Financial Statements

## 9. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council tax payers how the funding available to the PFCC and PFCC Group (i.e. government grants, and council tax) for the year has been used in providing services in comparison with those resources consumed or earned by forces in accordance with generally accepted accounting practices. This analysis brings together performance reported on the basis of expenditure measured under proper accounting practices, with statutorily defined charges to the General Fund. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The EFA is a note to the Financial Statements rather than a primary statement itself, however, the Group and PFCC EFA's are positioned here as they provide a link from the figures reported in the CIES to the General Fund Balance and Usable Revenue Reserves.

### EFA for the Police, Fire & Crime Commissioner for Essex Group – 2019/20

	Net expenditure chargeable to the General Fund (restated)	Adjustments for capital purposes (EFA note 1)	Total Adjustments Net charge for pensions adjustments (EFA note 2)	Other differences (EFA note 3)	Total adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
Police officer pay and allowances	181,543	-	23,930	52	23,982	205,525
PCSO pay and allowances	3,502	-	-	-	-	3,502
Police staff pay and allowances	80,147	-	12,408	(178)	12,230	92,377
Ill-health/medical pensions	3,881	-	-	-	-	3,881
Training	1,127	-	-	-	-	1,127
Other employee expenses	628	-	-	-	-	628
Premises	11,208	3,482	-	-	3,482	14,690
Transport	6,353	1,730	-	-	1,730	8,083
Supplies & services	36,064	4,035	-	-	4,035	40,099
Third party payments	10,250	-	-	-	-	10,250
Fees charges and other service income	(17,486)	-	-	-	-	(17,486)
Government grants and contributions	(22,708)	(170)	-	-	(170)	(22,878)
<b>Net Cost of Service</b>	<b>294,509</b>	<b>9,077</b>	<b>36,338</b>	<b>(126)</b>	<b>45,289</b>	<b>339,798</b>
Income from council tax	(124,679)	-	-	1,377	1,377	(123,302)
Non-specific government grant income	(172,907)	(956)	(37,417)	-	(38,373)	(211,280)
Other income and expenditure	1,096	(3,155)	77,056	-	73,901	74,997
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(1,981)</b>	<b>4,966</b>	<b>75,977</b>	<b>1,251</b>	<b>82,194</b>	<b>80,213</b>
<b>(Surplus)/Deficit to GF reserves</b>	<b>(1,981)</b>					
Opening General Fund balance at 1st April 2019 (restated to include Future Capital Funding Reserve)	(16,754)					
Less (surplus)/deficit on General Fund balance in Year	(1,981)					
<b>Closing General Fund balance at 31st March 2020</b>	<b>(18,735)</b>					

The 2019/20 restatement relates to £0.2m of PFCC recharges which have been reclassified as Sales, Fees and Charges (previously Government Grants and Contributions).

# Statement of Accounts – Notes to the Financial Statements

## EFA for the Police, Fire & Crime Commissioner for Essex – 2019/20

	Net expenditure chargeable to the General Fund (restated)	Adjustments for capital purposes (EFA note 1)	Total Adjustments Net charge for pensions adjustments (EFA note 2)	Other differences (EFA note 3)	Total adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement (restated)
	£000	£000	£000	£000	£000	£000
Police officer pay and allowances	-	-	-	-	-	-
PCSO pay and allowances	-	-	-	-	-	-
Police staff pay and allowances	1,574	-	168	-	168	1,742
Ill-health/medical pensions	-	-	-	-	-	-
Training	1,103	-	-	-	-	1,103
Other employee expenses	354	-	-	-	-	354
Premises	11,208	3,482	-	-	3,482	14,690
Transport	5,152	1,730	-	-	1,730	6,882
Supplies & services	35,331	4,035	-	-	4,035	39,366
Third party payments	8,759	-	-	-	-	8,759
Fees charges and other service income	(17,486)	-	-	-	-	(17,486)
Government grants and contributions	(22,708)	(170)	-	-	(170)	(22,878)
<b>Cost of Service</b>	<b>23,287</b>	<b>9,077</b>	<b>168</b>	<b>-</b>	<b>9,245</b>	<b>32,532</b>
Intra group adjustment for CC's net service cost	271,222	-	37,419	-	37,419	308,641
<b>Net Cost of Services</b>	<b>271,222</b>	<b>9,077</b>	<b>37,587</b>	<b>-</b>	<b>46,664</b>	<b>341,173</b>
Income from council tax	(124,679)	-	-	1,377	1,377	(123,302)
Non-specific government grant income	(172,907)	(956)	(37,417)	-	(38,373)	(211,280)
Other income and expenditure	1,096	(3,155)	33	-	(3,122)	(2,026)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(1,981)</b>	<b>4,966</b>	<b>203</b>	<b>1,377</b>	<b>6,546</b>	<b>4,565</b>

The 2019/20 restatement relates to £0.2m of PFCC recharges which have been reclassified as Sales, Fees and Charges (previously Government Grants and Contributions).

# Statement of Accounts – Notes to the Financial Statements

## EFA for the Police, Fire & Crime Commissioner for Essex Group – 2020/21

	Net expenditure chargeable to the General Fund	Adjustments for capital purposes (EFA note 1)	Total Adjustments Net charge for pensions adjustments (EFA note 2)	Other differences (EFA note 3)	Total adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement (restated)
	£000	£000	£000	£000	£000	£000
Police officer pay and allowances	192,613	-	22,059	1,909	23,968	216,581
PCSO pay and allowances	3,549	-	-	-	-	3,549
Police staff pay and allowances	86,474	-	18,925	1,374	20,299	106,773
Ill-health/medical pensions	4,184	-	-	-	-	4,184
Training	1,119	-	-	-	-	1,119
Other employee expenses	874	-	-	-	-	874
Premises	9,826	(1,920)	-	-	(1,920)	7,906
Transport	5,574	1,638	-	-	1,638	7,212
Supplies & services	36,295	4,306	-	-	4,306	40,601
Third party payments	9,030	-	-	-	-	9,030
Fees charges and other service income	(14,390)	-	-	-	-	(14,390)
Government grants and contributions	(31,007)	(138)	-	-	(138)	(31,145)
<b>Net Cost of Service</b>	<b>304,142</b>	<b>3,887</b>	<b>40,984</b>	<b>3,282</b>	<b>48,153</b>	<b>352,295</b>
Income from council tax	(129,871)	-	-	1,177	1,177	(128,694)
Non-specific government grant income	(184,865)	(251)	(33,767)	-	(34,018)	(218,883)
Other income and expenditure	3,866	(5,243)	70,573	-	65,330	69,196
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(6,728)</b>	<b>(1,607)</b>	<b>77,790</b>	<b>4,459</b>	<b>80,642</b>	<b>73,914</b>
<b>(Surplus)/Deficit to GF reserves</b>	<b>(6,728)</b>					
Opening General Fund balance at 1st April 2020	(18,735)					
Less (Surplus)/Deficit on General Fund balance in Year	(6,728)					
<b>Closing General Fund Balance at 31st March 2021</b>	<b>(25,462)</b>					



# Statement of Accounts – Notes to the Financial Statements

## EFA for the Police, Fire & Crime Commissioner for Essex – 2020/21

	Net expenditure chargeable to the General Fund	Adjustments for capital purposes (EFA note 1)	Net charge for pensions adjustments (EFA note 2)	Other differences (EFA note 3)	Total adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
Police officer pay and allowances	-	-	-	-	-	-
PCSO pay and allowances	-	-	-	-	-	-
Police staff pay and allowances	1,718	-	108	15	123	1,841
Ill-health/medical pensions	-	-	-	-	-	-
Training	1,116	-	-	-	-	1,116
Other employee expenses	412	-	-	-	-	412
Premises	9,826	(1,920)	-	-	(1,920)	7,906
Transport	4,605	1,638	-	-	1,638	6,243
Supplies & services	36,134	4,306	-	-	4,306	40,440
Third party payments	9,031	-	-	-	-	9,031
Fees charges and other service income	(14,389)	-	-	-	-	(14,389)
Government grants and contributions	(31,007)	(138)	-	-	(138)	(31,145)
<b>Cost of Service</b>	<b>17,446</b>	<b>3,887</b>	<b>108</b>	<b>15</b>	<b>4,009</b>	<b>21,455</b>
Intra group adjustment for CC's net service cost	286,696	-	33,767	-	33,767	320,463
<b>Net Cost of Services</b>	<b>304,142</b>	<b>3,887</b>	<b>33,875</b>	<b>15</b>	<b>37,777</b>	<b>341,918</b>
Income from council tax	(129,871)	-	-	1,177	1,177	(128,693)
Non-specific government grant income	(184,865)	(251)	(33,767)	-	(34,018)	(218,883)
Other Income and Expenditure	3,866	(5,243)	26	-	(5,217)	(1,351)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(6,728)</b>	<b>(1,607)</b>	<b>134</b>	<b>1,192</b>	<b>(281)</b>	<b>(7,008)</b>

## 10. Notes to the Expenditure and Funding Analysis

Capital Adjustments - Group		2019/20	2020/21
		£000	£000
<b><u>Adjustments for Capital Purposes (EFA Note 1)</u></b>			
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>			
Depreciation - property		3,482	(1,920)
Depreciation - vehicles and vessels		1,730	1,638
Depreciation - plant, equipment, I.T. and intangibles		4,035	4,306
Specific capital grants		(170)	(138)
<b>Total adjustments included within the Net Cost of Services</b>		<b>9,077</b>	<b>3,887</b>
<i>Remove items included within net expenditure chargeable to the General Fund balance</i>			
Minimum revenue provision		(500)	(500)
Revenue contribution to capital		(777)	(3,383)
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>			
Net (gain)/loss on disposal of non-current assets		(1,878)	(1,360)
Non-specific capital grants		(956)	(251)
<b>Total adjustments included within the (Surplus)/Deficit on the Provision of Services</b>		<b>(4,111)</b>	<b>(5,494)</b>
<b>Total adjustments</b>		<b>4,966</b>	<b>(1,607)</b>

# Statement of Accounts – Notes to the Financial Statements

Pensions Adjustments - Group		
	2019/20 £000	2020/21 £000
<b><u>Adjustments for Pensions (EFA Note 2)</u></b>		
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Costs recognised in respect of IAS 19 - officers	23,930	22,059
Costs recognised in respect of IAS 19 - staff	12,408	18,925
<b>Total adjustments included within the Net Cost of Services</b>	<b>36,338</b>	<b>40,984</b>
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Costs recognised in respect of IAS 19 - officers	72,732	66,116
Costs recognised in respect of IAS 19 - staff	4,324	4,457
Police Officer Pension Grant	(37,417)	(33,767)
<b>Total adjustments included within the (Surplus)/Deficit on the Provision of Services</b>	<b>39,639</b>	<b>36,806</b>
<b>Total adjustments</b>	<b>75,977</b>	<b>77,790</b>

Other Adjustments - Group		
	2019/20 £000	2020/21 £000
<b><u>Adjustments for other differences (EFA note 3)</u></b>		
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Movement on accumulated absences liability - officers	(178)	1,359
Movement on accumulated absences liability - staff	52	1,923
<b>Total adjustments included within the Net Cost of Services</b>	<b>(126)</b>	<b>3,282</b>
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Movement on Collection Fund Adjustment Account	1,377	1,177
<b>Total adjustments included within the (Surplus)/Deficit on the Provision of Services</b>	<b>1,377</b>	<b>1,177</b>
<b>Total adjustments</b>	<b>1,251</b>	<b>4,459</b>

Capital Adjustments - PFCC		
	2019/20 £000	2020/21 £000
<b><u>Adjustments for Capital Purposes (EFA Note 1)</u></b>		
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Depreciation - property	3,482	(1,920)
Depreciation - vehicles and vessels	1,730	1,638
Depreciation - plant, equipment, I.T. and intangibles	4,035	4,306
Specific capital grants	(170)	(138)
<b>Total adjustments included within the Net Cost of Services</b>	<b>9,077</b>	<b>3,887</b>
<i>Remove items included within the Net expenditure chargeable to the General Fund Balance</i>		
Minimum revenue provision	(500)	(500)
Revenue contribution to capital	(777)	(3,383)
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Net (gain)/loss on disposal of non-current assets	(1,878)	(1,360)
Non-specific capital grants	(956)	(251)
<b>Total adjustments included within the (Surplus)/Deficit on the Provision of Services</b>	<b>(4,111)</b>	<b>(5,494)</b>
<b>Total adjustments</b>	<b>4,966</b>	<b>(1,607)</b>

# Statement of Accounts – Notes to the Financial Statements

Pensions Adjustments - PFCC		
	2019/20 £000	2020/21 £000
<b><u>Adjustments for Pensions (EFA Note 2)</u></b>		
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Costs recognised in respect of IAS 19	168	108
Chief constable intra-group adjustment in respect of Police Officer Pension Scheme	37,419	33,767
<b>Total adjustments included within the Net Cost of Services</b>	<b>37,587</b>	<b>33,875</b>
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Costs recognised in respect of IAS 19	33	26
Police Officer Pension Grant	(37,417)	(33,767)
<b>Total adjustments included within the (Surplus)/Deficit on the Provision of Services</b>	<b>(37,384)</b>	<b>(33,741)</b>
<b>Total adjustments</b>	<b>203</b>	<b>134</b>

Other Adjustments - PFCC		
	2019/20 £000	2020/21 £000
<b><u>Adjustments for other differences (EFA note 3)</u></b>		
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Movement on accumulated absences liability - staff	-	15
<b>Total adjustments included within the Net Cost of Services</b>	<b>-</b>	<b>15</b>
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>		
Movement on Collection Fund Adjustment Account	1,377	1,177
<b>Total adjustments included within the (Surplus)/Deficit on the Provision of Services</b>	<b>1,377</b>	<b>1,177</b>
<b>Total adjustments</b>	<b>1,377</b>	<b>1,192</b>

## 11. Intra Group Adjustments

This note provides an explanation for an intra group adjustment within the respective accounts. These adjustments reflect the financial resources consumed by the Chief Constable on behalf of the PFCC. The corresponding recharge to the PFCC accounts includes a further adjustment to ensure the intra-group recharge is calculated on a funding basis rather than accounting regulations. This includes adjustments for IAS 19 pensions costs and movements in respect of compensated absences accruals. With the exception of the intra-group balance referred to at the bottom of this disclosure, the PFCC paid all financial resources consumed at the request of the Chief Constable and the intra-group adjustment (as referred to above) offsets the Chief Constable's consumption of resources.

For the 2020/21 accounting statements the value of the intra-group adjustment is £320.463m (2019/20, £308.640m). This figure is represented as follows:-

- Financial resources consumed 2020/21 = £330.839m
- (Less) funding basis adjustment in respect of IAS 19 = £7.109m
- (Less) funding basis adjustment in respect of Accumulated Absences = £3.267m
- Intra-group adjustment 2020/21 = £320.463m

In respect of outstanding intra group balances at the 31<sup>st</sup> March 2021, the PFCC recognised a creditor of £0.892m with the Chief Constable, representing employee-related commitments at year-end.

# Statement of Accounts – Notes to the Financial Statements

## 12. Officers Remuneration (including Exit Packages)

Police Officer remuneration is based on the recommendations of an external organisation known as the Independent Police Remuneration Body, and is therefore subsequently agreed by the Home Secretary.

The Chief Constable's pay can vary up or down, a decision made by the PFCC. The rate of pay is set at a national level and the salary for the Chief Constable of Essex is comparable to forces of a similar size across the country. For the Chief Constable and Deputy Chief Constable a force weighting is applied in relation to the population that the force covers.

The PFCC's pay is set by an external organisation known as the Senior Salaries Review Body, which is overseen by the Home Secretary. The pay for senior members of police staff at Chief Officer level is based on Assistant Chief Constable salary levels across the force.

Remuneration includes basic salary, overtime, allowances, expenses (so far as the expenses are chargeable to United Kingdom Income Tax) and, where applicable, redundancy payments. It excludes employer's pension contributions.

The following table identifies the number of senior police officers and staff whose remuneration was £50,000 or more. The numbers of officers and staff are shown in remuneration bands of £5,000.

### PFCC for Essex Group

Remuneration Band	2019/20 - Restated			2020/21		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£50,000 - £54,999	-	24	24	-	30	30
£55,000 - £59,999	-	15	15	-	19	19
£60,000 - £64,999	-	6	6	-	7	7
£65,000 - £69,999	-	1	1	-	3	3
£70,000 - £74,999	-	5	5	-	3	3
£75,000 - £79,999	-	1	1	-	5	5
£80,000 - £84,999	3	1	4	1	-	1
£85,000 - £89,999	3	2	5	-	1	1
£90,000 - £94,999	4	-	4	5	1	6
£95,000 - £99,999	-	-	-	1	-	1
£100,000 - £104,999	-	1	1	-	2	2
£105,000 - £109,999	-	-	-	-	1	1
<b>Total for Group</b>	<b>10</b>	<b>56</b>	<b>66</b>	<b>7</b>	<b>72</b>	<b>79</b>

### PFCC for Essex

Remuneration Band	2019/20	2020/21
	Police Staff	Police Staff
£55,000 - £59,999	-	1
£60,000 - £64,999	2	1
£65,000 - £69,999	-	1
£70,000 - £74,999	-	1
<b>Total for PFCC</b>	<b>2</b>	<b>4</b>

Senior police officers are defined by the CIPFA Guidance as those at Chief Superintendent rank and above. The 2019/20 PFCC Essex Group figures have been restated to include these ranks exclusively. The staff figures are all those with annual gross pay subject to national insurance contributions (Nliable pay) over £50,000.

# Statement of Accounts – Notes to the Financial Statements

The numbers above exclude police officers and staff disclosed in the following Senior Officers Remuneration tables. However, the staff figures include two members of the 7 Forces Procurement team, of which only 21.74% of costs remain with Essex Police. The remaining element of their costs are recharged to the six remaining forces. All figures include officers and staff seconded to other police forces, government departments and other public bodies.

The following section sets out the remuneration of the Chief Officers as well as senior employees of the PFCC for Essex Group and the PFCC:-

## Senior Officer's Remuneration note Group – 2019/20

	2019/20				
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension contributions (note 4)	Total Remuneration
	£	£	£	£	£
Chief Constable - BJ Harrington (note 5)	169,244	9,493	4,960	30,381	214,078
Deputy Chief Constable	132,978	9,863	2,000	41,223	186,064
Assistant Chief Constable	114,713	-	8,898	35,562	159,173
Temporary Assistant Chief Constable	101,603	-	6,345	31,698	139,646
Temporary Assistant Chief Constable (note 6)	2,493	197	48	773	3,511
Chief Finance Officer of the Chief Constable (note 7)	94,507	-	5,400	14,460	114,367
Director of Strategic Change and Performance	123,716	-	-	18,929	142,645
Police, Fire & Crime Commissioner	89,700	-	-	-	89,700
Deputy Police, Fire & Crime Commissioner	62,715	-	-	9,595	72,310
Chief Executive - Police, Fire and Crime Commissioner	94,507	-	-	14,460	108,967
Acting Treasurer to the Police, Fire and Crime Commissioner (note 8)	53,930	-	21,895	5,935	81,760
<b>Total for Group</b>	<b>1,040,106</b>	<b>19,553</b>	<b>49,546</b>	<b>203,016</b>	<b>1,312,221</b>

## PFCC – 2019/20

	2019/20				
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension contributions (note 4)	Total Remuneration
	£	£	£	£	£
Police, Fire & Crime Commissioner	89,700	-	-	-	89,700
Deputy Police, Fire & Crime Commissioner	62,715	-	-	9,595	72,310
Chief Executive - Police, Fire and Crime Commissioner	94,507	-	-	14,460	108,967
Acting Treasurer to the Police, Fire and Crime Commissioner (note 8)	53,930	-	21,895	5,935	81,760
<b>Total for PFCC</b>	<b>300,852</b>	<b>-</b>	<b>21,895</b>	<b>29,990</b>	<b>352,737</b>

Notes to the 2019/20 Officer Remuneration tables:

- 1) The salary figures show just salary costs (i.e. they do not include allowances).
- 2) Benefits in kind represent the monetary value of Force provided vehicles that are untaxable through the payroll system.
- 3) Allowances, where applicable, include housing allowance, rent allowance, and a monthly car lease allowance.
- 4) Employer pension contributions are an employer cost and are not received by the employee.

# Statement of Accounts – Notes to the Financial Statements

- 5) The Chief Constable was only in the pension scheme from April 2019 until October 2019 at which point they opted out.
- 6) The Temporary Assistant Chief Constable was in post from 23rd March 2020 and the cost shown are from this date. Had they been in post for the full year their salary would have been £103,023 plus allowances.
- 7) The Chief Finance Officer for the Chief Constable covered the statutory responsibilities of the PFCC Acting Treasurer role from the 6th to the 19th February 2020. The Chief Finance Officer for Kent PCC covered these responsibilities from 20th February 2020. Neither person received payment for these extra responsibilities.
- 8) The Acting Treasurer was in receipt of an honoraria payment which is shown in the allowances column. They left the force on 29th February 2020. Statutory requirements from this date were covered as per note 7 above. At the point of termination a redundancy payment was made and is included within the salary total. Details on Exit Packages can be found below.

In addition to the police officers and police staff shown in the table on the previous page, the Essex Police Chief Officer Management Team also included the following shared posts:-

## Members of the Essex Police Chief Officer Team

- a) **Director of Essex/Kent Support Services** - The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2019/20. Their remuneration is disclosed in full in the Kent Police Statement of Accounts. From Sept 2019 the post holder was placed on secondment to the Seven Forces programme.
- b) **Assistant Chief Constable** - The post holder came into post on the 28th May 2019 and is on the Kent Police payroll. 50% of their costs were recharged to Essex Police during this period. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.
- c) **Director of Human Resources** - The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2019/20. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

## Senior Officer's Remuneration Note Group – 2020/21

	2020/21				
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension contributions (note 4)	Total Remuneration
	£	£	£	£	£
Chief Constable - BJ Harrington	173,475	14,639	4,960	-	193,074
Deputy Chief Constable	136,303	8,452	2,100	42,254	189,109
Assistant Chief Constable	118,009	1,211	7,123	36,583	162,926
Temporary Assistant Chief Constable (note 5)	59,505	14,940	2,718	19,971	97,134
Temporary Assistant Chief Constable (note 6)	51,760	-	869	2,748	55,377
Assistant Chief Constable	105,018	4,699	7,958	32,562	150,237
Temporary Assistant Chief Constable (note 7)	79,629	-	7,767	24,685	112,081
Temporary Assistant Chief Constable (note 8)	75,447	-	4,399	23,389	103,235
Chief Finance Officer of the Chief Constable	96,871	-	5,500	18,328	120,699
Director of Strategic Change and Performance	126,809	-	100	23,986	150,895
Police, Fire & Crime Commissioner	89,700	-	-	-	89,700
Deputy Police, Fire & Crime Commissioner	64,284	-	-	12,150	76,434
Chief Executive - Police, Fire and Crime Commissioner	96,871	-	-	18,309	115,180
Head of Finance for the OPFCC (note 9)	9,791	-	-	1,851	11,642
<b>Total for Group</b>	<b>1,283,472</b>	<b>43,941</b>	<b>43,494</b>	<b>256,816</b>	<b>1,627,723</b>

# Statement of Accounts – Notes to the Financial Statements

## PFCC – 2020/21

	2020/21				Total Remuneration
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension Contributions (note 4)	
	£	£	£	£	£
Police, Fire & Crime Commissioner	89,700	-	-	-	89,700
Deputy Police, Fire & Crime Commissioner	64,284	-	-	12,150	76,434
Chief Executive - Police, Fire and Crime Commissioner	96,871	-	-	18,309	115,180
Head of Finance for the OPFCC (note 9)	9,791	-	-	1,851	11,642
<b>Total for PFCC</b>	<b>260,646</b>	<b>-</b>	<b>-</b>	<b>32,310</b>	<b>292,956</b>

### Notes to the Officer Remuneration tables:

- 1) The salary figures show just salary costs. (i.e. they do not include allowances).
- 2) Benefits in kind represent the monetary value of Force provided vehicles that are untaxable through the payroll system. The benefit in kind figures are not available until 31st May 2021.
- 3) Allowances, where applicable, include housing allowance, rent allowance, and a monthly car lease allowance.
- 4) Employer pension contributions are an employer cost and are not received by the employee.
- 5) The Temporary Assistant Chief Constable was promoted into post in September 2020 and has been on secondment to another force. The costs shown are for the duration of the secondment and have been recharged to the seconded force by invoice. Had they been within the Assistant Chief Constable post for the full year, their costs would have been £104,526 plus allowances.
- 6) The Temporary Assistant Chief Constable retired on the 15th July 2020 and the cost shown are up to this point. Had they remained in post for the full duration of 2020/21, their salary would have been £110,985 plus allowances.
- 7) The Temporary Assistant Chief Constable was in post from 29th June 2020 and the costs shown are from this point. Had they been in post for the full duration of 2020/21 their salary would have been £104,526 plus allowances.
- 8) The Temporary Assistant Chief Constable was in post from 13th July 2020 and the costs shown are from this point. From December 2020 the post holder has been seconded to another force and their costs have been recharged to the seconded force by invoice. Had they been in post for the full duration of 2020/21 their salary would have been £104,526 plus allowances.
- 9) The Head of Finance for the OPFCC was in post from the 25th January 2021 and the costs shown are from this point. Had they been in post for the full duration of 2020/21 their salary would have been £52,788 plus allowances.

In addition to the police officers and police staff shown in the table on the previous page, the Essex Police Chief Officer Management Team also included the following shared posts:-

### Members of the Essex Police Chief Officer Team

- a) Director of Essex/Kent Support Services** - The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2020/21. Their remuneration is disclosed in full in the Kent Police Statement of Accounts. From September 2019 to February 2021 the post holder was placed on secondment to the Seven Forces programme.
- b) Temporary Assistant Chief Constable** - The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during this period 2020/21. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.
- c) Director of Human Resources** - The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2020/21. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.



# Statement of Accounts – Notes to the Financial Statements

## Members of the Police, Fire and Crime Commissioner Team

- a) **Interim Head of Finance** - The post holder was on secondment from a local authority from February 2020 until February 2021. The costs were invoiced by the local authority.

## Exit Packages

The numbers of exit packages with the cost of the compulsory and other redundancies that have been charged to the Comprehensive Income and Expenditure Statement are set out in the tables below:-

Exit package cost band	Number of Exit Packages for PFCC for Essex Group					
	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	1	-	-	-	1	-
£20,001 - £40,000	1	2	-	-	1	2
£40,001 - £60,000	-	1	-	-	-	1
<b>Total</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>3</b>

	Cost of Exit Packages for PFCC Essex Group					
	2019/20			2020/21		
	Severance £	Pension Strain £	Total £	Severance £	Pension Strain £	Total £
£0 - £20,000	12,720	-	12,720	-	-	-
£20,001 - £40,000	7,696	18,985	26,681	66,583	9,617	76,200
£40,001 - £60,000	-	-	-	18,984	27,996	46,980
£60,001 - £80,000	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-
<b>Total</b>	<b>20,416</b>	<b>18,985</b>	<b>39,401</b>	<b>85,567</b>	<b>37,613</b>	<b>123,180</b>

Exit package cost band	Number of Exit Packages for PFCC for Essex					
	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	1	-	-	-	1	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>

	Cost of Exit Packages for PFCC for Essex					
	2019/20			2020/21		
	Severance £	Pension Strain £	Total £	Severance £	Pension Strain £	Total £
£0 - £20,000	12,720	-	12,720	-	-	-
<b>Total</b>	<b>12,720</b>	<b>-</b>	<b>12,720</b>	<b>-</b>	<b>-</b>	<b>-</b>

It should be noted that the pension strain is an employer cost and is not received by the employee.

## 13. Termination Benefits

For the group there were three employee contracts terminated in 2020/21 (two employees in 2019/20) incurring the following liabilities:-

- £0.086m severance payments (£0.020m in 2019/20)
- £0.038m enhancement of retirement benefits/pension strain (£0.019m in 2019/20).

# Statement of Accounts – Notes to the Financial Statements

A provision of £0.140m has been created in the group accounts relating to future possible redundancies in 2021/22. Payment will depend on the outcome of employee consultations.

For the PFCC there were no employee contracts terminated in 2020/21 (1 employee in 2019/20), incurring the following liabilities:-

- £0.000m severance payments (£0.012m in 2019/20)
- £0.000m enhancement of pension strain (£0.000m in 2019/20)

## 14. External Audit Costs

External Audit Costs				
	2019/20 £000 PFCC	2019/20 £000 Group	2020/21 £000 PFCC	2020/21 £000 Group
<u>Fees payable</u>				
- with regard to agreed audit fee plan for the designated financial year, in respect of external audit services carried out by the appointed auditor	38	50	47	59
<b>Total</b>	<b>38</b>	<b>50</b>	<b>47</b>	<b>59</b>

## 15. Grant Income

The PFCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2019/20 (restated) £000	2020/21 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Police Grant	(103,551)	(111,680)
Formula Funding	(56,231)	(60,060)
Council Tax Precepts	(123,302)	(128,693)
Council Tax Support Grant	(10,992)	(10,992)
Council Tax Freeze Grant	(2,133)	(2,133)
Pension Top Up Grant	(37,417)	(33,767)
Capital Grants	(956)	(251)
<b>Total</b>	<b>(334,582)</b>	<b>(347,576)</b>
<b>Credited to Provision of Police Services</b>		
ERSOU Grants	(5,263)	(5,251)
Home Office COVID PPE Reimbursement	-	(1,415)
Home Office COVID Income Loss Recovery Scheme	-	(1,164)
Home Office COVID Surge Funding	-	(1,304)
Home Office Operation Melrose Funding	-	(1,913)
Home Office Pension Grant	(2,892)	(2,892)
Home Office Police Uplift Programme (PUP) Grant	-	(3,776)
Local Partnership Funding	(2,226)	(1,959)
PFCC Grants & Commissioning Partnership Funding	(4,974)	(6,048)
Proceeds of Crime Grant	(2,366)	(319)
Other Grants	(5,157)	(5,104)
<b>Total</b>	<b>(22,878)</b>	<b>(31,145)</b>

The 2019/20 restatement relates to £0.2m of PFCC recharges which have been reclassified as Sales, Fees and Charges (previously Government Grants and Contributions).

# Statement of Accounts – Notes to the Financial Statements

The £1.1m of income from the Home Office for the COVID Income Loss Recovery Scheme related to Government compensation to recompense public sector entities for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services during 2020/21. On the basis that this income is compensation for customer and client receipts which would otherwise be included within 'Fees, Charges and Other Income' in the Comprehensive Income and Expenditure Statement (CIES), the PFCC has determined that this income should be included within the Provision of Police Services rather than Taxable and Non-Specific Income in the CIES.

## 16. Impairment of Assets

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

A review of property assets which were not formally revalued in 2020/21 was undertaken in conjunction with the PFCC's valuers. The review of asset valuations comprised an assessment of the PFCC's property portfolio and general movement in property values. This concluded that there are no grounds to substantiate any material change in values on non-properties. It also concluded that it would be reasonable to not make any specific annual adjustment for market condition in relation to police house property.

Impairment losses were also charged in 2020/21 where capital expenditure on completed minor improvements works to property assets was not considered to have made any material change to the assets' value.

Impairment disclosures are consolidated in notes 18 and 19 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

## 17. Leases

The PFCC has a number of non-cancellable property leases that are accounted for as operating leases. The future minimum lease payments due in future years are:

The total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the 31st March 2021 is a total of £0.365m (£0.460m at 31st March 2020). These figures include a number of non-cancellable leases in respect of radio masts on police buildings.

	2019/20 £000	2020/21 £000
Not later than one year	226	113
Later than one year and not later than five years	678	453
Later than five years (per annum)	114	110
<b>Total</b>	<b>1,018</b>	<b>676</b>

Expenditure charged into the Comprehensive Income and Expenditure Statement during 2020/21 are:

- £0.391m minimum lease payments
- £0.043m contingent rents
- (£0.083m) sub-lease receivables

Please refer to Note 3 in respect of the anticipated impact to the PFCC's accounts of the proposed changes in the IFRS 16 accounting standard, which is due to take effect from April 2022.

# Statement of Accounts – Notes to the Financial Statements

## 18. Property, Plant and Equipment

The following two tables show the movements for 2019/20.

Operational land and buildings are valued at current value in existing use. All other assets are valued at fair value.

	Land and Buildings (restated) £000	Plant and Equipment £000	Vehicles £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
<b>Cost or Valuation</b>						
<b>At 1st April 2019</b>	<b>73,510</b>	<b>26,221</b>	<b>13,562</b>	<b>4,587</b>	<b>561</b>	<b>118,441</b>
Additions	998	5,336	1,887	-	2,598	10,819
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,043	-	-	765	-	1,808
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,681)	-	-	123	-	(4,558)
Derecognition - Disposals	-	(2,353)	(2,075)	(318)	-	(4,746)
Assets reclassified (to)/from						
- Within PPE	343	(2,045)	-	3,864	(2,162)	-
- Held for Sale	(2,462)	-	-	(735)	-	(3,197)
<b>At 31st March 2020</b>	<b>68,751</b>	<b>27,159</b>	<b>13,374</b>	<b>8,286</b>	<b>997</b>	<b>118,567</b>

	Land and Buildings £000	Plant and Equipment £000	Vehicles £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1st April 2019</b>	<b>(2,531)</b>	<b>(18,042)</b>	<b>(8,188)</b>	<b>(2,179)</b>	<b>0</b>	<b>(30,940)</b>
Depreciation Charge	(1,255)	(3,191)	(1,699)	(70)	-	(6,215)
Depreciation written out to the Revaluation Reserve	178	-	-	98	-	276
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,057	-	-	1	-	2,058
Derecognition - Disposals	-	2,251	1,821	204	-	4,276
Assets reclassified (to)/from						
- Within PPE	84	2,038	-	(2,122)	-	-
- Held for Sale	154	-	-	10	-	164
<b>At 31 March 2020</b>	<b>(1,313)</b>	<b>(16,944)</b>	<b>(8,066)</b>	<b>(4,058)</b>	<b>-</b>	<b>(30,381)</b>

<b>Net Book Value</b>						
<b>At 31st March 2019</b>	<b>70,979</b>	<b>8,179</b>	<b>5,374</b>	<b>2,408</b>	<b>561</b>	<b>87,501</b>
<b>At 31st March 2020</b>	<b>67,438</b>	<b>10,215</b>	<b>5,308</b>	<b>4,228</b>	<b>997</b>	<b>88,186</b>

# Statement of Accounts – Notes to the Financial Statements

The following two tables show the movements for 2020/21 as at 31st March 2021.

Operational land and buildings are valued at current value in existing use. All other assets are valued at fair value

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1st April 2020</b>	<b>68,751</b>	<b>27,159</b>	<b>13,374</b>	<b>8,286</b>	<b>997</b>	<b>118,567</b>
Additions	118	5,185	2,096	440	4,190	12,029
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,480	-	-	655	-	2,135
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	966	-	-	994	-	1,960
Derecognition - Disposals	-	(3,582)	(888)	(3,815)	-	(8,285)
Assets reclassified (to)/from						
- Within PPE	(990)	-	-	990	-	-
- Held for Sale	(620)	-	-	(1,775)	-	(2,395)
<b>At 31st March 2021</b>	<b>69,705</b>	<b>28,762</b>	<b>14,582</b>	<b>5,775</b>	<b>5,187</b>	<b>124,011</b>
	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1st April 2020</b>	<b>(1,313)</b>	<b>(16,944)</b>	<b>(8,066)</b>	<b>(4,058)</b>	<b>-</b>	<b>(30,381)</b>
Depreciation Charge	(1,160)	(3,682)	(1,603)	(70)	-	(6,515)
Depreciation written out to the Revaluation Reserve	235	-	-	140	-	375
Depreciation written out to the Surplus/Deficit on the Provision of Services	948	-	-	203	-	1,151
Derecognition - Disposals	-	3,466	686	3,807	-	7,959
Assets reclassified (to)/from						
- Within PPE	70	-	-	(70)	-	-
- Held for Sale	25	-	-	33	-	58
<b>At 31st March 2021</b>	<b>(1,195)</b>	<b>(17,160)</b>	<b>(8,983)</b>	<b>(15)</b>	<b>-</b>	<b>(27,353)</b>
<b>Net Book Value</b>						
<b>At 31st March 2020</b>	<b>67,438</b>	<b>10,215</b>	<b>5,308</b>	<b>4,228</b>	<b>997</b>	<b>88,186</b>
<b>At 31st March 2021</b>	<b>68,510</b>	<b>11,602</b>	<b>5,599</b>	<b>5,760</b>	<b>5,187</b>	<b>96,658</b>

# Statement of Accounts – Notes to the Financial Statements

The PFCC has a programme of regularly revaluing its land and property assets in accordance with the Code.

A total of 58 of the PFCC's existing land and building assets were revalued as at 28<sup>th</sup> February 2021 by external professionally qualified valuers, Guy Harbord MA MRICS IRRV (Hons) of Wilks, Head an Eve. Valuations were completed in accordance with the Code. As required by the Code and the PFCC's accounting policy, significant components were separately valued in relation to selected property assets.

As part of the collaborative arrangements between Essex Police, Kent Police and the Seven Forces Programme, a number of assets have been jointly purchased specifically for joint/collaborative operations. The following table sets out jointly controlled assets that were held at 31st March 2021 and which are included in the above PPE note.

Jointly Controlled Assets with Kent Police and Seven Forces Programme	Percentage Contributed by Essex Police	Total value of the Joint Assets as at 31st March 2021
	%	£000
CSI - Software Application	50.0	22
DNA Clean Room	50.0	90
Laser for Forensics	50.0	18
Network Infrastructure Upgrade	50.0	565
SCD - Specialist Equipment	50.0	284
SCD - Fingerprint Cabinet	50.0	14
Single Desktop Programme	50.0	87
Storm Gazetter	50.0	20
Video Conferencing	50.0	133
Visual Media Evidence	50.0	230
Emergency Services Mobile Communications Programme	50.0	82
SCD - Software	50.0	348
Perimeter Monitoring	50.0	50
Eastern Region Special Operations Unit (ERSOU) - Building Purchase	13.0	1,329
ERSOU - Specialist Equipment	50.0	39
SCD - Forensics Management Software	50.0	18
SCD - Specialist Equipment #2	50.0	58
SCD - Back Record Conversion	50.0	25
Eastern Region Special Operations Unit (ERSOU) - Building Purchase #2	9.5	10,514
SAP Technical Refresh - Shared Platform	50.0	190
Driver Management Module	21.0	292
Oracle Database Application	50.0	332
<b>Total</b>		<b>14,740</b>

## Fair Value Disclosures for Surplus Assets

Details of the PFCC's surplus property assets as at 31st March 2021 are as follows:

Recurring Fair Value Measurement Using:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31st March 2021
	£000	£000	£000	£000
Surplus Operational Buildings	-	3,695	-	3,695
Surplus Land	-	2,065	-	2,065
<b>Total</b>	<b>-</b>	<b>5,760</b>	<b>-</b>	<b>5,760</b>

# Statement of Accounts – Notes to the Financial Statements

## 19. Intangible Assets

The PFCC accounts for his software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and software developed for the PFCC by third parties. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the PFCC. The useful lives assigned to the major software suites used by the PFCC of five years are: Athena, SAP System Licences, Emergency Services Mobile Communications Programme (ESCMP), Integrated Communication Control System (ICCS) Replacement, SCD Replacement Software and Infrastructure Modernisation Programme.

The carrying amount of intangible assets is amortised on a straight-line basis. The movement on intangible asset balances during the year is as follows:

	2019/20 Purchased Software Licences £000	2020/21 Purchased Software Licences £000
<b>Gross book value at start of year</b>	<b>10,895</b>	<b>10,379</b>
<b>Movement in year</b>		
Additions	222	132
Disposals and deletions	(738)	(527)
<b>Gross book value at end of the year</b>	<b>10,379</b>	<b>9,984</b>
<b>Accumulated amortisation at start of year</b>	<b>(8,773)</b>	<b>(8,909)</b>
<b>Movement in year</b>		
Amortisation on disposals and deletions	738	480
Amortisation for the year	(874)	(659)
<b>Accumulated amortisation at end of the year</b>	<b>(8,909)</b>	<b>(9,088)</b>
<b>Net book value at end of the year</b>	<b>1,470</b>	<b>896</b>

### Carrying Amount (Major Software Suites only)

	31st March 2020 £000	31st March 2021 £000	Remaining Amortisation Period at 31st March 2021
SAP Systems Licences	91	-	-
SAP Systems Licences	26	16	1 year
ESMCP ICCS Replacement	149	171	2 years
SCD Replacement Software	96	91	2 years
Infrastructure Modernisation Programme	172	121	3 years
Athena Phase 2	254	45	1 year



# Statement of Accounts – Notes to the Financial Statements

## 20. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of capital expenditure incurred by the PFCC that has yet to be financed. This CFR balance reduces as the related assets are used by the PFCC and minimum revenue provision is allocated to the revenue account. The movement in the CFR is analysed in the second part of this note.

	2019/20 £000	2020/21 £000
<b>Opening Capital Financing Requirement</b>	<b>6,565</b>	<b>6,065</b>
<b>Capital Investment</b>		
Property, plant and equipment	10,819	12,029
Intangible assets	222	132
<b>Total Capital Investment</b>	<b>11,041</b>	<b>12,161</b>
<b>Sources of Finance</b>		
Capital receipts	(9,139)	(4,857)
Government grants and contributions	(1,125)	(389)
Revenue funding (incl. use of internal funds)	(777)	(3,383)
<b>Total Sources of Finance</b>	<b>(11,041)</b>	<b>(8,629)</b>
Minimum revenue provision	(500)	(500)
<b>Closing Capital Financing Requirement</b>	<b>6,065</b>	<b>9,097</b>
<b>Explanation of movements in year</b>		
Net increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(500)	3,032
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(500)</b>	<b>3,032</b>

The minimum revenue provision of £0.500m is offsetting the capital financing requirement brought forward. A reconciliation to the Balance Sheet in respect of the year-end Capital Financing Requirement, is presented in the table below.

	2019/20 £000	2020/21 £000
<b>Closing Capital Financing Requirement (as per above table)</b>	<b>6,065</b>	<b>9,097</b>
<b>Balance Sheet</b>		
Property, plant and equipment	88,187	96,657
Intangible assets	1,470	896
Assets held for sale	3,298	3,556
<b>Net assets</b>	<b>92,955</b>	<b>101,109</b>
Revaluation reserve	(10,416)	(10,939)
Capital adjustment account	(76,474)	(81,073)
<b>Unusable reserves</b>	<b>(86,890)</b>	<b>(92,012)</b>
<b>Closing Capital Financing Requirement (as per Balance Sheet)</b>	<b>6,065</b>	<b>9,097</b>

The estimated value of significant commitments under capital contracts totalled £1.2m at 31st March 2021 (£4.2m at 31st March 2020). The significant reduction is primarily due to refurbishment works at Chelmsford Police Station nearing completion in 2021/22.

# Statement of Accounts – Notes to the Financial Statements

## 21. Inventories

	Vehicle Parts		Uniform		CS Spray Prisoner Supplies General Stock PPE Stock		Total	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
<b>Opening Balance</b>	<b>156</b>	<b>173</b>	<b>658</b>	<b>723</b>	<b>37</b>	<b>42</b>	<b>852</b>	<b>938</b>
Purchases	1,069	1,357	513	642	20	4	1,601	2,002
Recognised as an expense in the year	(1,052)	(1,197)	(448)	(485)	(15)	(8)	(1,515)	(1,690)
Donated PPE Stock	0	0	0	0	0	73	0	73
<b>Closing Balance</b>	<b>173</b>	<b>333</b>	<b>723</b>	<b>880</b>	<b>42</b>	<b>111</b>	<b>938</b>	<b>1,323</b>

The £0.073m relating to donated stock relates to the Essex Police share of personal protective equipment (PPE) stock for police bodies held as at 31/3/21. The national police distribution hub has been supplying PPE free of charge to all forces during 2020/21.

## 22. Debtors

### Long term debtors

The long-term debtors figure of £0.029m (2019/20 £0.033m) represents pay advances made in previous years to new police officers, which are recoverable at the end of the officers' service with Essex Police. These advances are no longer made and the balance will therefore reduce over time as officers retire or transfer to other police forces.

### Short term debtors

The short-term debtors disclosed in the balance sheet are classified as follows:-

	2019/20 £000 PFCC (restated)	2019/20 £000 Group (restated)	2020/21 £000 PFCC	2020/21 £000 Group
Trade receivables	5,129	5,129	5,808	5,808
Payments in advance	5,445	5,445	5,826	5,826
Income accruals	17,132	17,132	17,837	17,837
Council Tax-related	5,001	5,001	7,438	7,438
VAT-related	2,242	2,242	1,182	1,182
Other debtors	(83)	(83)	17	17
	<b>34,866</b>	<b>34,866</b>	<b>38,108</b>	<b>38,108</b>
Less loss allowance for doubtful debts	(156)	(156)	(156)	(156)
<b>Closing Balance</b>	<b>34,710</b>	<b>34,710</b>	<b>37,952</b>	<b>37,952</b>

The group debtors position in the above table excludes intra-group balances held by the Chief Constable at year-end, relating to employee liabilities rechargeable to the PFCC.

The 2019/20 figures have been restated to correct the classification of Collection Fund/Council Tax-related balances with billing authorities. The total value of the restatement is a net increase to short-term debtors of £1.380m, with a corresponding increase in short-term creditors (see note 26). This brings the prior year position comparable to the updated classifications presented in the 2020/21 figures.

# Statement of Accounts – Notes to the Financial Statements

## 23. Short-Term Investments

The table below shows the PFCC's year-end short-term investments, which typically have a fixed maturity date which is no longer than twelve months from the end of the accounting period. Please refer to the Financial Instruments section in note 37 for further details.

Short-Term Investments	2019/20 £000	2020/21 £000
Central government bodies	5,500	6,500
<b>Total</b>	<b>5,500</b>	<b>6,500</b>

## 24. Cash and Cash Equivalents

Cash and Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These funds are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The balance is made up of the following elements:

	2019/20 £000	2020/21 £000
<u>Current Assets</u>		
Liquid investments	8,600	7,069
Operational bank accounts	(364)	(1,809)
Petty cash advances	53	53
<b>Closing Balance</b>	<b>8,289</b>	<b>5,312</b>

For 2020/21 year-end £4.191m of third party balances have been omitted from the Cash and Cash Equivalents total. The previous year comparable amount omitted was £2.160m. The operational bank accounts balance of (£1.890m) includes the cashbook impact of a (£2.635m) payment run actioned on the 30/3/21, which was not physically debited from the bank account until the 1/4/21. The actual operational bank balance held with Lloyds at 31/3/21 was £0.818m. Because this deficit was only short-term and would be netted against other liquid assets if required to discharge a liability at short notice, this negative bank position has been retained within debtors on the Balance Sheet, rather than creditors.

## 25. Assets Held for Sale

	2019/20 £000	2020/21 £000
<b>Opening Balance</b>	<b>1,137</b>	<b>3,298</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,317	595
Surplus Assets	725	1,740
Revaluation gains / (losses):		
Revaluation Reserve	609	(84)
Comprehensive Income and Expenditure Statement	342	41
Asset disposals	(1,832)	(2,034)
<b>Closing Balance</b>	<b>3,298</b>	<b>3,556</b>

# Statement of Accounts – Notes to the Financial Statements

The 2019/20 figures in the above table have been updated to provide additional information in respect of the sources of these movements, providing comparatives to the 2020/21 figures disclosed.

Assets qualify as being held for sale where they meet all of the following criteria:

- available for immediate sale
- a sale is highly probable
- the asset is being actively marketed
- completion of the sale is expected within one year of the date of classification.

At 31st March 2021, eight assets met the above criteria (31st March 2020, seven properties).

## 26. Creditors

The short-term creditors disclosed in the balance sheet are classified as follows:-

	2019/20 £000 PFCC (restated)	2019/20 £000 Group (restated)	2020/21 £000 PFCC	2020/21 £000 Group
Trade payables	(11,481)	(11,481)	(11,421)	(11,421)
Expenditure accruals	(12,334)	(12,334)	(9,026)	(9,026)
Receipts in advance	(964)	(964)	(372)	(372)
Council Tax-related	(3,650)	(3,650)	(7,264)	(7,264)
Compensated absences	(15)	(2,915)	(30)	(6,197)
Other employee-related	(725)	(1,824)	(511)	(1,403)
Other creditors	(1,884)	(785)	(2,811)	(1,920)
<b>Closing Balance</b>	<b>(31,053)</b>	<b>(33,953)</b>	<b>(31,435)</b>	<b>(37,603)</b>

The group creditors position in the above table excludes intra-group balances held by the PFCC at year-end, relating to employee liabilities rechargeable from the Chief Constable.

For 2020/21 year-end £4.191m of third party balances have been omitted from the Creditors total. The previous year comparable amount omitted was £2.160m.

For further details in respect of the 2019/20 restatement please refer to Note 22.

## 27. Provisions

The PFCC maintained three provisions during 2020/21 as follows:

### a) Insurance Provision:-

	2019/20 £000	2020/21 £000
<b>Opening Balance</b>	<b>(2,580)</b>	<b>(2,583)</b>
Additional provisions made in-year	(1,212)	(1,178)
Amounts used in-year	1,209	729
<b>Closing Balance</b>	<b>(2,583)</b>	<b>(3,032)</b>

# Statement of Accounts – Notes to the Financial Statements

The PFCC has made a provision of £3.032m for the settlement of outstanding insurance claims that fail to be met under the 'excess' clauses of the PFCC's Insurance Policies. It is not certain that all valid claims have yet been received by the PFCC. Estimates of outstanding claims payments depends on a number of factors and assumptions around future claims development. An actuarial review of the appropriateness of the provision is undertaken annually by insurance consultants. 2020/21 saw a minor decrease in actual in-year claims expenditure of £0.033m but based on the estimated value of outstanding claims in progress at the end of the financial year, the provision value movement for the year increased by £0.449m, due to a combination of employer, public and motor liability claims.

## b) Legal Claims Provision (see Note 7 for further details):-

	2019/20 £000	2020/21 £000
<b>Opening Balance</b>	<b>(794)</b>	<b>(721)</b>
Additional provisions made in-year	-	-
Amounts used in-year	73	48
Reverse unused provisions	-	673
<b>Closing Balance</b>	<b>(721)</b>	<b>-</b>

## c) Severance Provision (see Note 13 for further details):-

	2019/20 £000	2020/21 £000
<b>Opening Balance</b>	<b>-</b>	<b>(11)</b>
Additional provisions made in-year	(11)	(140)
Amounts used in-year	-	11
<b>Closing Balance</b>	<b>(11)</b>	<b>(140)</b>

## 28. Capital Grants - Receipts in Advance

The PFCC has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the contributor. The balances at the year-end are shown in the table below:

	2019/20 £000	2020/21 £000
Safer Essex Roads Partnership - Document	(7)	-
<b>Closing Balance</b>	<b>(7)</b>	<b>-</b>

# Statement of Accounts – Notes to the Financial Statements

## 29. Cashflow - Operating Activities

	2019/20 £000 PFCC	2019/20 £000 Group	2020/21 £000 PFCC	2020/21 £000 Group
Interest received	181	181	17	17
Interest paid	(1)	(1)	-	-
	180	180	17	17

	2019/20 (restated) £000 PFCC	2019/20 (restated) £000 Group	2020/21 £000 PFCC	2020/21 £000 Group
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:				
Depreciation	(6,215)	(6,215)	(6,515)	(6,515)
Impairment and valuation changes	(2,159)	(2,159)	3,150	3,150
Amortisation	(874)	(874)	(659)	(659)
(Increase)/decrease in creditors	(5,253)	(5,126)	(382)	(3,650)
Increase/(decrease) in debtors	3,878	3,878	3,242	3,242
Increase/(decrease) in inventories	86	86	385	385
Movement in pension liability	(201)	(75,977)	(135)	(77,790)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(2,294)	(2,294)	(2,409)	(2,409)
Other non-cash items charged to the net surplus or deficit on the provision of services	59	59	143	143
	(12,973)	(88,622)	(3,180)	(84,103)

	2019/20 £000 PFCC	2019/20 £000 Group	2020/21 £000 PFCC	2020/21 £000 Group
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:				
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(3,020)	(3,020)	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,173	4,173	3,769	3,769
Any other items for which the cash effects are investing or financing cash flows	1,125	1,125	388	388
	2,278	2,278	4,157	4,157

## 30. Cashflow - Investing Activities

	2019/20 £000 PFCC	2019/20 £000 Group	2020/21 £000 PFCC	2020/21 £000 Group
Purchase of property, plant and equipment, investment property and intangible assets	11,041	11,041	12,161	12,161
Purchase of short-term and long-term investments	-	-	1,000	1,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,173)	(4,173)	(3,769)	(3,769)
Other receipts from investing activities	(1,123)	(1,123)	(384)	(384)
Net cash flows from investing activities	5,745	5,745	9,008	9,008

### 31. Adjustments between Accounting Basis and Funding Basis under Regulations

The following tables identify the adjustments that have been made to the total comprehensive income and expenditure recognised by the PFCC Group in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the PFCC Group to meet future capital and revenue expenditure.

PFCC Group - 2019/20	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(8,373)			(8,373)		8,373						8,373	-
Amortisation of intangible assets	(874)			(874)		874						874	-
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,293)			(2,293)		2,293						2,293	-
Net write off of revaluation gains in respect of asset disposals in year				-	953	(953)						-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	500			500		(500)						(500)	-
Capital Expenditure charged against the General Reserve	777			777		(777)						(777)	-
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	1,125		(1,125)	-								-	-
Use of the Capital Grants Unapplied Account to finance new capital expenditure			1,125	1,125		(1,125)						(1,125)	-
<b>Adjustments involving the Capital Receipts Reserve</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,173	(4,173)		-								-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		9,140		9,140		(9,140)						(9,140)	-
<b>Adjustments involving the IAS19 Pensions Reserve</b>													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(160,450)			(160,450)				132,862	27,588			160,450	-
Employers' pension contributions and direct payments to pensioners payable in the year	84,473			84,473				(73,617)	(10,856)			(84,473)	-
<b>Adjustments involving the Collection Fund Adjustment Account</b>													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,377)			(1,377)						1,377		1,377	-
<b>Adjustments involving the Accumulating Absences Account</b>													
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	127			127							(127)	(127)	-
<b>Total</b>	<b>(82,192)</b>	<b>4,967</b>	<b>-</b>	<b>(77,225)</b>	<b>953</b>	<b>(955)</b>	<b>-</b>	<b>59,245</b>	<b>16,732</b>	<b>1,377</b>	<b>(127)</b>	<b>77,225</b>	<b>-</b>



PFCC - 2019/20	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(8,373)			(8,373)		8,373						8,373	-
Amortisation of intangible assets	(874)			(874)		874						874	-
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,293)			(2,293)		2,293						2,293	-
Net write off of revaluation gains in respect of asset disposals in year				-	953	(953)						-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	500			500		(500)						(500)	-
Capital Expenditure charged against the General Reserve	777			777		(777)						(777)	-
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	1,125		(1,125)	-		-						-	-
Use of the Capital Grants Unapplied Account to finance new capital expenditure			1,125	1,125		(1,125)						(1,125)	-
<b>Adjustments involving the Capital Receipts Reserve</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,173	(4,173)		-								-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		9,140		9,140		(9,140)						(9,140)	-
<b>Adjustments involving the IAS19 Pensions Reserve</b>													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(332)			(332)					332			332	-
Employers' pension contributions and direct payments to pensioners payable in the year	131			131					(131)			(131)	-
<b>Adjustments involving the Collection Fund Adjustment Account</b>													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,377)			(1,377)						1,377		1,377	-
<b>Total</b>	<b>(6,546)</b>	<b>4,967</b>	<b>-</b>	<b>(1,579)</b>	<b>953</b>	<b>(955)</b>	<b>-</b>	<b>-</b>	<b>201</b>	<b>1,377</b>	<b>-</b>	<b>1,579</b>	<b>-</b>

PFCC Group - 2020/21	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(3,365)			(3,365)		3,365						3,365	-
Amortisation of intangible assets	(659)			(659)		659						659	-
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,409)			(2,409)		2,409						2,409	-
Net write off of revaluation gains in respect of asset disposals in year				-	1,903	(1,903)						-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	500			500		(500)						(500)	-
Capital Expenditure charged against the General Reserve	3,383			3,383		(3,383)						(3,383)	-
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to usable reserves	388		(388)	-								-	-
Use of the Capital Grants Unapplied Account to finance new capital expenditure			388	388		(388)						(388)	-
<b>Adjustments involving the Capital Receipts Reserve</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,769	(3,769)		-								-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		4,857		4,857		(4,857)						(4,857)	-
<b>Adjustments involving the IAS19 Pensions Reserve</b>													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(163,475)			(163,475)				127,514	35,961			163,475	-
Employers' pension contributions and direct payments to pensioners payable in the year	85,687			85,687				(73,107)	(12,580)			(85,687)	-
<b>Adjustments involving the Collection Fund Adjustment Account</b>													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,177)			(1,177)						1,177		1,177	-
<b>Adjustments involving the Accumulating Absences Account</b>													
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	(3,282)			(3,282)							3,282	3,282	-
<b>Total</b>	<b>(80,640)</b>	<b>1,088</b>	<b>-</b>	<b>(79,552)</b>	<b>1,903</b>	<b>(4,598)</b>	<b>-</b>	<b>54,407</b>	<b>23,381</b>	<b>1,177</b>	<b>3,282</b>	<b>79,552</b>	<b>-</b>

PFCC - 2020/21	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(3,365)			(3,365)		3,365						3,365	-
Amortisation of intangible assets	(659)			(659)		659						659	-
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,409)			(2,409)		2,409						2,409	-
Net write off of revaluation gains in respect of asset disposals in year	-			-	1,903	(1,903)						-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	500			500		(500)						(500)	-
Capital Expenditure charged against the General Reserve	3,383			3,383		(3,383)						(3,383)	-
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to usable reserves	388		(388)	-								-	-
Use of the Capital Grants Unapplied Account to finance new capital expenditure			388	388		(388)						(388)	-
<b>Adjustments involving the Capital Receipts Reserve</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,769	(3,769)		-								-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		4,857		4,857		(4,857)						(4,857)	-
<b>Adjustments involving the IAS19 Pensions Reserve</b>													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(297)			(297)					297			297	-
Employers' pension contributions and direct payments to pensioners payable in the year	163			163					(163)			(163)	-
<b>Adjustments involving the Collection Fund Adjustment Account</b>													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,177)			(1,177)						1,177		1,177	-
<b>Adjustments involving the Accumulating Absences Account</b>													
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	(15)			(15)							15	15	-
<b>Total</b>	<b>281</b>	<b>1,088</b>	<b>-</b>	<b>1,369</b>	<b>1,903</b>	<b>(4,598)</b>	<b>-</b>	<b>-</b>	<b>134</b>	<b>1,177</b>	<b>15</b>	<b>(1,369)</b>	<b>-</b>

# Statement of Accounts – Notes to the Financial Statements

## 32. Purpose of Earmarked Reserves

The following notes explain the purpose of the earmarked reserves on which there was a movement during or a balance at the end of 2020/21:-

- 1) The PFCC Carry Forward Reserve represents amounts carried forward from the financial year just ended to the new financial year to meet specific financial commitments, as directly requested/approved by the Police, Fire and Crime Commissioner.
- 2) The Chief Constable's Carry Forward Reserve represents amounts carried forward from the financial year just ended to the new financial year to meet specific financial commitments, as directly requested by the Chief Constable, and approved by the Police, Fire and Crime Commissioner.
- 3) The Forfeiture Monies Reserve holds funds transferred to the PFCC from the Misuse of Drugs Act Seizures Fund. These funds are subsequently transferred from the reserve into the Comprehensive Income & Expenditure Statement in order to fund the costs of operations mounted to tackle drug related crime and drug abuse.
- 4) The Transformation Reserve (formerly referred to as Investment in Estates and IT Strategies) was created in 2015/16 and helps to fund the one off costs of implementing the Estates and IT Strategies.
- 5) The Operation Dagenham Maintenance Reserve (formerly known as The Leased Property Dilapidation & Maintenance Reserve) funds the cost of minor repairs to a multi-occupancy building joined owned by the 7 Forces. The reserve represents the Essex Police share of this maintenance reserve.
- 6) The Proceeds of Crime Act (POCA) Reserve holds receipts received through the Asset Recovery Incentive Scheme, to fund crime reduction-related expenditure.
- 7) The Redundancy and Relocation Reserve was created in 2014/15 to help fund the cost of the savings programme.
- 8) The Major Operational Reserve was created in 2016/17 to fund in-year shortfalls on major incidents that are not be reimbursed by the Home Office. Generally additional expenditure above 1% of the force's annual budget is reimbursed by the Home Office.
- 9) The Legal Claims Reserve was originally created in 2016/17 to fund one-off costs of future legal claims. In 2020/21 this has been used to allocate funds for expected costs in respect of implementing the remedy for the McCloud v Sargeant pensions judgement, as well as for the balance transferred from the Legal Claims Provision in respect of the Allard & Ors judgement (see note 7).
- 10) The Operational Transformation Reserve was created in 2018/19 to fund one-off investments that will enable the enhancement and transformation of our future capability, capacity and effectiveness in delivering our ambitions.
- 11) The Special Constabulary Reserve was set up in 2018/19 to support the expenditure required to increase the number of Specials.
- 12) The Policing Education Qualification Framework (PEQF) is a new framework for the education of police officers and police staff. This reserve was created in 2019/20 to fund one-off costs for the introduction of this new training programme.
- 13) The Data Analytics reserve was created in 2019/20. This reserve will support the cost of introducing a new data analytics tool.
- 14) The COVID Roadmap Violence Reduction Reserve was set up in 2020/21 for the purpose of Operation Sunshade, which aims to address violent crime reduction surrounding the easing of lockdown measures, including additional enforcement of COVID regulations at Stansted Airport.
- 15) The Future Capital Funding Reserve is used as an enabling facility to finance future capital expenditure arising in both new and existing projects.

# Statement of Accounts – Notes to the Financial Statements

## 33. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Reserve in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet revenue expenditure in 2020/21. See note 34 for details of the purpose of earmarked reserves.

	Balance at 31-Mar-19 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31- Mar 20 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31- Mar 21 £000
<b>Earmarked Reserves</b>							
PFCC Carry Forward Reserve (1)	332	(65)	-	267	(267)	1,089	1,089
Chief Constable's Carry Forward Reserve (2)	-	-	500	500	-	500	1,000
Forfeiture Monies Reserve (3)	31	(20)	114	125	(37)	177	265
Transformation Reserve (4)	597	(144)	-	453	(51)	1,362	1,764
Leased Property Dilapidations Reserve	175	(175)	-	-	-	-	-
Operation Dagenham Maintenance Reserve (5)	535	(535)	-	-	-	110	110
POCA Reserve (6)	737	(154)	2,156	2,739	(758)	153	2,134
Redundancy & Relocation Reserve (7)	476	(246)	-	230	-	4	234
Major Operational Reserve (8)	1,500	-	-	1,500	-	-	1,500
Legal Claims Reserve (9)	-	-	-	-	-	741	741
Seven Forces Collaboration Reserve	35	(35)	-	-	-	-	-
Operational Transformational Reserve (10)	1,736	(681)	-	1,055	(224)	-	831
Special Constabulary Reserve (11)	119	(67)	93	145	-	-	145
PEQF Reserve (12)	-	-	218	218	-	73	291
Data Analytics Reserve (13)	-	-	228	228	(171)	-	57
COVID Roadmap Violence Reduction Reserve (14)	-	-	-	-	-	1,533	1,533
<b>Sub total</b>	<b>6,273</b>	<b>(2,122)</b>	<b>3,309</b>	<b>7,460</b>	<b>(1,508)</b>	<b>5,742</b>	<b>11,694</b>
<b>Held for capital purposes</b>							
Future Capital Funding Reserve (15)	1,255	(255)	1,000	2,000	(3,383)	1,989	606
<b>Sub total</b>	<b>7,528</b>	<b>(2,377)</b>	<b>4,309</b>	<b>9,460</b>	<b>(4,891)</b>	<b>7,731</b>	<b>12,300</b>
<b>Unallocated Reserves</b>							
General Reserve	9,226	(348)	397	9,275	-	3,887	13,162
<b>Total Specific/General Reserves</b>	<b>16,754</b>	<b>(2,725)</b>	<b>4,706</b>	<b>18,735</b>	<b>(4,891)</b>	<b>11,618</b>	<b>25,462</b>

# Statement of Accounts – Notes to the Financial Statements

## 34. Usable Capital Receipts

The usable capital receipts reflect the cash settlements receivable from sales of non-current assets. This income is used for financing capital expenditure.

	2019/20 £000	2020/21 £000
<b>Opening Balance</b>	<b>(6,055)</b>	<b>(1,088)</b>
<b>Capital receipts received</b>		
In-year receipts	(4,172)	(3,769)
	<b>(4,172)</b>	<b>(3,769)</b>
<b>Capital receipts applied</b>		
Used for financing capital expenditure	9,139	4,857
	<b>9,139</b>	<b>4,857</b>
<b>Closing Balance</b>	<b>(1,088)</b>	<b>-</b>

## 35. Usable Reserves

The year-end balances and the movements in the PFCC's usable reserves are detailed in the Movement in Reserves Statement.

## 36. Unusable Reserves

The tables on the following pages describe the unusable reserves.

### 36.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the PFCC arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:-

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2019/20 £000	2020/21 £000
<b>Opening Balance</b>	<b>(8,675)</b>	<b>(10,416)</b>
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		
Upward revaluation of assets	(11,270)	(7,781)
Downward revaluation of assets and impairment losses	8,575	5,356
<b>Amount written off to the Capital Adjustment Account</b>		
Depreciation of revaluation gains	98	63
Accumulated gains on assets sold or scrapped	856	395
Accumulated gains from previous years	-	1,444
<b>Closing Balance</b>	<b>(10,416)</b>	<b>(10,939)</b>

# Statement of Accounts – Notes to the Financial Statements

## 36.2 Capital Adjustment Account

The Capital Adjustment Account is a reserve account used to adjust the accounting items related to non-current assets that have been recognised in the Comprehensive Income and Expenditure Statement. It is used to remove accounting charges and also to ensure that the financing of non-current assets is appropriately levied in the local taxpayer. It shows the extent to which non-current assets have been financed from internal sources. Note 32 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2019/20 £000	2020/21 £000
<b>Opening Balance</b>	<b>(75,520)</b>	<b>(76,474)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Net charges for depreciation and impairment of non current assets	8,373	3,365
Amortisation of Intangible Assets	874	659
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,293	2,409
Adjusting amounts written out of the Revaluation Reserve	(954)	(1,903)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(64,934)</b>	<b>(71,944)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(9,139)	(4,857)
Capital Grants and Other Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(1,125)	(389)
Statutory provision for the financing of Capital Investment charged against the General Reserve	(500)	(500)
Capital Expenditure charged against the General Reserve	(776)	(3,383)
<b>Closing Balance</b>	<b>(76,474)</b>	<b>(81,073)</b>

## 36.3 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 PFCC 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 PFCC makes employer's contributions to pension funds or eventually pay any pensions when police officers retire.

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 PFCC 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.



# Statement of Accounts – Notes to the Financial Statements

	2019/20 Group			2020/21 Group		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
<b>Opening Balance</b>	<b>3,067,043</b>	<b>181,756</b>	<b>3,248,799</b>	<b>2,849,818</b>	<b>150,015</b>	<b>2,999,833</b>
Actuarial (gains)/losses on pensions assets and liabilities	(276,470)	(48,473)	<b>(324,943)</b>	424,668	(256,076)	<b>168,592</b>
Reversal of items relating to retirement benefits debited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	132,862	27,588	<b>160,450</b>	127,514	35,961	<b>163,475</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(73,617)	(10,856)	<b>(84,473)</b>	(73,107)	(12,580)	<b>(85,687)</b>
<b>Closing Balance</b>	<b>2,849,818</b>	<b>150,015</b>	<b>2,999,833</b>	<b>3,328,893</b>	<b>(82,680)</b>	<b>3,246,213</b>

	2019/20 PFCC			2020/21 PFCC		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
<b>Opening Balance</b>	<b>-</b>	<b>1,430</b>	<b>1,430</b>	<b>-</b>	<b>1,184</b>	<b>1,184</b>
Actuarial (gains)/losses on pensions assets and liabilities	-	(447)	<b>(447)</b>	-	787	<b>787</b>
Reversal of items relating to retirement benefits debited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-	332	<b>332</b>	-	297	<b>297</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	-	(131)	<b>(131)</b>	-	(163)	<b>(163)</b>
<b>Closing Balance</b>	<b>-</b>	<b>1,184</b>	<b>1,184</b>	<b>-</b>	<b>2,105</b>	<b>2,105</b>

## 36.4 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2019/20 £000	2020/21 £000
<b>Opening Balance</b>	<b>(2,728)</b>	<b>(1,351)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,377	1,177
<b>Closing Balance</b>	<b>(1,351)</b>	<b>(174)</b>

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## 36.5 Accumulated Absences Account

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

	2019/20 PFCC £000	2019/20 Group £000	2020/21 PFCC £000	2020/21 Group £000
<b>Opening Balance</b>	15	3,042	15	2,915
Settlement or cancellation of accrual from previous year-end	(15)	(3,042)	(15)	(2,915)
Amounts accrued at the end of the current year	15	2,915	30	6,197
<b>Closing Balance</b>	15	2,915	30	6,197

The significant increase in the liability value at the end of 2020/21 relates to local arrangements in respect of higher carry forward thresholds for both officers and staff in relation to annual leave balances, due to COVID-related factors during 2020/21 where previous levels of annual leave were not always feasible.

## 37. Financial Instruments – Overview

### Introduction

The following disclosures in respect of financial instruments have been prepared on the basis of the IFRS 9 accounting standard which has been adopted with effect from the 1st April 2018. For further information on this as well as further detail on financial assets, financial liabilities and the related use of fair values, please see accounting policy 2.26.

### Financial Instruments – Balances

#### Financial Assets

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	2019/20 £000	2020/21 £000
<b>Financial Assets</b>		
<i>At amortised cost:</i>		
Principal	5,500	6,500
Accrued Interest	-	-
<b>Total Investments</b>	<b>5,500</b>	<b>6,500</b>
<i>At amortised cost:</i>		
Principal	1,449	3,003
Accrued Interest	-	-
<i>At fair value through profit &amp; loss:</i>		
Fair Value	6,840	2,309
<b>Total Cash and Cash Equivalents</b>	<b>8,289</b>	<b>5,312</b>
<i>At amortised cost:</i>		
Receivables	7,865	8,999
Accrued Interest	-	-
Loss Allowance	(156)	(156)
<b>Included in Debtors</b>	<b>7,709</b>	<b>8,843</b>
<b>Total Financial Assets</b>	<b>21,498</b>	<b>20,655</b>

# Statement of Accounts – Notes to the Financial Statements

All of the above financial assets are classified as short-term. There were no long-term financial assets held at the 31<sup>st</sup> March 2021.

There were no financial assets classified at fair value through other comprehensive income. The short-term investment balance held at amortised cost relates to a fixed-term investment held at the 31st March 2021, with the Debt Management Office.

The financial instruments held at fair value through profit and loss have been classified as Level 1 within the fair value hierarchy. This relates to money market funds held by the PFCC, which are part of the liquid investments element within Cash and Cash Equivalents, which also includes call accounts (which are *excluded* from the fair value element above).

The debtors lines on the Balance Sheet include £24.823m (2019/20, £25.621 m) short-term and £0.029m (2019/20, £0.033m) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

## Financial Liabilities

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Short Term		Long Term	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
<i>At amortised cost:</i>				
Payables	(23,121)	(22,254)		-
<b>Included in Creditors</b>	<b>(23,121)</b>	<b>(22,254)</b>	-	-
<i>At amortised cost:</i>				
Provisions	-	-	(3,315)	(3,172)
Capital grants	-	-	(7)	-
<b>Total Long-term Liabilities</b>	<b>-</b>	<b>-</b>	<b>(3,322)</b>	<b>(3,172)</b>
<b>Total Financial Liabilities</b>	<b>(23,121)</b>	<b>(22,254)</b>	<b>(3,322)</b>	<b>(3,172)</b>

There were no financial liabilities classified at fair value through profit and loss or fair value through other comprehensive income.

The creditors lines on the Balance Sheet include £11.881m (2019/20, £9.452m) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The PFCC does not hold any external borrowings at the 31st March 2021 but has an internal borrowing requirement of £9.097m (as per note 20). This comprises £3.532m of unfinanced capital expenditure from 2020/21 and a further £5.565m of unfinanced capital expenditure incurred before 1st April 2008.

## Fair Values

Where the PFCC holds financial instruments at amortised cost there is an expectation that these values are materially equivalent to their fair value as at the reporting date.

## Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:-

# Statement of Accounts – Notes to the Financial Statements

Gains and Losses	2019/20 £000	2020/21 £000
<b>Financial Assets</b>		
<i>At amortised cost:</i>		
Interest income	(182)	(17)
Gains from changes in fair value	-	-
<b>Interest and Investment income</b>	<b>(182)</b>	<b>(17)</b>
<b>Financial Liabilities</b>		
<i>At amortised cost:</i>		
Interest expense	1	-
<b>Interest Payable and Similar Charges</b>	<b>1</b>	<b>-</b>
<b>Net (gain)/loss recognised within the (Surplus)/Deficit on Provision of Services</b>	<b>(181)</b>	<b>(17)</b>

The PFCC has closely reviewed its financial instruments at the Balance Sheet date to assess any potential depreciation in value of the investments held, particularly in light of the ongoing impact of COVID-19. The PFCC considers the value of its financial assets in the context of IFRS 9 Financial Instruments and specifically the Expected Credit Loss (ECL) model. This requires the PFCC to make judgements about both the value of investments at the Balance Sheet date as well as any anticipated future losses based on current knowledge.

The PFCC has assessed that there are no anticipated credit losses to recognise in the 2020/21 Statement of Accounts, either in respect of financial assets held at amortised cost or those held at fair value through profit and loss. The economic outlook for the PFCC's financial assets as a result of the COVID-19 pandemic has been taken into account in making this assessment, with consideration of the risk of default, the exposure to that default risk and the estimated loss as a result of the default. Whilst the PFCC accepts the ongoing impacts will need to be monitored closely going forward (as described in the measures set out within Note 39) there is no current evidence that credit losses need to be recognised at the current time, based on the investments held and the counterparties these monies are held with.

## 38. Financial Instruments - Risks

The PFCC complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the PFCC approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The PFCC also sets Prudential Indicators and Treasury Management Practices (TMP's) specifying the arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The PFCC's Treasury Management Strategy along with the Prudential Indicators and TMP's, seek to achieve a suitable balance between risk and return or cost, however the emphasis has been on security of funds over the preceding twelve month period.

The main risks covered are:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the PFCC.

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- **Liquidity Risk:** The possibility that the PFCC might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

## Credit Risk: Treasury Investments

The PFCC manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government and other local authorities. Other financial instruments such as money market funds have specific criteria applied. Recognising that credit ratings are imperfect predictors of default, the PFCC has regard to other measures when selecting commercial entities for investment.

A limit of the higher of £1m/5% of the total portfolio is placed on the amount of money that can be invested with UK financial institutions (other than the UK government). Specific criteria applies for Lloyds Bank plc as the PFCC's provider for operational banking arrangements. The PFCC also sets limits on investments in other financial instruments. No fixed term investments can be made for a period longer than one year.

Based solely on the financial instruments used during 2020/21, the table below summarises the credit risk exposure during the year in respect of the PFCC's treasury investment portfolio by credit rating and remaining time to maturity:

## Approved counterparty criteria where investments placed during 2020/21

Counterparty	% or Cash Limit	Maximum Duration (for fixed-term investments only)
UK financial institution whose lowest published long-term credit rating is A- (or equivalent)	Higher of 5% or £1m	1 year (unlimited if a call account with same day access to funds)
Lloyds Bank (operational bank account)		
i) (Higher of) 5%/£1m limit applies (with one year maximum duration) with the exception being where planned cash outflows for salaries and creditor payments necessitate a maximum up to £5m provided that Lloyds remains a UK bank and has a credit rating of A- or better.	£5m	Overnight
ii) If at any time Lloyds credit rating is less than A-	£1m	Overnight
UK central government including Debt Management Office (irrespective of credit rating)	Unlimited	50 years
UK local authorities (irrespective of credit rating)	£5m (per authority)	1 year (per authority)
Money market funds whose lowest published credit rating is AAA or higher	£5m (per fund)	N/A

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There have been no significant issues or concerns in respect of credit risk for treasury investments during 2020/21, and the PFCC does not expect any losses from non-performance for these investments in the future. However, the impact of COVID-19 will continue to be reviewed as the 2021/22 financial year progresses, with a need to ensure that appropriate arrangements are in place to manage credit risks arising. This will need to incorporate the potential impact of a money market fund getting into difficulties, the potential downgrade of UK banks and building societies, as well as multiple business failure in the UK and the related effect on tax base economic activity. The PFCC's response to this additional risk will be to apply additional prudence when making investments, with a greater focus on counterparty worthiness and reduced durations for investments. In addition, steps have been taken to reduce exposure to the money market sector in the 2021/22 Treasury Management Strategy.

The following analysis summarises the PFCC's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

Trade Receivables	2019/20 £000	2020/21 £000
Neither past due or impaired	4,552	5,287
Between 31 and 60 days	273	296
Between 61 and 90 days	90	1
Over 90 days	214	224
<b>Total</b>	<b>5,129</b>	<b>5,808</b>

Loss allowances on trade receivables have been generally calculated by reference to the PFCC's historic experience of default (currently assessed at 0.05%). Due to specific concerns in respect of COVID-19 and the potential impact on year-end debtors outstanding, an uplift in the bad debt provision was applied for 2019/20 year-end, to £0.156m. Following a review of outstanding balances at the 31<sup>st</sup> March 2021, this provision value has been assessed with no further adjustments deemed necessary. In respect of the calculation of any further potential bad debts, receivables are deemed to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit impaired where they are 90 or more days past due.

Where the bad debt provision value is not sufficient, trade receivables are written off to the (Surplus)/Deficit on the Provision of Services when they are past due, with a bad debt being recognised. There were no material charges of this nature during 2020/21.

## Liquidity Risk

The PFCC manages its liquidity position through a comprehensive cash management system. This includes the use of call accounts, notice accounts and money market funds. In respect of the latter, five funds are now in use by the PFCC, to assist with its liquidity management. It is likely that the PFCC will need to keep under review the liquidity of its investment portfolio and make cash available in the shorter-term. In addition the PFCC may need to consider their ability to be convert investments to cash at short notice, although it is not currently expected that this approach will be required.

The PFCC has ready access to borrowing at favourable rates from the Public Works Loan Board and UK local authorities, and at higher rates from banks and building societies. There is no perceived risk that the PFCC will be unable to raise finance to meet its commitments however the PFCC is expecting to require external borrowing to fund its capital programme from 2021/22 onwards. The proposed approach to acquire this funding will be influenced by the outcome of the current CIPFA consultation in respect of changes to the Prudential Code, which will potentially place further restrictions on public sector borrowing. However, it is not expected that this will materially impact on the PFCC's borrowing plans. Further detail in respect of the PFCC's borrowing approach and medium-term financial commitments are set out in the 2021/22 Treasury Management Strategy document.

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## Market Risk: Interest Rate Risk

The PFCC is exposed to risk in terms of its exposure to interest rate movements on its investments and (where applicable) its borrowings. Movements in interest rates have a complex impact on the Force. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the (Surplus)/Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the (Surplus)/Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31st March 2021, £6.5m (31st March 2020: £5.5m) of short-term investments were exposed to fixed rates and £11.3m (31st March 2020: £10.8m) of liquid investments (within Cash & Cash Equivalents) exposed to variable rates.

If all interest rates had been 1% higher (with all other variables held constant) the increased investment income would be:-

	2019/20 £000	2020/21 £000
Increase in interest receivable on variable rate investments (based on year-end Balance Sheet position)	71	102

This additional income would feed into the (Surplus)/Deficit on the Provision of Services. This indicator can also be used to indicate the additional yield which the PFCC could earn in respect of diversifying its Treasury Management Strategy. The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

## Market Risk: Price Risk

The PFCC does not currently invest in equity shares or other similar financial instruments and therefore has no exposure to losses arising from movements in the price of shares.

## Market Risk: Foreign Exchange

The PFCC has no financial assets or liabilities that are denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates. From time to time the PFCC purchases specialist goods and services from countries outside the United Kingdom. These goods and services are denominated into Euros and therefore there is a modest exchange rate risk in respect of outstanding balances.



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## 39. Jointly-Controlled Operations and Collaborative Activity

The Group in conjunction with other parties participates in a number of joint operations that involve the use of the assets and resources of the parties rather than the establishment of a separate entity. The Group recognises the assets that it controls and the liabilities that it incurs on its Balance Sheet, with the PFCC/Group share of these set out in Note 18. Jointly- controlled assets are items of property, plant or equipment that are jointly controlled by the Group 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 (e.g. they are not classified as a joint venture). The Group accounts for only its share of the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of interest in the operation, and income that it earns from the arrangement.

In accordance with IFRS 11, any Joint Operation recognised must meet the definition of joint control where decisions about the relevant activities of the arrangement require the unanimous consent of all the parties sharing control. The PFCC/Group has one arrangement which meets this criteria, as follows:-

### The Eastern Region Special Operations Unit (ERSOU)

ERSOU was established 1st April 2010 as a joint arrangement originally between six forces, but from 2016/17 it comprises 7 forces– Hertfordshire, Cambridgeshire, Essex, Suffolk, Norfolk, Bedfordshire and Kent, to provide one serious and organised crime unit for the eastern region. ERSOU is run by a management board where all forces are equally represented and decisions are made with the unanimous consent of all forces. Therefore each force's share of costs are consolidated into their own financial statements.

During 2020/21 the maintenance reserve in respect of the multi-occupancy building for Op Dagenham has been dispersed, with each force now holding its own share in their individual accounts. The attributable value for Essex Police is £0.110m and this is included within the closing earmarked reserves value in the balance sheet.

Net expenditure of £1.735m (including £2.898m of running costs, offset by government grant income of £1.131m) has been consolidated into the Comprehensive Income and Expenditure Statement for the PFCC/Group. In addition, the PFCC/Group share of total assets purchased (£1.199m) are included within its Balance Sheet.

The ERSOU income and expenditure statement for 2020/21 is shown below:-

	2019/20					2020/21		
	Home Office	Running Costs	Depreciation	(Surplus)/ Deficit	Home Office Grant	Running Costs	Depreciation	(Surplus)/ Deficit
	£000	£000	£000	£000	£000	£000	£000	£000
Bedfordshire	(426)	2,384	39	1,997	(460)	2,258	(52)	1,746
Cambridgeshire	(551)	3,083	35	2,567	(583)	2,857	(50)	2,224
Essex	(1,013)	2,946	20	1,953	(1,131)	2,898	(32)	1,735
Hertfordshire	(772)	4,318	61	3,607	(831)	4,073	(83)	3,159
Kent	(476)	2,721	4	2,249	(615)	2,721	(11)	2,095
Norfolk	(626)	3,497	47	2,918	(668)	3,274	(64)	2,542
Suffolk	(472)	2,640	39	2,207	(508)	2,495	(53)	1,934
<b>Total</b>	<b>(4,336)</b>	<b>21,589</b>	<b>245</b>	<b>17,498</b>	<b>(4,796)</b>	<b>20,576</b>	<b>(345)</b>	<b>15,435</b>

Please note that whilst the £1.735m in the table above is the reported share of ERSOU costs for Essex in 2020/21, the actual costs chargeable to the taxpayer in the year were £1.799m. The explanation for this difference relates to timings and adjustments from the previous accounting period, as well as the

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depreciation element, which is chargeable to the Comprehensive Income and Expenditure Statement but not the taxpayer.

Whilst not meeting the criteria of a joint operation in accordance with IFRS 11 due to the definition of control, the following arrangements have involved material transactions with partnering forces during the year, and otherwise represent similar arrangements to the detail set out above.

## Kent Collaborative Agreement

Essex Police has collaborative agreements with Kent Police covering Serious Crime Directorate and Support Services Directorate which includes Business Services, IT Services, Transport Services, Human Resources, Learning & Development, and Payroll Services. Each of these are categorised as joint operations as decisions are made with the unanimous consent of both forces. Therefore each forces share of assets, liabilities, income and expenditure are consolidated into their own financial statements.

The amount received from Kent Police during 2020/21 in respect of contributions to joint departments was £12.292m (2019/20 £12.543m). The amount paid to Kent Police for the year 2020/21 in respect of contributions to joint departments was £13.218m (2019/20 £11.189m).

## Athena

Athena is an IT development covering case preparation, custody, investigation management and intelligence. It is a one stop policing solution for intelligence, investigative management, custody and case preparation. The contract between Essex and Northgate Information Systems Ltd was signed in December 2011 and was initially developed for seven founder forces within the region. West Mercia and Warwickshire joined the consortium in 2016 and the benefits and liabilities of the Athena contract are shared between the nine forces through a Section 22 Athena Collaborative Service Agreement largely in proportion to their net revenue expenditure. Athena continues to be developed, working closely with Connect forces.

The Strategic Athena Management Board (SAMB) consists of the PFCC and Chief Constable of the nine Athena forces with equal voting rights. Athena development and day to day management is delegated by participating forces to the Athena Management Organisation (AMO). Essex acts as the lead force for managing all income and expenditure incurred by the AMO. This mainly covers payments to suppliers, salary costs of the personnel seconded to the AMO from founder forces, together with other overheads. All costs and refunds to forces for their seconded staff are then aggregated and net costs recovered from participating forces in accordance with the terms of the Athena Collaborative Service Agreement.

The original Athena contract period envisaged a go live date of 2013 followed by a ten year maintenance contract. Moreover, during the first four years of the contract Essex owns the master licence and any additional force joining the Athena family would lower the cost for all member forces. Warwickshire and West Mercia joined as part of Wave 2 in 2015/16 with fixed payments per quarter. In March 2021 the Athena contract was extended by another five years until April 2029.

Essex went live with Athena on 1 April 2015 with the other founder forces joining during 2016/17, 2017/18 and 2018/19. A joint team between Essex Police and Kent Police had been set up to manage the local implementation of the system but this arrangement has now ceased and each force has their own team.

In classifying the Athena Agreement in accordance with IFRS 11 a 'joint arrangement' is an arrangement over which two or more parties have 'joint control'. Furthermore, joint control is the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The Strategic Athena Management Board (SAMB) is the highest level board consisting of the PFCC/PCCs and Chief Constables of the nine forces. The

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SAMB has control over significant activities and funding arrangements of Athena and each board members has one vote (18 votes in total). Decisions by the SAMB do not need to be unanimous but require a majority. On this basis, the Athena arrangement is not classified as a 'joint arrangement' and is also not subject to IFRS 12 disclosures as there is no separate entity.

The following table identifies the shared costs of the Athena system:-

	2019/20		2020/21	
	Share of Athena system costs	Recharge of AMO Management costs	Share of Athena system costs	Recharge of AMO Management costs
	£000	£000	£000	£000
Bedfordshire	94	418	134	312
Cambridgeshire	137	529	169	395
Hertfordshire	200	773	247	577
Kent	302	1,172	373	893
Norfolk	156	603	193	467
Suffolk	120	465	148	360
Essex	282	1,091	348	821
Warwickshire	63	249	81	228
West Mercia	141	431	119	245
<b>Total</b>	<b>1,495</b>	<b>5,731</b>	<b>1,812</b>	<b>4,298</b>

## Seven Forces Strategic Collaboration Programme (7FSCP)

This team was originally set up in October 2015 with resources contributed across the 7F and the costs shared based on Net Revenue Expenditure (NRE). Since February 2018 the Strategic Collaboration Programme Director is Karen Georgiou. The programme of work is currently budgeted up to March 2022, with the Section 22a extended until the end of March 2023.

The initial transition to 7 Force Firearms Training Compliance function commenced on 1st April 2018. The costs associated with the posts of 7 Force Chief Firearms Instructor (CFI), 7 Force Deputy CFI and Training Delivery Manager were shared (on a NRE apportionment basis) by the Norfolk, Suffolk, Bedfordshire, Cambridgeshire, Hertfordshire and Essex forces during the transition period. The Strategic Risk Assessment (STRA) Coordinator role was also established during the transition period, with the cost of this post being shared (on a NRE apportionment basis) by all 7 Forces. Other costs incurred to enable the longer-term development of the 7 Force function (i.e. 7 Force Chronicle and Airbox/Mosaic) were also shared on a NRE apportionment basis, by all 7 Forces. In 2020/2021 the CFI function was fully collaborated, with all costs from this post shared on a 7F NRE cost share basis. In relation to MOSAIC/Airbox there was a three year extension of the existing contract to track armed response vehicle (ARV) assets. This will be undertaken by the regional CFI team.

The Eastern Region Summit approved a full business case (FBC) for a Single 7 Force Procurement Function in July 2018. The Seven Force Procurement team (7FP team) was originally allocated a budget based on the FBC (subsequently amended by supplementary papers), covering an initial time period of three years, with a review to be undertaken at the end of this period. The team officially went live in January 2020, with the 2019/20 financial year being a transition period between the old and new structures. A requirement for a 7F business as usual (BAU) support function was agreed by CFO's and a new finance business partner also forms a separate cost in addition to the 7F programme team.

In respect of insurance, the South East and Eastern Region Procurement Insurance Consortium (SEERPIC), continued to engage in collaborative activity during 2020/21, including motor insurance and driver management workstreams. A reallocation of previous year motor premium charges was actioned by Norfolk during the year, and in addition, a SEERPIC lead function post was recharged by Norfolk to the other nine forces on an NRE apportionment basis.

# Statement of Accounts – Notes to the Financial Statements

In respect of vetting automation work was undertaken by Deloitte, with the costs for the completion of vetting automation roll out into live environments spread across the 7 force vetting units. The Chief Constables approved costs of £280k, based on an NRE split. The actual costs are predicted to come in lower at £217k. This will also be recharged by NRE and lead to a lower outturn share for each force, with a total of £82k incurred in 2020/2021.

On the 31st January 2020, the 7F Summit gave approval for the purchase and deployment of a Single Case Management System (CMS), WPC Software CoreVet, with the additional deployment of Online Digital Applications (WebForms). The CMS will remove the current IT boundaries and drive the standardisation and convergence of vetting processes across the 7F. The setup and recurring revenue cost of the system is shared on a 7F NRE basis.

At their meeting held on 27th July 2020, the Eastern Region Summit agreed with the recommended approach set out in the 7 Force DAMS OBC to proceed by way of a pilot. This is based on a combination of external consultancy and staff costs shared on a 7F NRE basis. In response to recommendations of the pilot, Chief Constables agreed to fund additional temporary 7F Project Team resources between January and June 2021, to aid the development of the FBC. These are a combination of external consultancy and staff costs shared on a 7F NRE basis.

At the Eastern Region Summit meeting on 27th July 2020, the seven Chief Constables and Police (Fire) and Crime Commissioners agreed that the Emergency Services Mobile Communications Programme (ESMCP) should be managed under the 7F Programme. This is to manage the transfer from the legacy Airwave technology to the new Emergency Services Network (ESN). Detective Superintendent Tracy Pemberton (part-year cost in 2020/2021) has been appointed as the Director for the 7F ESMCP Programme. A FBC proposing a regional 7F structure for ESMCP was agreed by the seven chiefs in December 2020. Recruitment for these posts has commenced across the 7 forces. These staff pay costs will be shared on a 7F NRE basis.

	2020/21 Share of Seven Forces Strategic Collaboration costs £000
Bedfordshire	134
Cambridgeshire	170
Essex	351
Hertfordshire	242
Kent	374
Norfolk	195
Suffolk	148
<b>Total</b>	<b>1,614</b>

## 40. Related Parties

The PFCC Group is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the PFCC Group or be controlled or influenced by the Group. Disclosure of transactions allows readers to assess the extent to which the PFCC may have been constrained in its ability to operate independently or may have secured the ability to limit another party's ability to interact freely with the Group.

### PFCC/Chief Constable

The PFCC has direct control over the group's finances and is responsible for setting the Police and Crime Plan. The Chief Constable operates within the budget set by the Police, Fire and Crime Commissioner, to deliver the aims and objectives set out in the Police and Crime Plan. Further information on the separate

# Statement of Accounts – Notes to the Financial Statements

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entities within Essex Police which comprise the PFCC Group, can be found in Note 1 (Creation of PFCC and Chief Constable Single Entities).

## Central Government

Central government has effective control over the general operations of the Group. It is responsible for providing the statutory framework within which the Group operates and provides the majority of its funding in the form of general and specific grants. Details of central government funding are identified within the Comprehensive Income and Expenditure Statement, and the grants income analysis (Note 15). Included within this income is the annual top-up grant from the Home Office, relating to the Police Officer Pension Scheme, which the PFCC/Group are reliant on being topped up each year, to the value of the deficit arising on the fund (see the Police Officer Pension Fund note).

In addition, year-end amounts due to and from central government are analysed within the footnote of the breakdowns provided for debtors (Note 22) and creditors (Note 26).

## Essex Police, Fire and Crime Commissioner Fire and Rescue Authority (EPFCCFRA) Collaboration

The Police and Crime Commissioner (PCC) became the Police, Fire and Crime Commissioner (PFCC) on 1st October 2017. During the year the PFCC and Deputy PFCC were responsible for the governance of the Essex County Fire and Rescue Service alongside their responsibilities for Essex Police.

The PFCC and the PFCC staff pay and associated costs relating to their work at Essex County Fire and Rescue Service (ECFRS) are recharged on a direct basis. In addition to this, there is a joint arrangement for joint projects which is run by a joint Emergency Services Collaboration Programme Board and Strategic Governance Board. The amount received from ECFRS during 2020/21 was £0.352m and the amount paid to ECFRS during 2020/21 was £0.257m.

## Local Government Pension Scheme (LGPS)

The PFCC/Group are members of the Essex Pension Fund, one of over 100 funds in the UK which together comprise the Local Government Pension Scheme (LGPS). This is a statutory defined benefit scheme which is provided for police staff (including PCSO's). The scheme is funded, meaning that there are investment assets built up to meet future liabilities.

Due to the material transactions and related assets/liabilities arising from the scheme, and its impact on the PFCC/Group (as set out in Note 41) influence is recognised in respect of both Essex County Council (who run the scheme) and the LGPS entity itself.

## Other Public Bodies (subject to common control by central government)

Material transactions with other public bodies, where not already set out within this disclosure, can be found within Note 40 (Joint-Controlled Operations and Collaborative Activity).

## Officers

A process to determine any related party transactions arising from relationships that serving Chief Officers hold, is undertaken at year-end. This process covers Essex-based Chief Officers as well as those employed by Kent Police which undertake joint roles for both forces.

# Statement of Accounts – Notes to the Financial Statements

The PFCC as a serving councillor for Brentwood Borough Council has a related party relationship with this entity in his role as Commissioner. During 2020/21 the PFCC office has recognised £53,500 of expenditure in respect of rental at Brentwood Borough Council, encompassing £41,600 for office use and £11,900 for parking spaces. The actual amount paid to Brentwood Borough Council for these arrangements during 2020/21 was £53,500, with no outstanding debtor balances in respect of the 2020/21 accounting period. There were no other material transactions arising from this relationship in 2020/21 nor between these entities, except for council tax billing and collection activities which are required by statute

No other Chief Officer has undertaken any material transactions with the PFCC/Group.

## 41. Defined Benefit Pension Schemes

### Transactions Relating to Retirement Benefits

The PFCC Group recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement when they are earned by serving police officers and police staff, rather than when the benefits are eventually paid as pensions.

The charge the PFCC Group is required to make against the council tax, however, is based on the cash payable in the year, and therefore the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement. The following transactions have been made in the PFCC Group's accounts during the year.

### Police Officer Pension Schemes

	Totals	
	2019/20 £000	2020/21 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services:		
Service cost	60,130	61,399
Financing and Investment Income & Expenditure:		
Net interest on the defined liability	72,732	66,116
<b>Total Post Employment Benefit charged to the (Surplus)/Deficit on the Provision of Services</b>	<b>132,862</b>	<b>127,515</b>
<b>Other Post-Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
Change in financial assumptions	(282,260)	652,107
Change in demographic assumptions	5,790	(84,368)
Experience (gain)/loss on defined benefit obligation	-	(143,071)
<b>Remeasurements</b>	<b>(276,470)</b>	<b>424,668</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(143,608)</b>	<b>552,183</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	(132,862)	(127,515)
Actual amount charged against the General Reserve for pensions in the year - retirement benefits payable to retired police officers	73,617	73,107
<b>Movement in Reserves Statement</b>	<b>(59,245)</b>	<b>(54,407)</b>



# Statement of Accounts – Notes to the Financial Statements

## Actuarial gains and losses – Police Officer Pension Scheme

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, an actuarial loss of £424.668m (2019/20, actuarial gain of £276.470m) has been included in the Comprehensive Income & Expenditure Statement.

## Local Government Pension Scheme

	Local Government Pension Scheme			
	2019/20	2019/20	2020/21	2020/21
	£000 PFCC	£000 Group	£000 PFCC	£000 Group
<b>Comprehensive Income &amp; Expenditure Statement</b>				
Service cost	298	23,150	270	31,282
<b>Financing and Investment Income &amp; Expenditure:</b>				
Net interest on the defined liability	33	4,324	26	4,457
Administration expenses	1	114	1	222
	34	4,438	27	4,679
<b>Total Post Employment Benefit charged to the (Surplus)/Deficit on the Provision of Services</b>	<b>332</b>	<b>27,588</b>	<b>297</b>	<b>35,961</b>
<b>Other Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets in excess of interest	133	28,323	(498)	(95,867)
Other actuarial (gains)/losses on assets	(379)	93	-	-
Change in financial assumptions	(462)	(64,124)	1,357	174,510
Change in demographic assumptions	(88)	(8,479)	(33)	(5,592)
Experience (gain)/loss on defined benefit obligation	349	(4,286)	(39)	(6,139)
<b>Total Remeasurements</b>	<b>(447)</b>	<b>(48,473)</b>	<b>787</b>	<b>66,912</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(115)</b>	<b>(20,885)</b>	<b>1,084</b>	<b>102,873</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	(332)	(27,588)	(297)	(35,961)
Employer's contribution payable to scheme	131	10,856	163	12,580
<b>Net Movement in Reserves Statement</b>	<b>(201)</b>	<b>(16,732)</b>	<b>(134)</b>	<b>(23,381)</b>

## Actuarial gains and losses – Local Government Pension Scheme

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £66.912m for the group and £0.787m for the PFCC (actuarial gains of £48.473m for the Group and £0.447m for the PFCC in 2019/20) have been included with Other Comprehensive Income and Expenditure.

## Settlements/Curtailments

With effect from 2020/21 the IAS 19 standard now requires, when the impact is material, that when determining any past service cost or gain/loss on settlement, the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. In 2020/21 three events in the Local Government Pension Scheme have been treated as material 'special events' in respect of these new requirements.

# Statement of Accounts – Notes to the Financial Statements

## Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the PFCC Group's obligation in respect of defined benefit plans are:-

Police Officer Pension Scheme		
	2019/20 £000	2020/21 £000
Present value of the defined benefit obligation	(2,849,818)	(3,328,893)
<b>Net liability in Balance Sheet</b>	<b>(2,849,818)</b>	<b>(3,328,893)</b>

Local Government Pension Scheme				
	2019/20 £000	2019/20 £000	2020/21 £000	2020/21 £000
	PFCC	Group	PFCC	Group
Present value of funded obligation	(2,990)	(501,971)	(4,627)	(700,758)
Fair value of scheme assets (bid value)	1,806	353,322	2,522	461,881
<b>Gross liability</b>	<b>(1,184)</b>	<b>(148,649)</b>	<b>(2,105)</b>	<b>(238,877)</b>
Present value of unfunded obligation	-	(1,367)	-	(1,432)
<b>Net liability in Balance Sheet</b>	<b>(1,184)</b>	<b>(150,016)</b>	<b>(2,105)</b>	<b>(240,309)</b>

## Assets and Liabilities in Relation to Retirement Benefits

The following table reconciles the present values of the liabilities and assets of the police officer pension schemes.

Police Officer Pension Scheme		
	2019/20 £000	2020/21 £000
<b>Defined benefit obligation at start of year</b>	<b>(3,067,043)</b>	<b>(2,849,818)</b>
Current service cost	(72,894)	(61,399)
Past service cost	12,764	-
Interest cost	(72,732)	(66,116)
Change in financial assumptions	282,260	(652,107)
Change in demographic assumptions	(5,790)	84,368
Experience gain/loss on defined benefit obligation	-	143,071
Estimated benefits paid net of transfers in	87,714	88,075
Contributions by scheme participants	(14,097)	(14,968)
<b>Defined benefit obligation at end of year</b>	<b>(2,849,818)</b>	<b>(3,328,893)</b>

Police Officer Pension Scheme		
	2019/20 £000	2020/21 £000
Contributions by employer	73,617	73,107
Contributions by participants	14,097	14,968
Net benefits paid out	(87,714)	(88,075)
<b>Closing Fair Value of Assets</b>	<b>-</b>	<b>-</b>



# Statement of Accounts – Notes to the Financial Statements

The following tables reconciles the present value of the liabilities and assets of the Local Government Pension Scheme attributable to the PFCC.

<u>Liabilities</u>	Local Government Pension Scheme			
	2019/20	2019/20	2020/21	2020/21
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
<b>Balance at start of year</b>	<b>(3,399)</b>	<b>(551,668)</b>	<b>(2,990)</b>	<b>(503,337)</b>
Current service cost	(298)	(22,988)	(270)	(31,204)
Past service cost	-	(162)	-	(78)
Interest cost	(76)	(13,422)	(70)	(10,733)
Change in financial assumptions	462	64,124	(1,357)	(174,510)
Change in demographic assumptions	88	8,479	33	5,592
Experience loss/gain on defined benefit obligation	(349)	4,286	39	6,139
Contributions by scheme participants	(60)	(4,000)	(68)	(4,332)
Benefits/transfers paid	642	11,930	56	10,192
Unfunded pension payments	-	84	-	82
<b>Balance at end of year</b>	<b>(2,990)</b>	<b>(503,337)</b>	<b>(4,627)</b>	<b>(702,189)</b>

<u>Assets</u>	Local Government Pension Scheme			
	2019/20	2019/20	2020/21	2020/21
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
<b>Balance at start of year</b>	<b>1,969</b>	<b>369,912</b>	<b>1,806</b>	<b>353,322</b>
Interest on assets	43	9,098	44	6,276
Return on assets less interest	(133)	(28,323)	498	95,867
Other actuarial gains/losses	379	(93)	-	-
Administration expenses	(1)	(114)	(1)	(222)
Employer contributions including unfunded	131	10,856	163	12,580
Contributions by scheme participants	60	4,000	68	4,332
Benefits paid	(642)	(12,014)	(56)	(10,274)
<b>Balance at end of year</b>	<b>1,806</b>	<b>353,322</b>	<b>2,522</b>	<b>461,881</b>
<b>Net liability at start of year</b>	<b>(1,430)</b>	<b>(181,756)</b>	<b>(1,184)</b>	<b>(150,015)</b>
<b>Net liability at end of year</b>	<b>(1,184)</b>	<b>(150,015)</b>	<b>(2,105)</b>	<b>(240,308)</b>

## Expected return on scheme assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed assets investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The Police Officer Pension Schemes have no assets to cover their liabilities. The Local Government Pension Scheme assets consist of the following categories:

	2019/20		2019/20		2020/21		2020/21	
	£000	%	£000	%	£000	%	£000	%
Equities	1,058	59%	206,813	59%	1,558	62%	285,396	62%
Government bonds	78	4%	15,229	4%	65	3%	11,917	3%
Other bonds	109	6%	21,407	6%	127	5%	23,170	5%
Property	162	9%	31,772	9%	180	7%	32,885	7%
Cash/Liquidity	75	4%	14,686	4%	119	5%	21,795	5%
Alternative assets	208	12%	40,698	12%	291	12%	53,361	12%
Other managed funds	116	6%	22,717	6%	182	7%	33,357	7%
<b>Total</b>	<b>1,806</b>	<b>100%</b>	<b>353,322</b>	<b>100%</b>	<b>2,522</b>	<b>100%</b>	<b>461,881</b>	<b>100%</b>

# Statement of Accounts – Notes to the Financial Statements

The liabilities show the underlying commitments that the PFCC has in the long term to pay retirement benefits. The total liability of £3,569.202m has a substantial impact upon the net worth of the PFCC as recorded in the Balance Sheet.

Statutory arrangements for funding the deficit, however, mean that the financial position of the Group 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.
- Police Pensions are charged to the Police Pensions Fund Account, and any shortfall between the value of pensions paid in year and the receipts into the account from employer and employee contributions is funded from top-up grant from the government.

The total employer contributions expected to be made to the Local Government Pension Scheme in the year to 31st March 2022 are £13.057m for the Group and £0.186m for the PFCC. The expected employer contributions for the Police Officer Pension Schemes in the year to 31st March 2022 is £36.997m.

The assets and liabilities of the Local Government Pension Scheme and the liabilities of the Police Pension Schemes have been assessed by Barnett Waddingham, an independent firm of actuaries.

The dates of the last full valuations are:

- Essex County Council Pension Fund: 31st March 2019
- Police Pension Schemes: 31st March 2020

The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and other factors.

The principal assumptions used by the actuaries are as follows:

	Police Officer Pension Schemes			
	2019/20 PFCC	2019/20 Group	2020/21 PFCC	2020/21 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	n/a	23.3	n/a	22.3
Female	n/a	25.5	n/a	24.8
Retiring today:				
Male	n/a	21.6	n/a	21.1
Female	n/a	23.7	n/a	23.3
Rate of Inflation (RPI)	n/a	2.7%	n/a	3.2%
Rate of Inflation (CPI)	n/a	1.9%	n/a	2.8%
Rate of Increase in Salaries	n/a	3.4%	n/a	3.8%
Rate of Increase in Pensions	n/a	1.9%	n/a	2.8%
Discount Rate	n/a	2.4%	n/a	2.0%

# Statement of Accounts – Notes to the Financial Statements

	Local Government Pension Scheme			
	2019/20 PFCC	2019/20 Group	2020/21 PFCC	2020/21 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	23.2	23.2	22.9	22.9
Female	25.2	25.2	25.1	25.1
Retiring today:				
Male	21.8	21.8	21.6	21.6
Female	23.7	23.7	23.6	23.6
Rate of Inflation (RPI)	2.6%	2.7%	3.0%	3.2%
Rate of Inflation (CPI)	1.8%	1.9%	2.9%	2.8%
Rate of Increase in Salaries	2.8%	2.8%	3.9%	3.8%
Rate of Increase in Pensions	1.8%	1.8%	2.9%	2.8%
Discount Rate	2.4%	2.4%	2.1%	2.0%

Although the post-retirement mortality assumptions are consistent with the previous year, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI\_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI.

The following assumptions have also been made:

- Police officers and staff will exchange pension to get 50% of the maximum available cash on retirement.
- Police officers will retire at the earliest age they are able to do so without reduction.

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table on the previous page.

The following table identifies the impact of a variance of +0.1% and -0.1% in the assumptions:-

Police Staff	PFCC			Group		
	£000	£000	£000	£000	£000	£000
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	4,504	4,627	4,753	685,651	702,190	719,144
Projected service cost	522	547	572	34,406	35,700	37,038
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	4,634	4,627	4,620	704,006	702,190	700,392
Projected service cost	547	547	546	35,719	35,700	35,680
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	4,745	4,627	4,512	717,178	702,190	687,560
Projected service cost	572	547	523	37,025	35,700	34,417
<u>Adjustment to mortality age rating assumption</u>	+1 year	None	-1 Year	+1 year	None	-1 Year
Present value of total obligation	4,810	4,627	4,451	733,441	702,190	672,316
Projected service cost	571	547	523	37,292	35,700	34,169

# Statement of Accounts – Notes to the Financial Statements

Police Officers	Police Officer Pension Scheme		
	£000	£000	£000
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	3,263,580	3,328,893	3,395,702
Projected service cost	115,137	119,530	124,081
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	3,337,783	3,328,893	3,320,077
Projected service cost	120,222	119,530	118,843
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	3,386,220	3,328,893	3,272,837
Projected service cost	123,402	119,530	115,804
<u>Adjustment to mortality age rating assumption</u>	+ 1 Year	None	- 1 Year
Present value of total obligation	3,487,244	3,328,893	3,178,048
Projected service cost	124,503	119,530	114,732

## McCloud v Sargeant judgement

The pensions figures in the 2020/21 Statement of Accounts include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. This allowance was described and included within the previous two sets of financial statements for the PFCC/Group, and incorporated into the accounting results with effect from the 31<sup>st</sup> March 2019. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31<sup>st</sup> March 2021.

On 16<sup>th</sup> July 2020, the government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8<sup>th</sup> October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial regulations are published.

The PFCC does not believe that there are any material differences between the approach underlying the estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, no further adjustments have been included in the 2020/21 accounting statements in light of the ongoing consultation.

Further information in respect of the McCloud v Sargent judgement is included in Note 4.

## Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMP's between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities.

On the 23<sup>rd</sup> March 2021 the government published the outcome to its GMP Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5<sup>th</sup> April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6<sup>th</sup> April 2016. The valuation assumptions for GMP adopted within the 2020/21 financial statements is that the fund will pay limited increases for members that have reached the state pension age (SPA) by the 6<sup>th</sup> April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the assumption is that the Fund will be required to pay the entire inflationary increase. Therefore, based on the above assumptions already being included in the 2020/21 financial statements the PFCC/Group have not made any further financial adjustments in respect of GMP.

# Police Officer Pension Fund Account

## Introduction

The Police Officer Pensions Fund Account was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932). It is administered on behalf of the Chief Constable by Essex County Council.

## The Fund receives income each year from:

- Contributions from the employer based on a percentage of pay
- Contributions from serving police officers
- Other receipts

Pensions to retired police officers, lump sum payments and other benefits are paid from the Fund. The Fund is topped up by the Group if the contributions are insufficient to meet the cost of pension payments. The Group receives a Police Pension Top Up Grant from the Home Office for an amount equal to the deficit on the Fund.

The Fund is not backed by any investment assets, and its outgoings are funded entirely from the receipts identified above. The Fund accounts solely for the benefits payable in the financial year, and does not account for benefits payable after the period end. The following table identifies the movements on the Police Officer Pension Fund Account for the year.

	2019/20	2020/21
	£000	£000
<b>Contributions receivable</b>		
Employer 31% of Pensionable Pay	(32,636)	(34,893)
Serving police officers	(14,096)	(14,968)
Capital equivalent payment for ill health	(265)	(508)
<b>Transfers in</b>		
Individual transfers in from other schemes	(324)	(470)
<b>Total Receipts</b>	<b>(47,321)</b>	<b>(50,839)</b>
<b>Benefits payable</b>		
Pensions	67,532	69,862
Commutations and lump sum payments	16,720	14,342
Annual and lifetime allowance tax payments	-	-
Lump sum death benefits	198	202
NIC on pension funds	-	-
Interest on commutations and lump sum payments	4	-
<b>Payments to and on account of leavers</b>		
Refund of contributions	115	193
Individual transfers out to other schemes	169	7
<b>Total Payments</b>	<b>84,738</b>	<b>84,606</b>
<b>Sub total for the year before transfer from the PFCC of amount equal to the deficit</b>	<b>37,417</b>	<b>33,767</b>
Transfer of amount from the PFCC of amount equal to the deficit - annual benefits (31%)	(37,417)	(33,767)
<b>Transfer of amount from the PFCC of amount equal to the deficit - Total</b>	<b>(37,417)</b>	<b>(33,767)</b>
<b>Net Amount Payable for the year</b>	<b>-</b>	<b>-</b>

# Police Officer Pension Fund Account

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## Pension Schemes

There are currently three schemes in operation which feed into the Police Officer Pension Fund. These are:

- **The Police Pension Scheme 1987** – a defined benefit statutory scheme administered in accordance with the Police Pensions Regulations 1987. This is the oldest scheme currently in operation and is based on final salary. Membership will gradually be phased out over the medium term as officers are tapered into the CARE scheme (see below). 1987 scheme members had the choice to move to the 2006 scheme (also see below) when this was introduced, but the number of transfers were minimal.
- **The Police Pension Scheme 2006** – a defined benefit statutory scheme administered in accordance with the Police Pensions Regulations 2006. This is an additional final salary-based scheme which is also being slowly phased out and tapered into the CARE scheme. Membership eligibility for both the 1987 and 2006 schemes is now closed.
- **The Police Pension Scheme 2015 or 'CARE' (Career Average Revalued Earnings) scheme** - a defined benefit statutory scheme administered in accordance with the Police Pensions (Consequential Provisions) Regulations 2015. This was introduced from 1st April 2015 and is the only scheme open to new officers. Existing officers were brought into the scheme on 1st April 2015 unless they had full transitional protection or tapered protection. Injury and ill-health awards continue to be paid from the Chief Constable's operating account. The employer rate is 31%.

The table on the previous page showing the movements on the Police Officer Pension Fund for the year does not include liabilities to pay pensions and other benefits after the Balance Sheet date. The liabilities for future retirements benefits are disclosed in Note 41 of the PFCC/Group accounts.

# Annual Governance Statement

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## 1. Introduction

This statement sets out the Police, Fire and Crime Commissioner's (PFCC's) and Chief Constable's arrangements in relation to the six core principles of good governance set out in *The Good Governance Standard for Public Services*, namely:

1. Focusing on the purpose of the PFCC and Chief Constable and on outcomes for citizens and service users;
2. Ensuring that both the PFCC and Chief Constable perform effectively in clearly defined functions and roles;
3. Promoting the values of the PFCC and Chief Constable and demonstrating the values of good governance through behaviour;
4. Taking informed, transparent decisions and managing risk;
5. Developing the capacity and capability of the PFCC to be effective, and
6. Engaging stakeholders and making accountability real.

The statement is in five main parts covering:

1. The scope of responsibilities
2. The purpose of the Governance Framework
3. The Governance Framework
4. Value for Money Arrangements
5. Significant Governance Issues

## 2. Scope of Responsibilities

- 2.1 The PFCC is responsible for securing the maintenance of the Essex Police force and ensuring that it is effective and efficient. They are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The PFCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 The relationship between the PFCC and the Chief Constable is defined by the PFCC's democratic mandate to hold the Chief Constable to account as well as by primary legislation and common law which provides clarity on the legal principles that underpin operational independence and the Office of Constable. The Chief Constable is responsible for maintaining the Queen's Peace and has discretion over the direction and control of the force's officers and staff. Further, the Chief Constable is responsible to the public and accountable to the PFCC for supporting the PFCC in the delivery of the Police and Crime Plan.
- 2.3 In discharging their overall responsibilities, the PFCC is responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. In exercising these responsibilities, the PFCC places reliance on the Chief Constable of

# Annual Governance Statement

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Essex Police to support the governance and risk management processes.

- 2.4 The Police Reform and Social Responsibility Act 2011 also sets out specific responsibilities for the Chief Executive and Monitoring Officer and the Chief Finance Officers (CFOs) to the PFCC and Chief Constable. The CFOs are bound by both professional standards and specific legislative responsibilities. In *Attorney General v De Winton* 1908 it was established that the Chief Finance Officer is not merely a servant of the authority (the PFCC / Chief Constable) but holds a fiduciary responsibility to local taxpayers. The Police Reform and Social Responsibility Act 2011 requires them to comply with relevant provisions within the Local Government Acts..
- 2.5 During the year, there were formal monthly meetings of the PFCC's Performance and Resources Board, attended by senior PFCC and force officers and staff, dealing separately with financial and performance monitoring. In addition, the PFCC's Strategic Board, likewise attended by senior PFCC and force officers and staff, met quarterly to exercise strategic governance and oversight of Essex Police's strategic transformation programme, Medium Term Financial Strategy and capital programme, and to be the primary adviser to the PFCC and Chief Constable in respect of strategic decisions. The papers relating to all these meetings (unless restricted) are published on the PFCC's website.
- 2.6 The Scheme of Governance operating during the year incorporated the following:
1. Constitution, including the Schemes of Delegation and Consent
  2. The Elected Local Policing Bodies (Specified Information) Order 2011 and the Elected Local Policing Bodies (Specified Information) (Amendment) Orders 2012 and 2013
  3. Information Sharing Agreement: Essex Police and the Police, Fire and Crime Commissioner for Essex
  4. Information Sharing Protocol: Police, Fire and Crime Commissioner for Essex and Police, Fire and Crime Panel for Essex
  5. Revised Financial Management Code of Practice For the Police Forces of England and Wales and Fire and Rescue Authorities created under section 4A of the Fire and Rescue Services Act 2004
  6. Policing Protocol Order 2011
  7. The Strategic Policing Requirement
  8. The PFCC's Voluntary Code of Conduct
  9. The Police (Complaints and Misconduct) Regulations 2012 (superseded with effect from 1 February 2020 with the Police (Complaints and Misconduct) Regulations 2020)
  10. The Police, Fire and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012
  11. The Police and Crime Commissioner Elections (Declaration of Acceptance of Office) Order 2012
  12. Government Security Classifications
  13. Financial and Procurement Regulations
  14. Anti-Fraud & Bribery Policy
  15. Statutory Guidance for Police Collaboration



# Annual Governance Statement

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## 16. Police Reform and Social Responsibility Act 2011

Copies of these documents are available on the PFCC's website at [www.essex.pfcc.police.co.uk](http://www.essex.pfcc.police.co.uk) or can be obtained from the PFCC, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB.

- 2.7 During 2020/21, key governance documents – most notably the Publication Protocol and Processes and the Access to Information Policy (incorporating the PFCC's Publication Scheme) - have been reviewed and updated.
- 2.8 The PFCC and Chief Constable, wherever possible, share a common set of policies, systems and procedures underpinning the Scheme of Governance.
- 2.9 The PFCC's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable.
- 2.10 This statement is compliant with regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to the publication of a statement on internal control.

## 3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems and processes, and culture and values by which the work of the PFCC is directed and controlled and the activities through which the Commissioner accounts to and engages with the community. It enables the PFCC to monitor the achievement of their Police and Crime Plan and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.
- 3.2 The system of internal control is a significant part of the 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; it can only provide reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PFCC's and Chief Constable's policies, aims and objectives, and to evaluate - and wherever possible reduce - the likelihood of those risks being realised and the impact should they be realised.
- 3.3 The PFCC's Scheme of Governance incorporates a framework of arrangements that ensures value for money is achieved for the people in Essex. One of the ways this is delivered is through the Essex and Kent Police collaboration in respect of support services.

## 4. The Governance Framework

The Good Governance Standard for Public Services sets out six core principles. The key elements of the governance arrangements put in place by the PFCC in respect of each of these principles are as follows:

### **Focusing on the purpose of the PFCC and the Chief Constable and on outcomes for citizens and service users**

The PFCC makes their commitments and areas of focus for policing clear in their Police and Crime Plan. The Plan for 2016 - 2020 was widely consulted on with both partners and the general public and indicated how these areas of focus would be delivered, paying due regard to the Strategic Policing Requirement, as set by the Home Secretary.

The postponement of the PFCC election originally scheduled for May 2020 to May 2021 as a result of the global COVID-19 pandemic meant that the term of the Police and Crime Plan was extended for the further

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year. Work was therefore undertaken early in 2020/21 to develop and implement an action plan to ensure that the priorities set out in the Police and Crime Plan continued to be delivered throughout this additional year. This built on the findings of the #MakeADifference public engagement exercise which ran from September 2019 to April 2020 and was referenced in last year's Annual Governance Statement. Additional workshops were carried out with members of the Police, Fire and Crime Panel, Council Leaders and Chief Executives, local MPs and the Strategic Independent Advisory Group (IAG) facilitated by Essex Police. Further engagement sessions were held with the Essex Association of Local Councils, Neighbourhood Watch, Community Safety Partnership Managers and representatives from the business community, rural community and voluntary sector, as well as commissioned services. The Chief Constable and, through him, Essex Police's Chief Officer Group, were engaged in the development process throughout. The resulting extended plan sets out a series of renewed commitments against the seven priorities outlined within the 2016/2020 plan.

The PFCC has developed a performance framework that is used to monitor and support the delivery of the Plan. Progress against this framework, which is fully supported by the Chief Constable, is reported monthly to the PFCC's Performance and Resources Board and six-monthly to the Police, Fire and Crime Panel. To reflect the renewed commitments set out in the extended plan, several additional measures have been incorporated into the performance framework for 2020/21.

## **Ensuring that both the PFCC and the Chief Constable perform effectively in clearly defined functions and roles**

The governance arrangements for the PFCC have been developed in accordance with the Police Reform and Social Responsibility Act 2011, the Policing Protocol Order 2011, the Home Office's Revised Financial Management Code of Practice (FMCP) and other existing guidance on financial and governance matters which continue to apply. Article 2 of the PFCC's Constitution sets out citizens' rights and responsibilities, whilst Article 3 describes the powers, functions and duties of the PFCC, including in relation to their arrangements for obtaining the views of the community on policing.

The Constitution is clear that the PFCC must not fetter the operational independence of the Essex Police force and the Chief Constable who leads it. There is a clear expectation that the PFCC and Chief Constable will work together to safeguard the principal of operational independence, while also ensuring that the PFCC is not fettered in fulfilling their statutory role. The Schemes of Delegation and Consent, Financial and Procurement Regulations act in accordance with the FMCP to enable effective accountability and to govern the relationship between the PFCC and the Chief Constable of Essex Police.

The Chief Constable is expected to ensure that the PFCC is informed of their decisions and operational activity in a timely fashion that enables the PFCC to hold the Chief Constable to account for the totality of policing within the force area. This is achieved through the PFCC's formal governance structures (Performance and Resources and Strategic Boards) as well as through direct contact between the two corporation soles. During the year there was regular one-to-one contact on a two-weekly basis between the PFCC and Chief Constable in order to ensure that matters were dealt with expediently within their respective responsibilities. Formal performance meetings, also attended by the PFCC's Chief Executive and Monitoring Officer, were interspersed with informal contact.

In order to exercise the functions of their office effectively, access is needed by the PFCC to information, officers and staff within the Essex Police force. Such access to information is governed by an Information Sharing Agreement between the two corporation soles and must not either be unreasonably withheld or obstructed by the Chief Constable or fetter the Chief Constable's direction and control of the force.

Any differences that have occurred between the PFCC and the Chief Constable during 2020/21 have been resolved locally between the two corporation soles. There has been no need for either to take professional

# Annual Governance Statement

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advice from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) in this regard.

## **Promoting the values of the PFCC and Chief Constable and demonstrating the values of good governance through behaviour**

The PFCC has signed up to a Code of Conduct incorporating the seven Nolan principles relating to public life as well as the Police Code of Ethics, which sets and defines the exemplary standards of behaviour for everyone who works in policing. The PFCC has also adopted an updated Ethics and Integrity Framework.

The PFCC and Chief Constable have approved and adopted a joint Anti-Fraud & Bribery Policy which sets out a zero tolerance approach to fraud and misappropriation and applies to all employees of the PFCC and Chief Constable as well as consultants, vendors, contractors and other parties who have a business relationship with the PFCC or Essex Police. The Chief Constable has also adopted several further policies which cover discipline, standards, and an anonymous e-mail address for confidential reporting to the Professional Standards Department. All staff employed by the Police, Fire and Crime Commissioner are bound by the Essex Police terms and conditions and Human Resources policies.

Essex Police introduced an Ethics Committee in October 2017 and its Professional Standards Department (PSD) participates in a Regional Ethics Board which met for the first time in August 2018. Essex Police's Learning the Lessons Board was introduced in November 2017 to bring together the College of Policing with EP's Legal, HR and Strategic Change teams as well as PSD on a quarterly basis to consider common themes surrounding complaint / conduct matters and litigation and to explore what more can be done to address these issues. In addition, an Integrity and Anti-Corruption Board chaired by the Deputy Chief Constable meets quarterly to understand relevant issues arising within Essex Police; to ensure that the force is adopting a balanced and proportionate response to them, and to ensure that Essex Police is operating within an ethical framework that promotes, reinforces and supports the highest standards expected of staff. A representative of the PFCC attends these meetings. The Police, Fire and Crime Panel's Ethics and Integrity Sub-Committee scrutinises compliance with the PFCC's Ethics and Integrity Framework and with the Police Code of Ethics.

Essex Police's PSD deals with public complaints and matters relating to the conduct of police officers and staff, in liaison with the Independent Office for Police Conduct (IOPC) where necessary. The PFCC's office audits a sample of complaints handled by Essex Police each quarter, the findings of which are discussed with the Deputy Chief Constable alongside a statistical report produced by the force on complaints, grievances and disciplinary cases.

## **Taking informed, transparent decisions and managing risk**

The PFCC's decision making process is set out in the Constitution. Through the Constitution, the PFCC has adopted a number of principles of decision making, including a presumption in favour of openness and transparency; the need for consultation with interested parties, and the need to give reasons and explanations for a decision. All significant PFCC decisions are taken following consideration of a written report on the subject which includes consideration of risks and potential alternative options. The process set out in the Constitution requires the oversight of both of the PFCC's statutory officers, namely the Monitoring Officer and the Chief Finance Officer. This ensures that legal and financial / resource implications are clearly understood prior to any decision being taken. All decisions made by the PFCC are formally recorded and made available (unless restricted) on the PFCC's website for public information and scrutiny. All decisions (unless restricted) are also reported to the Police, Fire and Crime Panel for its scrutiny.

The PFCC ensures that relevant information and data about their office and the force is published on either their website or Essex Police's as part of their Publication Protocol. This includes the disclosable interests

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of the PFCC, their Deputy and staff and other information required under the Elected Local Policing Bodies (Specified Information) Order 2011 and the Elected Local Policing Bodies (Specified Information) (Amendment) Orders 2012 and 2013. Performance information presented to the PFCC's monthly Performance and Resources Board is also published on the PFCC's website.

During 2020/21, the PFCC commissioned an independent company to carry out an audit of its website and to work with the staff team to ensure that it complied with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 by the statutory deadline of 23 September 2020. This work has provided assurance that the PFCC's website is accessible to as many people as possible, including those with impaired vision, motor difficulties, cognitive impairments, learning disabilities, and deafness or impaired hearing.

The independent Joint Audit Committee (JAC) has responsibility for monitoring and reviewing the effectiveness of the risk management arrangements and the systems of internal control operated by both the PFCC and the Chief Constable. The JAC meets formally at least four times a year and continues to support the PFCC and Chief Constable in discharging their responsibilities for enhancing public trust and confidence in the governance role of the PFCC and in Essex Police. During 2020/21, the JAC has continued to provide a first-class level of independent assurance to the PFCC and Chief Constable and has not hesitated to address important and sometimes very challenging issues. Its work plan for 2020/21 has included briefings and assurance on the Essex Violence and Vulnerability Unit, the force's response to the COVID-19 pandemic and implementation of new technologies.. JAC papers are published on the PFCC's website unless restricted.

In June 2020, the JAC considered the outcomes of the review of its effectiveness that had been carried out earlier in the year through a survey of the Chair and independent members, the PFCC and the chief officers who support the Committee. In July 2020, members of the JAC also held a further workshop with the PFCC's Chief Executive and Monitoring Officer on the findings of the review and how to take them forward. The review concluded that:

- The JAC had been effectively chaired most or all of the time;
- The JAC had met sufficiently and with good attendance most or all of the time;
- The JAC had received timely, accurate and helpful information most or all of the time, and
- The JAC had complied with its Terms of Reference most or all of the time.

As a result of the review, the JAC agreed to:

- Review and update its Terms of Reference, including to reflect best practice for Audit Committees identified by the PFCC's and Chief Constable's external auditor;
- Ensure that annual appraisals of JAC members are undertaken and evidenced going forward;
- Increase the membership of the JAC to include four independent members as well as the Chair;
- Have private meetings with the PFCC ahead of each formal meeting, and at least annually with the Head of Internal Audit, and
- Produce an Annual Report of its activities.

New Terms of Reference were subsequently approved by the JAC in September 2020. This, along with the retirement of an existing independent member during the summer of 2020, had led to work being undertaken this financial year to recruit two new independent members of the JAC. The PFCC's and Chief Constable's internal auditor, RSM, was engaged to review the role profile and person specification to ensure that they remained fit for purpose; to run the advertising campaign and manage the shortlisting process, and to support the interview process. Following a positive response to the recruitment campaign, two new independent members have been appointed who it is hoped will join the JAC at its meeting in June 2021.

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The PFCC and Chief Constable continue to use risk management policies and frameworks that comply with CIPFA guidance. An internal audit was carried out in 2020/21 of the risk management arrangements implemented by both the PFCC and the Chief Constable. Reasonable assurance was given, with the report concluding that controls were well designed and that risk owners understand how risks are used to inform core activities and to deliver the objectives of the PFCC and the Chief Constable.

## **Developing the capacity and capability of the PFCC to be effective**

In April 2020, the Chief Executive and Monitoring Officer implemented changes to the establishment of the PFCC's office that were consulted on during 2019/20, in order to ensure that it is adequately resourced and skilled to support the PFCC to discharge all of their statutory duties and responsibilities. The new structure builds resilience and capacity in key governance functions, most notably by designating a Deputy Monitoring Officer to advise and act in the Monitoring Officer's absence and to support the Monitoring Officer in maintaining and ensuring adherence to the PFCC's governance framework. It also strengthens links and working relationships between the performance and scrutiny, finance and commissioning functions by bringing them together within a single Performance and Resources directorate. The new structure removed the previous Treasurer and Financial Scrutiny Officer posts and created the new posts of Strategic Head of Performance and Resources and Head of Finance. The latter of these serves as the Section 151 Officer to the PFCC, while the former works with the Section 151 Officers to the PFCC, PFCCFRA and the Chief Constable to provide strategic financial oversight and to lead the development and implementation of financial strategy across all of the PFCC's legal entities and functions. Although the Head of Finance reports to the Strategic Head of Performance and Resources, they are a standing member of the PFCC's Strategic Management Team in their own right, in order to ensure that they are appropriately involved in all substantive financial discussions and decisions. The new structure also removed the former Board Secretary role and created two part-time Scrutiny Officer roles to increase resilience in the support arrangements for the PFCC's oversight and scrutiny programme.

## **Engaging stakeholders and making accountability real**

Consultation with the public, partners, the third sector and other key stakeholders all feed into the strategic planning cycle to ensure that their views continue to influence the delivery of the PFCC's priorities.

The PFCC completed their annual public survey on the precept for the following year between 30 November and 20 December 2020. 1,356 people responded. 56% of those who responded to the question stated that, in general, they would be prepared to invest more in policing in order to improve the service provided. 72% of respondents who indicated how much more they were prepared to contribute stated that they would pay a further £10 per year.

Since taking office the PFCC has held public meetings at least once a year in each of the 14 districts and unitary areas, where the people of Essex are able to challenge the PFCC on how he is holding the Chief Constable to account for the delivery of policing. The COVID-19 pandemic has meant that this engagement has been hosted online during 2020/21, with the result that it has reached a much larger and more diverse audience than traditional methods. The 15 online engagement events hosted by the PFCC between May and December 2020 each reached between 931 and 14,500 people. Post-pandemic, the PFCC's approach to public engagement is therefore likely to include a combination of face to face and online events. Notes of each of the meetings are made available on the PFCC's website, along with issues raised at each of these events and any subsequent outcomes.

The PFCC also meets regularly with local Councillors and MPs in order to afford other elected representatives the opportunity to raise any concerns or offer any suggestions in relation to policing and crime in Essex. Forums also continue to be held with specific groups, discussing issues such as victim support, rural crime and business crime. These forums enhance partnership working across all areas and

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link directly with the delivery of the Police and Crime Plan.

Essex Police has its own comprehensive engagement strategy and the PFCC and Chief Constable jointly conduct a public survey of 7,700 people every year. This found that, during the 2020 calendar year, 53% of respondents felt well informed about what the police are doing in their local area compared with 40% the year before. This is significantly better than the national average of 37%. During 2020/21, specific questions were added to the survey relating to the force's policing of the national restrictions relating to Coronavirus, responses to which indicated an extremely high level of confidence in and satisfaction with Essex Police's approach. The results of this work are reported on a quarterly basis to the PFCC via their Performance and Resources Board and to a wider group of stakeholders and partners via the Safer Essex partnership.

Young people comprise a key stakeholder group for both the PFCC and Essex Police. how we work with them to build their confidence in policing, to reduce their vulnerability, and to engage them as active citizens is critical to creating the safe and secure communities described in the PFCC's vision for the county. During 2020/21, the PFCC has therefore supported a "youth voice" project across Essex to inform the development of a new Youth Strategy for Essex Police. As part of this, the PFCC hosted an online youth conference to engage young people across Essex in discussions regarding their relationship with the police and how they might work better together. The PFCC also funded the Essex Council for Voluntary Youth Services (ECVYS) to conduct a series of targeted conversations with young people to ensure that the views accessed were diverse and representative of Essex's young people as a whole.

The PFCC publishes clear contact details on their website that members of the community can use to raise issues or concerns with them. The PFCC's Correspondence Standards and Complaints and Expression of Dissatisfaction Policy set out how contact made with the PFCC will be responded to.

On a regular basis, the PFCC and Chief Constable also issue proactive press releases and engage in media interviews to explain the nature and role of their work and to answer questions relating to this.

At a more operational level, a multi-agency Out of Court Disposal Scrutiny Panel has been established to conduct independent reviews of a selection of cases that have been resolved through use of an out of court disposal determined by either Essex Police or the Crown Prosecution Service. Its aim is to determine whether the method of disposal was appropriate based on the information / evidence available to the decision maker at the time. Its intention is to increase public understanding, confidence and trust in this method of case disposal. The panel cannot change the outcome of the case but, where it is appropriate to do so, can give feedback at an organisational level or to individuals of each agency involved in a case. The intention in doing so is to promote best practice and to identify potential policy development or training needs for consideration by the force or other agencies.

The decisions of the PFCC are scrutinised by the Police, Fire and Crime Panel which is made up of elected representatives from each district, borough, city and unitary authority in Essex plus two independent members. The Panel has several statutory powers and duties, including the power to veto the proposed precept and candidate for the post of Chief Constable; to review the Police and Crime Plan and the PFCC's Annual Report and to make recommendations to which the PFCC must have regard; to consider complaints against the PFCC and Deputy PFCC, and to scrutinise the appointments of the PFCC's Chief Executive, Chief Finance Officer and Deputy PFCC. Panel meetings take place at least four times a year and are open to the public. Possibly on account of the PFCC election on 6 May 2021, the Panel has experienced a greater level of public engagement during 2020/21 and has received and responded to a larger volume of questions from the public than has historically been the case. Records of its meetings (including agendas papers, minutes and webcasts) are published on Essex County Council's website.



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## 5. Value for Money Arrangements

- 5.1 The PFCC has responsibility for ensuring that their governance arrangements support good value for money and has thereby conducted a review of the effectiveness of the governance framework, including the system of internal audit and the system of internal control. The governance framework and value for money arrangements are also subject to ongoing monitoring for effectiveness by the PFCC's Chief Finance Officer and Chief Executive and Monitoring Officer. This is informed by the work of the External Auditors and by continuing Internal Audit reviews as well as through the Performance and Resources Board.
- 5.2 The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined as follows:

### PFCC

- 5.3 The PFCC has overall responsibility for the discharge of all powers and duties placed upon them, including a statutory duty to 'maintain an efficient and effective police force'. The review and maintenance of the governance framework is undertaken by the PFCC in a close working relationship with the Chief Executive and Monitoring Officer, the Chief Constable and their senior staff including the Chief Finance Officer. As set out above, the PFCC's and Chief Constable's Joint Audit Committee has responsibility for overseeing these arrangements and will raise and scrutinise governance issues when appropriate.

### Essex Police

- 5.4 The Chief Constable has responsibility for reviewing the effectiveness of the governance framework within the force. This review is informed by the work of Essex Police's Director for Strategic Change and Performance and the Head of Continuous Improvement, who have responsibility for the development and maintenance of the governance environment. In preparing this Annual Governance Statement a joint approach has been adopted by the PFCC and Chief Constable.
- 5.5 The Strategic Change Directorate within Essex Police delivers an annual compliance and review programme designed to assist senior managers to:
- Evaluate the reliability and integrity of specific data created and held by the force;
  - Evaluate the force's compliance with legislation and associated national standards;
  - Evaluate compliance with the force policies and authorised professional practice;
  - Provide recommendations that improve force performance and compliance levels;
  - Reduce the likelihood of personal and corporate financial and reputational risk;
  - Assist in assessing the effectiveness of the force's risk mitigation and control(s);
  - Identify potential inappropriate, unethical and non-compliant activity, and
  - Assist in ensuring Essex Police is 'fit and healthy' going forward.
- 5.6 Outcomes from these reviews inform decision making that is dependent on assumed data accuracy and provides reassurance, both internally and externally, that performance information is accurate and will withstand scrutiny.

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## Internal Audit

- 5.7 In maintaining and reviewing the governance framework, the PFCC's and Chief Constable's Chief Finance Officers place reliance on the work undertaken by Internal Audit and, in particular, on Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control. For 2020/21 the Internal Auditor's opinion is as follows, for both the PFCC and Essex Police:

*The organisation has an adequate and effective framework for risk management, governance and internal control.*

*However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.*

- 5.8 A robust process is in place to track the implementation of recommendations and actions arising from internal audits across both Essex Police and the PFCC, which is overseen by the force's Chief Finance Officer and reported to the Joint Audit Committee on a quarterly basis. As well as reporting on closed recommendations and actions, this highlights those that have been presented to the CFO to close but where further evidence is required before this can be agreed, as well as those that are outside of their due date and for which no evidence has yet been presented.

## External Audit

- 5.9 External Audit is an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the PFCC's services, with the External Auditor's annual letter in particular providing comment on financial aspects of corporate governance, performance management and other reports.

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

- 5.10 HMICFRS's fifth PEEL (police effectiveness, efficiency and legitimacy) inspection of Essex Police, carried out in 2018/19, found that:

- The extent to which the force is effective at reducing crime and keeping people safe is **good**

*"Since our 2017 inspection, the force has improved the way it uses legal powers to safeguard domestic abuse victims. It works well with other organisations to keep vulnerable victims safe. And it asks vulnerable victims what they think about its service. It uses their views to improve services" (p.15)*

- The extent to which the force operates effectively and sustainably is **good**

*"The force is good at planning for the future. The demand forecasts it made in the past have proved accurate. It invests in 'spend to save' projects. This will help it free up capacity and funds that can be used in other priority areas" (p.24)*

*"The force understand the effect of increased demand, financial constraints and reduced resources on other organisations. The force and its partner organisations have set up community safety hubs to make services sustainable and more cost-effective. The force is also recruiting volunteers to help offset the effect of austerity" (p.27)*

*"The force can demonstrate the benefits of its investments and has strong evidence to support its investment decisions" (p.28)*

- The extent to which the force treats the public and its workforce legitimately is **good**



# Annual Governance Statement

*“The force continues to uphold an ethical culture and promotes standards of professional behaviour well. But it has more to do to assure itself that it has the capacity and capability to root out corruption” (p.6).* This comment related particularly to delays in vetting processes. More resources have been invested in the vetting unit since the inspection to address this concern, although it remains a challenge, particularly given the focus on delivering the force growth plan.

*“In 2017, we ... found that this force could not ensure it was always compliant with the Code of Practice for Victims of Crime. We are pleased to note that the force is now compliant with the code, as the Athena crime system automatically supports compliance” (p.13)*

*“The force is good at seeking out new ways of working and cost-effective systems to help balance the budget. It welcomes ideas from frontline officers and staff and encourages them to use Idea Drop, a web-based forum where they can post suggested improvements” (p.28)*

*“Essex Police understands the public’s expectations and what they are likely to be in the future. It asks the public for its views on the service. It then responds by altering its service or by developing new skills and capabilities” (p.32)*

- 5.11 HMICFRS reported the findings of its Crime Data Integrity Inspection of Essex Police on 8 October 2019. The inspectorate found Essex Police’s performance to be outstanding in this area, making it only the third force, of the 39 inspected at that point in the programme, to be judged outstanding on the first inspection. The inspectorate estimated that Essex Police records 95.8% (with a confidence interval of  $\pm 1.53\%$ ) of the crimes reported to it and noted that the force had “substantially improved its crime recording accuracy” since 2014 and that “Victims are at the forefront of its crime recording arrangements”.

## 6. Significant Governance Issues

### Operation Melrose

- 6.1 On 23 October 2019, a dedicated team of detectives from Essex and Kent’s shared Serious Crime Directorate commenced the UK’s largest ever homicide investigation, Operation Melrose, following the discovery of the bodies of 39 Vietnamese migrants in a lorry container in Grays. It has been a fast-moving investigation involving significant police and partner agency resources, including from the National Crime Agency, Home Office, Foreign and Commonwealth Office, Border Force and Immigration Enforcement, which has continued into 2020/21. The impact of the investigation on personnel and force resilience has been significant and support has been made to all officers and staff affected through the force’s Trauma Risk Management (TRiM) process.

Essex Police remains one of the lowest funded forces in England. As such, a major incident such as Operation Melrose has the potential to have a significant impact on its financial stability. The final spend in respect of the operation across 2019/2020 and 2020/2021 was £3,473,658, a significant proportion of which consisted of mutual aid claims from 24 forces. A £1 million contribution was secured from the Home Office’s Special Grant fund to reimburse the costs incurred by the force up to November 2019. Following further successful applications to the Home Office, the balance of costs incurred in 2019/2020 were met in full by Special Grant funding, as well as 85% of eligible costs incurred during 2020/21, resulting in a total of £2,328,872 Home Office funding. The balance of 2020/21 costs, £144,786 were met by the Essex Police, Fire and Crime Commissioner .

Following further successful applications to the Home Office, all the eligible costs incurred by Essex Police in the investigation have now been met by Special Grant.

Part of the grant was subject to HMICFRS inspection. This took place in September 2020 and the report was received in October 2020. The report concluded that the governance arrangements were

# Annual Governance Statement

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appropriate for the operation and that senior managers provided clear leadership throughout. Furthermore, the report noted that robust scrutiny and challenge of the expenditure incurred led to savings of around £100k.

The trial commenced at the end of 2020. All defendants were found guilty of all charges and, in January 2021, seven men were sentenced at the Old Bailey for their involvement.

## Operation Talla (the response to the global COVID-19 pandemic)

- 6.2 Throughout 2020/21, Essex Police remained heavily involved in leading the county's response to the pandemic, both through the Chief Constable's co-Chairmanship of the Strategic Coordinating Group (SCG) stood up by the Essex Resilience Forum (ERF) to coordinate the multi-agency response, and also through its vital role in enforcing law and order (including of the powers introduced by the Government to deal with people who do not comply with social distancing measures), promoting community safety and reassuring the public at this turbulent time.

Essex Police has maintained an operating status of "green" or "blue" (no impact) throughout the pandemic. A dedicated command structure and adaptations to ways of working have enabled the entire workforce to continue to carry out its policing duties in ways that protect its health and wellbeing. The investment made in officer recruitment over recent years, combined with the dedication of police officers and staff, have enabled the force to continue to provide visible patrols and community reassurance. In contrast to the national trend, sickness levels in Essex Police have actually decreased during the pandemic, and the force has experienced one of the lowest absenteeism levels nationally during this period.

Both the PFCC and Essex Police have devised and implemented new ways of delivering services whilst protecting statutory rights. Video consultations have been enabled between officers, detainees and their solicitors across Essex custody suites for the first time and the PFCC's Independent Custody Visiting (ICV) scheme has played an important role in ensuring that detainees have continued to be treated as expected (including in respect of access to PPE) during the outbreak. Applications to join the force have increased, and reconfiguration of the force's methods of delivering training in compliance with social distancing requirements have enabled all probationer training to continue, and delivery of the force growth plan to remain on track. All volume processes have transitioned across to a virtual platform, meaning that Essex Police has continued to hold promotion boards. Temporary changes made to the 7 Force Contract Standing Orders have continued to allow contracts that would usually be signed under seal to be approved via an electronic signature and witness. The depth and strength of collaboration across the emergency services and with other partners has also been quite phenomenal, with Essex's police and fire and rescue services both playing critical roles in activities such as the distribution of PPE and other essential kit and equipment to key sites across the county.

The PFCC has had a weekly briefing from the Chief Constable on the impact of COVID-19 on the force and its response, and has continued to be represented on the SCG as well as on some of the supporting Tactical Coordinating Groups (TCGs) and the ERF Communications Group. The PFCC has also continued to convene fortnightly video conferences of the Essex Criminal Justice Board (ECJB) to ensure that key stakeholders are kept informed of developments and effective channels of communication are maintained.

The PFCC, Chief Constable and other key leaders across Essex have been interviewed regularly by BBC Essex as part of series entitled Essex Unites to highlight how the public and partners across the county have come together during the pandemic and what the public needs to do to stay safe. A weekly written briefing has been prepared by the ERF Communications Group for distribution to all elected leaders and other key stakeholders in the county and the PFCC's office has also arranged regular, remote briefings of MPs. Both the PFCC and Essex Police have also introduced virtual solutions to support their direct interactions with the public. The PFCC has produced a regular vlog and both are continuing to engage with

# Annual Governance Statement

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the public via social media.

The PFCC re-purposed £150,000 of its 2020/21 Community Safety Development Fund as a contribution to the Essex Coronavirus Response and Recovery Programme administered by the Essex Community Foundation to support voluntary and community organisations that responded to and have been adversely impacted by the pandemic. The PFCC has also funded the Chamber of Commerce to establish a business support helpline and to match offers of support from the business community with demand across the county.

The 2020/21 provisional outturn report for the force evidences the net expenditure on COVID-19 across two financial years is £4.533m. This expenditure has been met through Home Office funding for Medical Grade PPE of £1.415m, Income Loss Recovery of £1.148m, Surge funding of £0.674m, and COVID-19 enforcement and wider pressures funding of £1.303m; alongside cashable savings from non-pay expenditure budgets of £0.852m.

## Financial Support to the PFCC

- 6.3 As reported in last year's Annual Governance Statement, an interim Chief Finance (Section 151) Officer to the PFCC was in place from the start of the financial year, initially sourced through the Kent Police and Crime Commissioner's office and then, with effect from 14 April 2020, from Essex County Council.

Interviews took place for a new, permanent Head of Finance in November 2020, supported by the Chair of the Joint Audit Committee. The Commissioner's preferred candidate was confirmed by the Police, Fire and Crime Panel in December 2020 and took up post in January 2021.

- 6.4 Progress made in addressing the significant governance issues identified in last year's AGS is summarised on the pages that follow.

Title	Action	Expected Delivery	Position as at 31 <sup>st</sup> March 2021
Demand Management	<p>Secure the ability of the force to manage existing and future demand, with an effective operating model of policing using the efficiency gains enabled by investment in new technology.</p> <p>Continue to encourage members of the public to report crime online.</p>	<p>Additional 151 officers to be funded through the national uplift programme and continued efficiency savings made by Essex Police. Essex Police to have an officer establishment of 3,369 by 31 March 2021. Further improvements in demand management to be demonstrated by March 2021 as the impact of additional officers and continued investment in technology is seen.</p>	<p>The Home Office grant to Essex for its share of the national uplift of 20,000 officers, along with the precept increase, has allowed another year of significant investment in police officers and staff. This, along with the continued attraction and recruitment of new officers into the force, resulted in the establishment as at 31 March 2021 and the Year 1 target of the national Police Uplift Programme being exceeded. Officer strength as at 31 March 2021 was 3,412.83 FTE; 43.83 FTE over the establishment of 3,369 FTE. This puts the force in a strong position to progress towards the achievement of the Year 2 uplift target.</p> <p>All crime fell by 11.4% (19,131 offences) in 2020/21 compared to 2019/20. However, this reduction has primarily been influenced by national restrictions on gathering and movement as a result of the COVID-19 pandemic. During the 2020 calendar year, the force received 6.3% fewer 999 calls (322,286 compared with 343,800) than in 2019 and answered these in an average of 7 seconds as opposed to 9 seconds. The Force Control Room received 0.3% more 101 calls (293,899 compared with 293,049) but answered them, on average, 12 seconds faster (in 3 mins 10 seconds compared with 3 minutes 22 seconds). The Resolution Centre received 8.9% fewer 101 calls (87,070 compared with 107,347) and answered them significantly faster, in an average of 5 minutes 23 seconds compared with 17 minutes 18 seconds in 2019.</p> <p>Assisted by this, the force's performance in relation to meeting emergency response target attendance times improved by 5.4 percentage points to 82.6% in 2020/21 compared with 2019/20.</p> <p>Single Online Home has been developed to provide additional services in response to the COVID-19 pandemic. In April 2020, as part of emergency measures to reduce pressure on the 101 system associated with the pandemic, Essex Police installed Live Chat facilities on its SOH website, operated by Force Control Room staff working from home on a 7am – 11pm, seven-day shift pattern. An online reporting mechanism for ASB was also implemented in May 2020. Consequently, Essex has seen a significant increase in online reporting during the pandemic, with 9,000 reports recorded in April 2020. The Live Chat function of Single Online Home hosted an average of 67 contacts per day during Quarter 4 of</p>

			<p>2020/21 that would otherwise have been routed via 101.</p> <p>The target savings and efficiencies set by the Force Efficiency and Savings Board in 2020/21 was £6.775m (2.25% of the MTFS). This target has been exceeded by £1.481m, with £5.772m cashable (£4.791m recurring) and £2.484m non-cashable savings being realised. £1.122m non-cashable savings are attributed to body worn video whilst £0.06m non-cashable savings have been realised through Single Online Home.</p> <p>Essex Police has been shortlisted in the Police Service of the Year category in the Improvement and Efficiency Social Enterprise (iESE) Public Sector Transformation Awards, which celebrate the most innovative practice in transforming local public services.</p>
Comprehensive Spending Review 2020	To continue to promote the case for an improved Government police grant allocation by working with the APCC, NPCC, and PACCTS to deliver an evidence based response to the Home Office. This response will inform the HM Treasury decision.	Favourable outcome from the provisional grant settlement for 2021/22 due to be announced in December 2020, and from the CSR.	<p>On 17 December 2020, the Government issued the police funding settlement for 2021/22, which allowed PCCs and PFCCs £15 precept flexibility without triggering a referendum. The Government also provided £413.6m for the recruitment of 6,000 additional officers nationally by March 2022. In light of the pressures on Essex residents as a result of the ongoing impact of the COVID-19 pandemic, the PFCC did not maximise the precept flexibility available for 2021/22. Instead, on 4 February 2021, the Police, Fire and Crime Panel approved a precept increase of 4.98%, equivalent to an increase of £9.90 a year, from £198.63 to £205.53, for a Band D property, raising an additional £6.014m in Council Tax receipts. The outcome of the Comprehensive Spending Review has not yet been announced.</p>

Title	Action	Expected Delivery	Position as at 31 <sup>st</sup> March 2021
Public confidence and victim satisfaction	Implement a new communications strategy and clearer engagement focus across the force in order to enhance the public's understanding of the work and successes of Essex Police, thereby increasing public satisfaction and confidence.	Improvements in public and victim satisfaction and confidence in local policing during 2020/21.	<p>The ongoing independent public confidence survey indicates that, during the 12 months to the end of December 2020, 76% respondents thought that local police were doing a good or excellent job, compared with 65% during the previous 12 months. 71% felt Essex Police understood community issues compared with 60% the year before, which moved the force above the average (67%) for its Most Similar Group (MSG) of forces. 54% agreed that Essex Police is dealing with crime and ASB in their area compared with 46% the year before. This is higher than both the MSG average (53%) and the national average (42%). Taking everything into account, 75% respondents reported having confidence in Essex Police, compared with 64% in the previous year. However, victims of crime continue to report lower levels of confidence and satisfaction than non-victims across a range of measures. This gap has remained constant with the previous year.</p> <p>The independent public confidence survey also assessed public opinion of Essex Police's approach to policing the Coronavirus restrictions and shows that, throughout the pandemic, just over 70% of those surveyed were supportive of the force's stance.</p>
Blue light collaboration	To promote collaborative working across blue light services, including greater efficiencies between Essex Police and Essex County Fire and Rescue Service and the successful transition to the 7Force Strategic Alliance.	<p>Sign off the PEQF contract. Make significant progress in delivering target milestones and efficiency savings within the key work streams within the 7Force programme:</p> <ul style="list-style-type: none"> <li>• Procurement</li> <li>• Vetting</li> <li>• Forensics case management</li> <li>• IT convergence</li> <li>• A shared ERP</li> </ul> <p>Digital Asset Management System (DAMS).</p>	<p>Strategic collaboration work has continued across Essex Police and the Essex County Fire and Rescue Service, especially in respect of fleet workshops and other shared estate. A shared rural resource pilot went live in the Dengie in November 2020.</p> <p>The PEQF contract was signed and completed by all 7F partners on 12 June 2020, after "go live" was paused from the beginning of April due to COVID.</p> <p>The 7F Strategic Alliance agreed the 7F Procurement closure report on 27 July 2020. The Post Implementation Review is currently underway.</p> <p>The 7 Forces of the eastern region migrated to the new Core Vet system in April 2021.</p> <p>The Full Business Case for a shared Forensics Case Management System was agreed by the Strategic Alliance on 14 January 2021. The contract was subsequently signed by all PCCs in April 2021.</p> <p>A pilot with the preferred supplier of a 7F DAMS agreed by the Strategic Alliance in July 2020 has concluded, however a contractual issue for Essex</p>

			<p>and Kent means that the project timelines are currently being reviewed. In respect of a shared ERP, it was decided in January 2020 that, in the absence of shared transactional services, the investment and risk required were too high for the level of business change. Following extensive discussions, it was further decided by the Strategic Alliance in January 2021 not to progress to Full Business Case for ICT convergence, predominantly due to financial challenges in some force areas. This may be revisited in two to three years' time.</p>
Recovery from the COVID-19 pandemic	<p>Develop and deliver actions to continue delivery of the Police and Crime Plan throughout 2020/21. Respond appropriately to any increases in certain crime types that may emerge as a result of the pandemic. Establish and respond appropriately to any impact on support services delivered by the voluntary and community sector. Continue to promote and progress video-enabled justice in order to increase the efficiency of the criminal justice system. Assess and respond appropriately to any subsequent loss of income due to reductions in Council Tax receipts (due to increases in non-payment and / or changes to the anticipated Council Tax base increase).</p>	<p>Demand and financial impacts on the local population and the force are mitigated as far as possible.</p>	<p>The response phase of the pandemic continued throughout 2020/21. Throughout this time, activity to deliver the Police and Crime Plan continued and, as noted above, all crime fell by 11.4% in 2020/21 compared to 2019/20. This equates to 19,131 fewer offences. Since May 202, the number of ASB incidents reported has generally increased when further restrictions have been implemented by the Government and decreased as restrictions have eased. Due to the proportion of time spent "in lockdown" during the year, overall Essex experienced a 46.2% increase in ASB incidents during 2020/21 compared with 2019/20. As referenced above, the PFCC re-purposed £150,000 of their 2020/21 Community Safety Development Fund as a contribution to the Essex Coronavirus Response and Recovery Programme administered by the Essex Community Foundation to support voluntary and community organisations that responded to and have been adversely impacted by the pandemic.</p> <p>Essex's response to Virtual Remand Hearings was swift and praised by local HMCTS colleagues. Like other forces, Essex experienced an impact on resources within the Custody Command which was mitigated to an extent by the creation of the Southend Remand Suite (SRS) to better enable administration of remand prisoners attending court virtually from police custody suites. The use of the SRS ceased in November 2020, with remand prisoners now being transported to court, thus reducing the average time a detainee spends in police custody. Essex Police also worked closely with firms of solicitors to establish a way that advice and representation in interviews could be achieved virtually, which is still in use across all custody suites.</p> <p>The overall workload within the criminal justice system is currently 75.7% higher than before the pandemic, with the main concern being Crown</p>

			<p>Court cases and the backlog of trials. Multi-agency meetings chaired by the PFCC are taking place on a fortnightly basis to monitor progress and identify further opportunities for maintaining and expediting this. This is also subject to an HMCTS recovery work package.</p> <p>Reporting to the Home Office on the financial impacts of COVID continues, in order that appropriate reimbursement can be considered.</p>
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## Significant governance issues for 2021/22

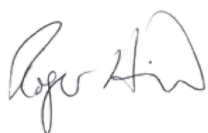
6.5 Significant governance issues for consideration in 2021/22 are identified below:

Title	Action	Expected Delivery
Demand Management	Secure the ability of the force to manage existing and future demand, with an effective operating model of policing using the efficiency gains enabled by investment in new technology. Continue to encourage members of the public to report crime online.	Deploy an additional 184 police officers and an additional 19 police staff as part of the 2021/22 Force Growth Programme. Further improvements in demand management to be demonstrated by March 2022 as the impact of additional officers and continued investment in technology is seen. Deliver a total of £4.822m (£3.894m recurring) savings, comprised of cashable savings of £4.466m (£3.478m recurring) and non-cashable savings of £0.416m.
Comprehensive Spending Review 2020	To continue to promote the case for an improved Government police grant allocation by working with the APCC, NPCC and PACCTS to deliver an evidence based response to the Home Office. This response will inform the HM Treasury decision.	Favourable outcome from the provisional grant settlement for 2022/23 due to be announced in December 2021, and from the CSR.
Public confidence and victim satisfaction	Building on learning obtained from the approach taken to engagement during the COVID-19 pandemic, continue to enhance the public's understanding of the work and successes of Essex Police, thereby increasing public satisfaction and confidence.	Improvements in public and victim satisfaction and confidence in local policing during 2021/22.
Blue light collaboration	To promote collaborative working across blue light services, including greater efficiencies between Essex Police and the Essex County Fire and Rescue Service; through the Essex and Kent Police Shared Services directorate, and through the 7Force Strategic Alliance	Progress shared fleet workshops across Essex Police and the Essex County Fire and Rescue Service, along with further estate sharing in Harwich and Dovercourt. Implement collaborative Firearms, Shotguns, Explosives and Licensing (FSEL) administration across Essex and Kent as part of Operation Hexagon. Continue wider technological implementation of the Core Vet system through until autumn 2021. Agree future opportunities for 7F collaboration across the 14 corporation soles in summer 2021.
Recovery from the COVID-19 pandemic	Respond appropriately to any increases in certain crime types that may emerge as a result of the pandemic. Establish and respond appropriately to any impact on	Demand and financial impacts on the local population and the force are mitigated as far as possible.

	support services delivered by the voluntary and community sector. Assess and respond appropriately to any subsequent loss of income due to reductions in Council Tax receipts (due to increases in non-payment and / or changes to the anticipated Council Tax base increase).	
Government's PCC Review	Respond appropriately to changes to the Specified Information Order, anticipated in May 2021. Respond to the anticipated Government consultation on potential changes to the Policing Protocol Order 2011. Respond to the anticipated Home Office consultation on giving a General Power of Competence to all PCCs. Otherwise engage as appropriate in Part 2 of the review, including through the PFCC continuing to form part of the Home Office's Advisory Group (if returned).	The PFCC and the force will influence Government thinking, and therefore future national policy, relating to the role, remit and powers of PCCs.
Police and Crime Plan 2021 - 2024	Develop, consult on and secure Police, Fire and Crime Panel approval of a new Police and Crime Plan for the new electoral term	The PFCC will provide clear strategic direction to Essex Police as well as clarity to partners and the public concerning their commitments and priorities for improving community safety during the next electoral term.

## 7. Conclusion

- 7.1 We propose over the coming year to take steps to address the identified issues to further enhance our governance arrangements. We are satisfied that the proposed actions will ensure that our governance processes will remain effective in a changing environment. We will continue to monitor their implementation and operation, including through our risk management and assurance processes.



**The Police, Fire & Crime Commissioner for Essex**



**Head of Finance to the PFCC for Essex**

# Glossary of terms

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**ACCRUAL** – The recognition, in the correct accounting period, of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

**ACCRUED BENEFITS** – The benefits for service up to a given point in time, whether vested rights or not.

**ACTUARIAL GAINS AND LOSSES** – For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

**ACTUARIAL VALUATION** – A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**AGENCY SERVICES** – The provision of services by an authority (the agent) on behalf of another authority, which is legally responsible for providing those services. The responsible authority reimburses the authority providing the service.

**ANPR** – Automatic Number Plate Recognition

**APPROPRIATIONS** - Amounts transferred to or from revenue or capital reserves.

**ASSET** - An item owned by the PFCC, which has a value, for example, land & buildings, vehicles, equipment, cash.

**ASSETS UNDER CONSTRUCTION** – The cost of work done on an uncompleted project at the balance sheet date.

**BUDGET** – A statement of the PFCC's plans in financial terms. A budget is prepared and approved by the PFCC before the start of each financial year and is used to monitor actual expenditure throughout the year.

**CAPITAL ADJUSTMENT ACCOUNT** – An account which reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

**CAPITAL EXPENDITURE** - Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance market value.

**CAPITAL GRANT** – Grant from Central Government used to finance schemes in the capital programme. Where capital grants are receivable, these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

**CAPITAL RECEIPTS** – The proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt, as laid down within rules set by Central Government.

**CASHFLOW STATEMENT** – This statement summarises the inflows and outflows of cash.

**CIPFA** – The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

**CONTINGENCY** – The sum of money set aside to meet unforeseen expenditure or liability.

# Glossary of terms

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**COLLECTION FUND** – A fund administered by each District Council into which individuals' council tax payments are paid. The PFCC precepts on the Fund to finance part of the net revenue expenditure.

**COMPONENTISATION** – The separate recognition, depreciation and derecognition of parts (components) of assets. This is based on the concept that various components of an asset are identified and depreciated separately if they have differing patterns of benefits, useful lives and are significant relative to the total cost of the asset.

**COUNCIL TAX** – The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

**CREDITORS** – Individuals or organisations to whom the PFCC owes money at the end of the financial year.

**CURRENT ASSETS AND LIABILITIES** – Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.

**CURRENT SERVICE COSTS (PENSIONS)** – The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

**CURTAILMENT** – For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

**DEBTORS** – Individuals or organisations who owe the PFCC money at the end of the financial year.

**DEFERRED LIABILITIES** – Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

**DEFERRED PENSIONS** – Individuals who have ceased to be active members but are entitled to benefits payable at a later date.

**DEFINED BENEFIT SCHEME** – A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

**DEPRECIATION** – An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

**DIRECT REVENUE FINANCING** – Resources provided from the PFCC's revenue budget to finance the cost of capital projects.

**DISCRETIONARY BENEFITS** – Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the PFCC's discretionary powers.

**EARMARKED RESERVES** – These represent monies set aside that can only be used for a specific purpose.

**ECFRS** – Essex County Fire and Rescue Service

**EXPECTED RATE OF RETURN ON PENSION 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.

# Glossary of terms

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**EXTRAORDINARY ITEMS** – Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the PFCC and are not expected to recur.

**FAIR VALUE** - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**FINANCE AND OPERATING LEASE** – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the Income & Expenditure Account.

**FINANCIAL ASSETS** – Cash, an equity instrument of another entity or a contractual right to receive cash, or another Financial Instrument, or to exchange Financial Instruments under favourable conditions.

**FINANCIAL INSTRUMENTS (FI)** – contracts that give rise to a financial asset of one entity and a financial liability of another entity.

**FINANCIAL LIABILITIES** – A contractual obligation to deliver cash, or another FI, or to exchange FIs under favourable conditions.

**FINANCIAL REGULATIONS** – A written code of procedures approved by the PFCC, intended to provide a framework for proper financial management.

**FINANCIAL YEAR** - The period of twelve months for the accounts commencing 1st April.

**FORMULA SPENDING SHARE (FSS)** – An assessment by central government of how much a PFCC needs to spend to provide a common level of service having regard to the individual circumstances. It is used to distribute Police Grant.

**FUTURE CAPITAL FUNDING RESERVE** – Created to provide an alternative source of financing capital expenditure, and to ensure some stability in the level of capital programmes that can be financed each year.

**GOING CONCERN** – The concept that the PFCC will remain in operational existence for the foreseeable future, in particular that the Comprehensive Income & Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operations.

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

**GROUP (ACCOUNTS)** – The consolidated position of both the Chief Constable of Essex and the Police & Crime Commissioner for Essex.

**IAS19 RETIREMENT BENEFITS** – An accounting standard that requires the recognition of long term commitments made to employees in respect of retirement benefits in the year in which they are earned.

# Glossary of terms

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**IMPAIRMENT** – Where events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable, e.g. a significant decline in market value or evidence of obsolescence or physical damage. The impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

**INCOME & EXPENDITURE ACCOUNT** – The main revenue fund of the PFCC into which the precept, government grants and other income are paid, and from which the costs of providing services are met.

**INTEREST INCOME** – The money earned from the investment of surplus cash.

**INTEREST COSTS (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.

**INTERNATIONAL ACCOUNTING STANDARDS (IAS)** – Standards for the preparation and presentation of financial statements, published between 1973 and 2017 by the International Accounting Standards Committee.

**INVESTMENTS (PENSION FUND)** – The investments of the Pension Fund will be accounted for in the statements of that Fund. Authorities, however, are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

**JAC** – Joint Audit Committee

**MINIMUM REVENUE PROVISION (MRP)** – The statutory minimum amount which the PFCC is required to set aside on an annual basis as a provision to redeem debt.

**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.

**NCTPHQ** – National Counter Terrorism Policing Headquarters

**NON CURRENT ASSETS** – Tangible or intangible assets that yield benefits to the PFCC for a period of more than one year.

**NON OPERATIONAL ASSETS** – Non-operational assets are fixed assets held by the PFCC but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

**NPCC** – National Police Chiefs' Council.

**OPERATIONAL ASSETS** – Fixed assets held and occupied, used or consumed by the PFCC in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

# Glossary of terms

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**OUTTURN** – The actual amount spent in the financial year.

**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.

**PAYMENTS IN ADVANCE** – These represent payments prior to 31st March for supplies and services received after 1st April.

**PENSION FUND** – A fund which makes pension payments on retirement of its participants.

**PFCC** – Police Fire and Crime Commissioner.

**POLICE GRANT** – A grant paid by the Government to PFCCs as a proportion of the Formula Spending Share or FSS.

**PRECEPT** – The income which the PFCC requires the District Councils to raise from council tax on its behalf.

**PROJECTED UNIT METHOD** – An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. The scheme liabilities at the valuation date relate to:

- a) The benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases.
- b) the accrued benefits for members in service at the valuation date.

**PROPERTY, PLANT & EQUIPMENT (PPE)** – Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**PROVISION** – An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

**PUBLIC WORKS LOAN BOARD (PWLb)** – A government agency which provides longer term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RECEIPTS IN ADVANCE** – These represent income received prior to 31st March for supplies and services provided by the Authority after 1st April.

**RESERVES** – Monies set aside by the PFCC either to be earmarked for specific purposes, or generally held to meet unforeseen or emergency expenditure (General Reserve).

**RETIREMENT BENEFITS** – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVALUATION RESERVE** – The account records unrealised net gains (if any) from revaluations made after 1st April 2007.

**REVENUE EXPENDITURE AND INCOME** – Day to day expenses mainly salaries and wages, general running expenses and the minimum revenue provision cost. Charges for goods and services.

# Glossary of terms

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**REVENUE CONTRIBUTIONS TO CAPITAL** – Contribution from the Comprehensive Income & Expenditure Statement to finance capital expenditure and thus reduce the requirement to borrow.

**SERVICE REPORTING CODE OF PRACTICE** – A code of practice issued by CIPFA, which provides a consistent and comparable basis for financial reporting across local authorities in the United Kingdom.

**SCHEME LIABILITIES** – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**SETTLEMENT** – An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

**SPONSORSHIP** – The voluntary provision of non-public fund, services, equipment or other resources that enables the police to enhance or extend the normal service provided.

**TRANSFER VALUES** – Payment made by one pension scheme to another in respect of accrued pension rights when a member of a scheme changes pensionable employment.

**UNUSABLE RESERVES** – Reserves that represent the net value of fixed assets and pensions & other liabilities, but which cannot be applied to fund expenditure or reduce local taxation.

**USABLE RESERVES** – Reserves that can be applied to fund expenditure or reduce local taxation.

**VESTED RIGHTS** – In relation to a defined benefit scheme, these are:-

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme.
- b) for deferred pensioners, their preserved benefits.
- c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.



# Further Information

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## Further Information

Further information about the PFCC for Essex Group and PFCC's accounts is available from:

Corporate Finance  
Essex Police Headquarters  
PO Box 2  
Springfield Chelmsford Essex  
CM2 6DA

Telephone 01245 452615  
E-mail: [public.finance.enquiries@essex.police.uk](mailto:public.finance.enquiries@essex.police.uk)

In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The accounts are available for inspection on the PFCC website (as per the website address below). The audit of the accounts has been formally concluded and this is reflected in the independent auditor's report.

General information about the Office of the PFCC can be obtained by visiting: <https://www.essex.pfcc.police.uk/>