



**Statement of Accounts  
for the PCC for Essex Group and PCC  
2015/16 FINANCIAL YEAR**

**Produced 23 September 2016**

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# NARRATIVE REPORT

## Introduction

This Narrative Report is prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and must include a commentary by the PCC on financial performance, economy, efficiency and effectiveness in its use of resources over the 2015/16 financial year.

This report sets out the financial position of the Police and Crime Commissioner (PCC) for Essex Group. The Group consists of the single entity financial statements of the PCC for Essex and the consolidated position incorporating the financial statements for the Chief Constable.

The overriding purpose of this report is to inform readers of these statements on matters that are most significant to our financial position and our financial and non-financial performance.

## Statutory Framework

The (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. The financial year 2015/16 marks the final year of the term of office for Nick Alston who was elected PCC in November 2012 and also for Lindsay Whitehouse as Deputy PCC.

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the 'Service Reporting Code of Practice' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts also comply with International Financial Reporting Standards (IFRS) and the CIPFA LAAP Bulletin 104.

The PCC is responsible for the formal oversight of Essex Police Service, including budget setting, performance scrutiny and strategic policy development and for ensuring that Essex Police is run efficiently and effectively, so that citizens of Essex are getting the best service possible from their police. Operational decision-making on day-to-day policing remains the responsibility of the Chief Constable.

One of the duties of the PCC is to hold the Chief Constable to account to secure the maintenance of an efficient and effective police force. The respective responsibilities of the PCC and Chief Constable create a subsidiary relationship between the PCC and Chief Constable whereby the PCC is the parent entity of the Chief Constable and together they form 'the Group'.

The updated 2015 Police and Crime Plan is a strategic planning document which describes the eight priorities which the PCC uses to hold the Chief Constable to account. The areas of focus are:

1. Reducing domestic abuse and all other Hidden Harms
2. Supporting victims of crime
3. Reducing youth offending and all types of re-offending
4. Tackling the consequences of alcohol and drugs abuse, and mental health issues
5. Improving road safety
6. Improving crime prevention
7. Increasing efficiency in policing through collaborative working and innovation
8. Ensuring local solutions meet local problems

Essex Police and the Office of the Police and Crime Commissioner (OPCC) for Essex commenced the Strategic Transformation Programme to deliver the force transformation required to meet the challenges of 2020 and beyond; this will address the changing demand and reducing resources

## Financial Review

All assets, liabilities and contracts remained in the name and ownership of the PCC. The majority of police staff along with Police Officers and PCSO's are employed by the Chief Constable. The staff structure of the Office of the Police and Crime Commissioner consists of 13 permanent staff supplemented by interim staff according to the demands of the service.

In setting the budget and precept for 2015/16 the PCC had to comply with the Government's limit for excessive rises in council tax. This was set at increases of 2% or above. In January 2016 the PCC set a precept increase of 3.36%

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resulting in a band D Council Tax of £152.10. For each year in office the PCC has increased the precept up to, but not exceeding, the level determined by the Government to be excessive. This policy was to help address the historic low precept base in Essex in the light of substantial budget savings necessary to support the Governments fiscal plan and also to support local investment in services. After several years of increasing the precept by the former Police Authority the level of the precept in Essex was still one of the lowest of the shire forces. The PCC has increased the precept each year by 3.49%, 1.9% and 1.9% and 3.6% respectively for 2013/14, 2014/15, 2015/16 and 2016/17.

The PCC set the 2015/16 revenue budget requirement of £262.511m after a budgeted withdrawal of £2.1m from the General Reserve. The budget was increased to £262.706 during the year following the receipt of a further £195k from the collection fund from Brentwood Council. Net spending for 2015/16 before transfers to and from earmarked reserves was £262.706m resulting in a balanced budget for the year.

The Group deficit, after the transfer from earmarked reserves, was £2.070m which is equal to the budget. The transfer from Earmarked Reserves of £1.962m relates mainly to Carry Forwards explained in note 25.

The table below shows budgeted and actual net revenue expenditure, the sources of funding and the transfers from earmarked reserves and the General Reserve in a form that is recognisable for the Group in setting the PCC budget and precept. The Net Revenue Expenditure excludes depreciation, pension liabilities, accumulated absences and other items. These charges are included and accounted for in the Core Financial Statements in accordance with proper accounting practice.

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	Group					PCC		
	Original							
	Budget	Virements	Budget	Actual	Variance	Budget	Actual	Variance
	£000	£000	£000	£000	£000	£000	£000	£000
Police Officer Pay and Allowances	164,939	(1,127)	163,812	163,681	(131)	0	0	0
PCSO and Police Staff Pay and Allowances	74,983	1,949	76,932	76,828	(104)	1,740	2,410	670
Police Pensions	4,561	0	4,561	3,933	(628)	0	0	0
Training	896	50	946	922	(24)	945	915	(30)
Other Employees Expenses	433	2,411	2,844	2,771	(73)	73	70	(3)
Premises	10,303	20	10,323	10,161	(162)	10,323	10,161	(162)
Transport	5,693	(105)	5,588	4,430	(1,158)	4,716	3,515	(1,201)
Supplies And Services	21,049	3,165	24,214	26,543	2,329	23,994	26,152	2,158
Third Party Payments	4,842	480	5,322	5,709	387	5,317	5,523	206
Other Expenditure	(1,463)	2,998	1,535	1,512	(23)	1,514	1,513	(1)
<b>Gross Revenue Expenditure</b>	<b>286,236</b>	<b>9,841</b>	<b>296,077</b>	<b>296,490</b>	<b>413</b>	<b>48,622</b>	<b>50,259</b>	<b>1,637</b>
Income	(22,835)	(6,393)	(29,228)	(29,752)	(524)	(25,960)	(26,800)	(840)
<b>Net Revenue Expenditure</b>	<b>263,401</b>	<b>3,448</b>	<b>266,849</b>	<b>266,738</b>	<b>(111)</b>	<b>22,662</b>	<b>23,459</b>	<b>797</b>
<b>Sources of Funding</b>								
Police Grant	(103,372)	0	(103,372)	(103,372)	0	(103,372)	(103,372)	0
DCLG Grant	(56,253)	0	(56,253)	(56,253)	0	(56,253)	(56,253)	0
Council Tax Precept	(88,081)	0	(88,081)	(88,081)	0	(88,081)	(88,081)	0
Council Tax Freeze Scheme	(2,133)	0	(2,133)	(2,133)	0	(2,133)	(2,133)	0
Council Tax Support Grant	(10,992)	0	(10,992)	(10,992)	0	(10,992)	(10,992)	0
Collection Fund Surplus	(1,680)	(195)	(1,875)	(1,875)	0	(1,875)	(1,875)	0
<b>Total Sources of Funding</b>	<b>(262,511)</b>	<b>(195)</b>	<b>(262,706)</b>	<b>(262,706)</b>	<b>0</b>	<b>(262,706)</b>	<b>(262,706)</b>	<b>0</b>
<b>Deficit / (surplus) before transfer to Earmarked Reserves</b>	<b>890</b>	<b>3,253</b>	<b>4,143</b>	<b>4,032</b>	<b>(111)</b>	<b>(240,044)</b>	<b>(239,247)</b>	<b>797</b>
<b>Transfer to/(from) Earmarked Reserves</b>	<b>1,180</b>	<b>(3,253)</b>	<b>(2,073)</b>	<b>(1,962)</b>	<b>111</b>	<b>(2,073)</b>	<b>(1,962)</b>	<b>111</b>
<b>Transfer from/(to) General Reserve</b>	<b>2,070</b>	<b>0</b>	<b>2,070</b>	<b>2,070</b>	<b>0</b>	<b>(242,117)</b>	<b>(241,209)</b>	<b>908</b>

In balancing the 2015/16 budget the savings required amounted to £12.2m after £2m was forecast to be withdrawn from reserves. In order to achieve this level of savings a number of operational reviews were undertaken. These included a review of central departments at HQ, the Serious Crime Directorate, Custody and a reduction in PCSOs.

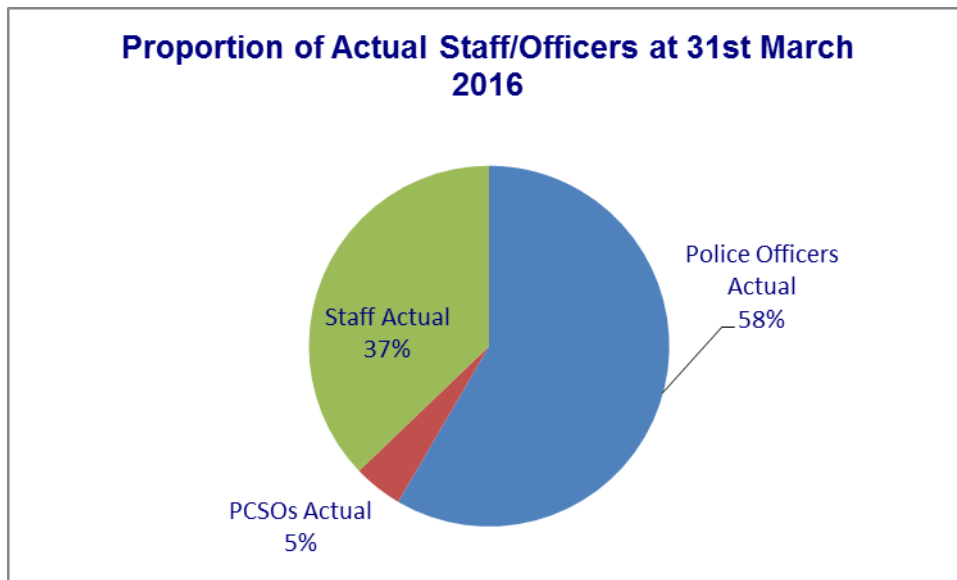
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As 83% of gross expenditure is on employees a reduction in the numbers of Police Officers, PCSOs and Police Staff was needed to achieve a balanced budget. The actual reductions compared with the budget are shown below:

### Officer and Staff Numbers compared with 2015/16 Budget

	Police Officers		PCSOs		Staff	
	Budget	Actual	Budget	Actual	Budget	Actual
1 <sup>st</sup> April 2015	3,067	3,062	263	262	1,920	1,828
Net reduction in year	-108	-172	-13	-43	-45	10
31 <sup>st</sup> March 2016	2,959	2,890	250	219	1,875	1,838

The above table shows that police officer numbers at the end of the financial year were 69 less than budget and this is largely accounted for by a larger than expected number of officers leaving the Force. The table shows the PCSO numbers at the 31<sup>st</sup> March 2016, further reductions in PCSO numbers were planned to take effect in the 2016/17 financial year. The number of Police Staff has increased in part due to civilianisation.



The reduction in police officers, PCSOs and staff since 2010 has been significant, adding further to the challenge of ensuring that available resources are best deployed across the range of policing needs.

In maintaining net spending within budget for 2015/16 there were other budget variations, both under and over spending which are highlighted below:

- Police Staff vacancies have averaged 40fte above the 4% (79fte) vacancy factor all year, leading to an underspend against the budget of **£0.828m**. With delays in the civilianisation of Police Officers, there has been a delay in recruiting to Police Staff posts.
- Agency staff budgets overspent by **£0.764m** mainly on Public Protection agency staff. There is a new structure for the Public Protection Unit being implemented in 2016/17 with additional funding of **£1.9m** recurring budget and **£0.4m** one-off budget.
- Underspend on Police Officer Pensions (Ill Health / Medical) was **£0.627m**. In 2015/16 there were five new ill health retirements (seventeen 2014/15) and one (three 2014/15) injury retirements requiring funding from the Force's budget.

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- The insurance claims excess was increased during 2014/15 from £100k to £250k for motor claims and from £100k to £350k for liability claims (e.g. Public / Employers). The cost of insurance claims in 2015/16 was **£1.113m** (£1.331m 2014/15) resulting in an overspend of **£0.962m**. An additional budget of **£1.1m** is included in the 2016/17 base budget and the Insurance Provision requirement will be continually reviewed during 2016/17.
- The Transport budget was underspent by **£1.158m**. This was mainly due to fuel which £0.729m was underspent due to consumption and prices falling during 2015/16. The cost of outsourcing, tyres and spare parts budget was underspent by **£0.348m**, as Transport Services have been able to carry out more work in-house therefore reducing outsourcing costs considerably.
- Communications and Technology budget was overspent by **£0.639m**, mainly due to Microsoft Enterprise Agreement overspend of **£0.426m**, SAP additional licences overspend of **£0.180m**, Home Office increased charges of **£0.102m** and Novell IT system under licencing of **£0.400m**. The overspend was offset with underspends of **£0.236m** on telecommunications and **£0.075m** on Airwave services.
- The income budget was over achieved by **£0.883m**, mainly due to the Magistrates Court Awards of **£0.226m**, Innovation grant income of **£0.205m** and Funded Events income from prior years of **£0.168m**.
- The Stray Horses budget overspent by **£0.127m**. The contract and policy for dealing with stray horses has been under review in 2015/16.

### Capital Expenditure

The capital outturn is £12.443m, which is £4.432m less than the original payments forecast of £16.875m. The main reason for the reduction in spending is that the original payments forecast included capital investment on estates and IT that was subject to business cases being approved and in the event did not materialise during the year. In particular, the mobile policing project has moved in 2016/17 and the planned expenditure on preparations including planning application fees for a new headquarters site also did not materialise. The reasons for this are linked to changes in the plan/requirements for the new headquarters development, the change in PCC and original plans for headquarters were not feasible.

Capital expenditure is mainly financed from capital resources of government grants and capital receipts. The capital financing balance is £4.56m at 31<sup>st</sup> March 2016. This, together with forecast capital income in 2016/17 is unlikely to be sufficient to finance the current capital expenditure forecast in 2016/17 subject to the emerging timing profile of expenditure and capital receipts generated. Work is underway to assess the maximum level of capital receipts available.

During 2015/16 capital expenditure amounted to £12.443m across a range of projects:

- Automatic Number Plate Recognition (ANPR) – Various projects across the county to enhance the existing infrastructure.
- Estates – Major building works at Southend Police Station are being undertaken to provide improved custody facilities and building refurbishment. The building was open for operational use in May 2016 with the Custody facilities due for completion in the Autumn of 2016.
- IT - Annual programmes for replacement servers, printers, docking stations, desktop and laptop computers were undertaken together with further development of the PCC's core data and telephony network.
- Transport - A total of 147 vehicles were purchased at a cost of £2.288m.

Capital expenditure was financed using the following sources:

- |     |   |                         |
|-----|---|-------------------------|
| i)  | Home Office and other governmental body grants      | (67% of total payments) |
| ii) | Contributions from partners and other third parties | ( 8% of total payments) |

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- iii) Receipts generated from the disposal of fixed assets ( 24% of total payments)
- iv) Contributions from revenue ( 1% of total payments)

The programme of disposal of assets continued during 2015/16 with £3.0m capital receipts generated from the sale of 9 properties.

### General Reserve

The following table identifies the movements on the General Reserve during the year. The balance on the General Reserve represents 4.99% of the 2015/16 Net Revenue Expenditure.

	<b>£000</b>
<b>General Reserve at start of year</b>	<b>15,227</b>
<b><u>Movement in Reserves</u></b>	
Transfer to CIES from General Reserve	(2,070)
Net transfer from Earmarked Reserves to General Reserve	0
<b>Net use of General Reserve</b>	<b>(2,070)</b>
<b>General Reserve at end of year</b>	<b>13,157</b>

The General Reserve is held to provide sufficient liquid resources to fund day-to-day cash requirements, to fund unexpected and/or planned operational requirements and to manage the timing of savings and redundancy costs.

### Earmarked Reserves

The PCC's Earmarked Reserves total £3.528m at 31 March 2016. The movement on Earmarked Reserves is shown in note 25. The levels of all reserves are reviewed on a regular basis.

The PCC's revenue reserves at the start of the year were the lowest as a percentage of net revenue expenditure of all shire forces and the relative lack of reserves was a constant reference point in ensuring that overall spending was maintained with budgeted resources.

### 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 (see page 20 and note 33) includes net liabilities of £131.396 (2014/15 £143.980m) for police staff and £2,331.316m (2014/15 £2,387.920) for police officers. The statutory arrangements for funding the police officer deficit and the PCC's arrangements for funding the police staff deficit, however, mean that the financial position of the PCC remains sound.

### Treasury Management

The PCC invests surplus funds in accordance with the Treasury Management Strategy, which is agreed each year. The strategy sets out a clear set of investment parameters in order to minimise the risk of financial loss. In summary these parameters are:

- i) Country Limits: UK and non UK financial institutions (meeting specified credit rating criteria)
- ii) Monetary limits as follows:
  - a. Debt Management Office – up to 100% of total investment portfolio
  - b. All other financial institutions - £10m limit to principal investment with each institution
- iii) Durational limits: maximum duration 12 months

The PCC had liquid investments totalling £18.159m at 31 March 2016. During 2015/16 the PCC earned investment income of £0.145m, representing an average return of 0.8%.

The PCC undertook short term external borrowing during 2015/16. The PCC has, however, inherited internal borrowings from the former Essex Police Authority of approximately £8.1m. This arises from occasions in previous years when the practice was to utilise surplus cash balances to finance the capital programme in lieu of borrowing these funds externally from financial institutions. If the practice had been to borrow funds externally, the investments at 31 March 2016 would have been higher, and they would be offset by an equivalent amount of external debt.



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### OPCC Financial Review

The Office of the PCC (OPCC) cost £1.2m during 2015/16 which was equal to budget.

### OPCC Grant Expenditure

The PCC continues to work with local partners to deliver against community safety priorities. The PCC's Community Safety Fund (CSF) provides core funding in the form of community safety grants to statutory and voluntary organisations for activities that meet locally identified priorities aligned to the Police and Crime Plan. The PCC continues to make the same level of funding available, as in 2014/15, through this fund, recognising the importance of the involvement of local groups and organisations to the effective delivery of the areas of focus within the Police and Crime Plan.

In 2015/16 the PCC continued to fund Community Safety Partnerships in Essex, £335k of funding was allocated through the revised funding formula. From the Community Safety Fund (CSF) the PCC also provided £463k of funding to Youth Offending Services (YOS) and £503k to the Drug and Alcohol Teams (DAAT) across Essex. £100k was allocated and used to fund a number of projects which specifically focused on reducing hidden harm across Essex.

The PCC launched the Community Safety Development Fund (CSDF) in 2015/16 which superseded the New Initiatives Fund. At the start of the year the value of the CSDF was £300k however due to the volume of successful applications the PCC decided to increase the budget by a further £200k to £500k. In 2015/16 the PCC funded over 55 projects through the CSDF across Essex totalling £465k. The aims and objectives of these projects are closely aligned to the Police and Crime Plan priorities with some projects focusing on youth diversionary activities, supporting victims of crime and reducing reoffending.

Since October 2014 PCCs have been responsible for the commissioning of services for victims of crime. In Essex this includes a victims referral and assessment service which enables victims to access information, support and advice, restorative justice services, and specialist practical and emotional support services for victims of sexual and domestic abuse. The Ministry of Justice provide an annual grant to the PCC to commission or deliver these services across Essex. In addition to the £1.87m grant received from the Ministry of Justice the PCC supplemented the budget with an additional £200k from the CSF and a further £88k from a previous Force budget.

The PCC was able to utilise unallocated funding from 2014/15 and carry this forward into 2015/16 which increased the overall grant budget available. The table below shows the amount of grant funding allocated during 2015/16 and the related grant over/underspend.

	<b>Original Budget (£000)</b>	<b>Allocated (£000)</b>	<b>Over/Underspend (£000)</b>
<b>Community Safety Fund (CSF)</b>	2,199	2,325	55
<b>Community Safety Development Fund (CSDF)</b>	300	465	(82)
<b>Victims</b>	1,871	2,187	(51)
<b>Government Grant</b>	(1,871)	(2,251)	-
<b>Total</b>	2,499	2,726	<b>(78)</b>

The PCC set the 2015/16 revenue budget requirement of £262.5m in January 2015 of which the PCC allocated £1.2m for the OPCC and £2.5m for the allocation of grants. The remaining net budget of £258.8m was delegated to the Chief Constable.

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### **Performance Report**

The PCC measures performance across the eight themes of the Police & Crime Plan on a formal basis each month. The themes are:

1. Reducing Domestic Abuse
2. Supporting Our Victims of Crime
3. Reducing Youth Offending and Re-Offending in General
4. Tackling Consequences of Alcohol and Drug Abuse, and Mental Health Issues
5. Improving Road Safety
6. Improving Crime Prevention
7. Increasing Efficiency in Policing through Collaborative Working and Innovation
8. Ensuring Local Solutions meet Local Problems

Performance is published each month on the OPCC website.

<http://www.essex.pcc.police.uk/scrutiny/essex-police-performance/>

The performance achieved during 2015/16 on the themes is highlighted below:

### ***Reducing Domestic Abuse***

In July 2015, HMIC conducted their Police Effectiveness Efficiency and Legitimacy (PEEL), Vulnerability inspection of Essex Police. In addition, HMIC returned in September 2015 to conduct a child protection inspection.

The PEEL vulnerability report was published on 15th December 2015 and Essex was one of four forces to be rated as "inadequate". The force was revisited in March 2016 and was commended by HMIC for responding so swiftly to its findings – described as a 'sea change' in Essex Police's approach. The full report of the vulnerability revisit will be published in summer 2016. The Essex Police child protection report was published on 24th March 2016 and inspectors found that the force was not adequately protecting all children who are at risk due to widespread serious and systemic failings.

Essex Police accepted all of the recommendations made by HMIC and have invested significant resource, commitment and focus to delivering the improvements set out in the reports. A force improvement plan has been implemented under the leadership of the new Deputy Chief Constable, and monitored by the OPCC. Essex Police will be re-inspected on how it protects vulnerable people including children in the summer/autumn of 2016. The force continues to work hard to improve the way it protects children and vulnerable people.

### ***Supporting our Victims of Crime***

This presents a key priority for the PCC.

Essex Police surveys victims through an independent research company and seeks consent from victims who are dissatisfied with the level of service to have their information passed to the Quality of Service Team. This provides an opportunity to help improve the service they originally received as far as is possible, with the aim of leaving victims feeling better supported, listened to and confident in Essex Police.

The rolling year results show that victims' satisfaction levels have fallen compared to the previous 12 months across all aspects of service delivery currently measured (initial contact, actions, follow-up, treatment, plus the whole experience). However, the survey only covers certain crime types; dwelling burglary, vehicle crime and non-serious violent crime and the force is looking to extend the breadth of victim feedback in the future.

Essex is placed 43rd nationally for 'whole experience,' and it is recognised that there is considerable scope for improvement. A key area of focus for the force is the timeliness and quality of feedback to victims of crime. We aim to better support, inform and manage the expectations of victims, and agree with them how often they will receive updates on the status of their case. This will ensure the force continues to meet its statutory obligations under the Victims' Code.

The force encourages feedback from all victims, both positive and negative, to ensure it continues to learn how services can be improved. In addition, the OPCC seeks feedback from victims through the services that it commissions, to ensure that victims receive the best possible service from local providers.

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<b>2. Supporting Victims of Crime Data to Mar 2016 (unless stated otherwise)</b>	<b>12m Last Year</b>	<b>12m This Year</b>	<b>Better/ Worse % or % pt. diff.</b>	<b>Yr on Yr diff. Improved/ Worsened since Feb 2016</b>
User Satisfaction - Making contact with the police	92.8%	<b>90.4%</b>	<b>-2.4</b>	Improved (0.4% pt.)
Confidence interval	1.4%	1.6%		
User Satisfaction - Action taken by the police	81.5%	<b>72.8%</b>	<b>-8.7</b>	Worsened (-0.4% pt.)
Confidence interval	1.8%	2.1%		
User Satisfaction - Being kept informed of progress	75.0%	<b>65.3%</b>	<b>-9.7</b>	Worsened (-0.6% pt.)
Confidence interval	2.0%	2.3%		
User Satisfaction - Their treatment by staff	92.2%	<b>88.4%</b>	<b>-3.8</b>	Same
Confidence interval	1.2%	1.5%		
User Satisfaction - The overall service provided	80.4%	<b>73.8%</b>	<b>-6.6</b>	Worsened (-0.2% pt.)
Confidence interval	1.8%	2.0%		
Emergency incidents attended within standard (90% attended within 15 mins in urban areas or 20 mins in rural areas)	82.1%	<b>76.2%</b>	<b>-5.9</b>	Improved (1.0% pt.)
Emergency calls answered within standard (90% within 10 seconds)	83.8%	<b>83.6%</b>	<b>-0.2</b>	Improved (0.4% pt.)
Ensure that the average waiting time for a person calling our switchboard (non-emergency calls) is no more than 15 seconds	7	<b>6</b>	<b>-1</b>	Improved (-1.0)

### ***Reducing Youth Offending and Re-offending in General***

The adult Re-Offending and Integrated Offender Management (IOM) programme is adapting to the on-going national and local changes to the Probation Service – now called the Essex Community Rehabilitation Company (CRC). The new CRC, under the management of the company Sodexo, is implementing significant changes to the service to offer a more end-to-end approach to reducing reoffending. A new IOM co-ordinator is now in post funded by the PCC and working across partners to help develop and deliver a reducing reoffending strategy and delivery plan for Essex.

IOM continues to support prolific acquisitive crime offenders whilst increasing its involvement and intelligence submissions concerning Control Strategy offences (force priorities). Despite a recent IOM restructure, the IOM team has maintained a high level of intelligence submissions on child sexual abuse, domestic abuse, gangs and organised crime groups. The highest return from the team was in March, with 475 intelligence submissions for the month. This accounts for 9.3% of all intelligence reports submitted in that month. Of the 475 submissions, 192 (40.4%) related to the Control Strategy.

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<b>3. Reducing Youth Offending and Reoffending in General Data for Sep 2015</b>	<b>Monthly Last Year</b>	<b>Monthly This Year</b>	<b>Monthly Better/ Worse % or % pt. diff.</b>	<b>Yr on Yr diff. Improved/ Worsened since Aug 2015</b>
The number of youth offenders	305	<b>255</b>	-16.4	<b>Worsened (9.9% pt.)</b>
The number of adult offenders	1593	<b>1286</b>	-19.3	<b>Improved (-1.2% pt.)</b>
The number of youth offenders who re-offend	87	<b>49</b>	-43.7	<b>Worsened (1.0% pt.)</b>
The number of adult offenders who re-offend	417	<b>272</b>	-34.8	<b>Improved (-0.4% pt.)</b>
Youth re-offending rate	28.5%	<b>19.2%</b>	-9.3%	<b>Improved (-1.1% pt.)</b>
Adult re-offending rate	26.2%	<b>21.2%</b>	-5.0%	<b>Improved (-0.1% pt.)</b>

### Tackling Consequences of Alcohol and Drug Abuse and Mental Health Issues

<b>4. Tackling Consequences of Alcohol and Drug Abuse, and Mental Health Issues Data to Mar 2016 (unless stated otherwise)</b>	<b>12m Last Year</b>	<b>12m This Year</b>	<b>Better/ Worse % or % pt. diff.</b>	<b>Yr on Yr diff. Improved/ Worsened since Feb 2016</b>
The number of night-time economy crimes	5169	<b>6812</b>	31.8	<b>Worsened (5.2% pt.)</b>
% Positive for drug testing on arrest	N/A	<b>40.1%</b>	N/A	N/A
Prosecution of Class A drug suppliers	196	<b>198</b>	1.0	<b>Worsened (-0.5% pt.)</b>

Each area is working with partners (particularly local community safety partnerships) to address the problems associated with the night-time economy (NTE). A robust approach to licensing inspection by local authorities and police is a key element in support of reducing offences within the NTE. The licensing inspection process (Operation Benison) has been reviewed and developed further since January 2016, ensuring a more targeted and intrusive inspection process for those premises identified as needing more support to reduce incidents of crime associated with their premises.

Essex Police, together with partner agencies, is committed to addressing the harm alcohol causes to young people. As a follow-up to December 2015 Operation Benison visits (which concentrated on age-related alcohol sales), Essex Police in association with Essex County Council Trading Standards conducted test purchase operations during the February 2016 half-term. This utilised volunteers from the force's Voluntary Police Cadets. Under-age test purchases were conducted within Chelmsford, Epping Forest and Tendring local authority areas. Two premises were found to have sold alcohol to under age people. One person received a fixed penalty notice and the other was interviewed by Trading Standards. Whilst court proceedings were pending, Essex Police initiated a review of the premises licence and, at the review hearing, the licensing sub-committee removed the Designated Premises Supervisor (DPS) from the licence.

A subsequent test purchase operation was carried out and under new management this was successfully passed. In the light of police action, Trading Standards decided to discontinue the prosecution and instead issued a final warning letter to the former DPS.

From the Proceeds of Crime Act (POCA) sourced monies, Essex Police has now purchased a number of Alcoblow units calibrated at twice the drink/drive limit. These devices are being made available to local licensed premises to provide a 'depersonalised' and non-subjective way of door staff refusing entry to people that are already intoxicated, whether that be from 'pre-loading' or consumption at other premises. Trials in other force areas have shown that these devices can be successful in reducing violent crime. It is also suggested that those refused entry are likely to be less aggressive when refusal is based on the use of a device rather than the opinion of door staff. It is intended that, in conjunction with the use of the Alcoblow units, door staff using the devices will be provided with alcohol awareness/treatment leaflets to assist them in providing support to intoxicated people.

Drug testing on arrest has now been running across Essex for 12 months. During this period there has been 5135 persons arrested and tested for drugs, of which 2060 have been positive; with every effort made to divert them into treatment.

### ***Improving Road Safety***

During the first three months of 2016 there have been 22 fatalities. This compares to an average of 11.2 for the same period over the last five years. Compared to fatalities recorded in 2015, there has been a notable shift towards car occupant fatalities, with 14 of the 22 fatalities being car occupants.

During this time there has been an apparent 'mode shift' with vulnerable transport modes (walking, cycling and P2Ws (motorcycle/powered two wheel vehicles)) making up a larger proportion of parties involved in collisions of all severity. The higher vulnerability of these groups is one factor in Killed or Seriously Injured (KSIs) accounting for a higher proportion of total injuries than they used to.

There has been a 32% increase in cycling since 2010, albeit from very low starting numbers, but most of the increase in vulnerable road users has come from pedestrians and P2W riders, which have seen very little change in miles travelled in recent years.

In light of the increase in KSIs, a review of roads policing enforcement has been undertaken. As a result, Roads Policing Units across the county are now undertaking increased enforcement activity at KSI hotspots, in support of, and in addition to, the work of the Casualty Reduction Teams.

### ***Crime Prevention***

Overall crime has increased by 11.3% year on year. This increase is broadly in line with the national average. The force is 28<sup>th</sup> nationally (out of 43 forces in England and Wales) in terms of crime increase (in a range of 3.9% decrease to 29% increase). Only four forces showed a crime decrease for the year.

There was no increase in overall burglary compared to the previous year. This was below the average national increase of 2.7% in the same period.

Essex has seen a 29.0% increase in violent crime. These figures reflect a national upward trend in violent crime of 27.6%. Essex Police is working with partners and other forces to tackle specific areas of violent crime. For example, there are several periods of activity planned for 2016 to tackle knife crime.

The force continues to campaign to address under-reporting of offences, including a number of high profile campaigns regarding domestic violence, burglary, knife and gang crime that we have run jointly with partners such as Community Safety Partnerships, Crimestoppers, Trading Standards and various charities. Additionally, the work of the National Retail Crime Group encourages major retailers to be more robust in reporting offences. Those businesses who have signed up to this scheme have seen a marked increase in their reported offences.

The Community Policing Teams (CPTs) which launched on Monday 4<sup>th</sup> April 2016, are intended to act as 'problem-solvers' to tackle community crime. These teams will form part of the district based partnership hubs where they will work closely with councils, charities and emergency service colleagues to resolve local issues in the most effective way possible.

In addition, the force is working with Essex County Fire and Rescue Service to develop the Parish Safety Volunteer scheme. This involves training members of the local community to provide low-level crime prevention and fire safety advice, allowing Crime Prevention and Fire Safety Officers more time to focus on crimes involving vulnerable or high-risk victims.

## ***Increased efficiency through collaborative working***

Essex Police was rated 'good' by HMIC in their 2015 efficiency inspection. The force has continued to improve efficiency and has launched a new neighbourhood policing model. The formation of multi-agency partnership hubs in ten locations is already underway and will enhance partnership working. A post-implementation review will take place at the end of the summer.

The business case for mobile policing has been completed and sent to both Essex and Kent chief officer groups and Police and Crime Commissioners. Once the business case has been approved by all stakeholders we will begin the procurement process to identify the software supplier. Once a supplier has been identified, a full business case will be completed with detailed costs. We are planning to start the rollout of the initial phase of mobile technology prior to the end of 2016.

The Strategic Change Team is in the process of carrying out a number of post implementation reviews, including the changes that were made to firearms officer numbers, the Local Policing Team shift pattern, use of Essex Community Messaging, and a review of middle management.

## **The Future**

The new Police and Crime Commissioner for Essex took up office on 11<sup>th</sup> May 2016. He is committed to providing clear strategic leadership and ensuring that Essex police is run efficiently and effectively. His manifesto pledges are being incorporated into his developing Police and Crime Plan, which includes the following seven priorities:

- i) Crack down on Anti-Social Behaviour
- ii) Tough on Domestic Abuse
- iii) Reverse the Trend in Serious Violent Crime
- iv) Tackle Gangs and Organised Crime
- v) Make the Police more Local, Visible and Accessible
- vi) Support Victims
- vii) Improve Road Safety

In the emerging Police and Crime Plan each of the above priorities will have the following clear outcomes to enable progress to be measured.

### ***Crack down on anti-social behaviour***

The work in this area will be closely aligned with the increased emphasis on local policing in order to increase the community feeling of safety and to increase community resilience.

### ***Domestic abuse***

Increased attention will be given to preventative measures, bringing perpetrators to justice and supporting domestic violence victims.

### ***Serious violent and sexual crime***

Raising the solved crime rate, bringing perpetrators to justice and reducing re-offending will be a priority in this area, particularly where children are involved.

### ***Gangs & organised crime***

Disrupting gangs and addressing gang related violence, reducing people trafficking, supporting vulnerable people and increasing community resilience.

### ***Local, visible and accessible***

Increased visibility of officers and better more accessible channels of communication with the Police.

### ***Supporting victims***

A focus on helping victims to cope and recover after crime. .

### ***Improving road safety***

Reduce the number of killed and seriously injured people through a range of measures including road safety awareness.

The Police and Crime Plan will expand on the above priorities within a programme of targeted investment and recognition that savings will need to be made in order to ensure that the overall plan is affordable. Key cross cutting enablers such as Blue Light integration, effective use of IT and digital engagement, strategic finance, partnership working and transformation of the police estate will underpin the effective delivery of the police crime plan.

### **European Union Referendum**

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. The Treasury Strategy, as outlined in note 29, means the PCC's and Chief Constables surplus and net assets are well protected against currency fluctuations in the short to medium term. There is likely to be an impact on our investment property valuations if confidence in the wider UK property market falls; and the valuation of £2.5m defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant on-going uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.

## **Statement of Responsibilities for the Statement of Accounts for the PCC for Essex and the PCC 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 Treasurer to the Police & 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 PCC for Essex**

I approve these Statement of Accounts.

Roger Hirst  
Police and Crime Commissioner for Essex  
23 September 2016

### **Completion of the Approval Process by the Commissioner**

#### **The Treasurer to the PCC's Responsibilities**

The Treasurer 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 Treasurer 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 Treasurer 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, on pages 18 – 87, 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 March 2016 and its income and expenditure for the year then ended.

Charles Garbett BA (Hons) CPFA  
Treasurer to the PCC for Essex  
23 September 2016



## Introduction

This statement sets out the office of the Police and Crime Commissioner's (PCC) and Chief Constable (CC) arrangements in relation to the six core principles of good governance, namely:

1. Focussing on the purpose of the PCC and CC and on outcomes for the community including citizens and service users, creating and implementing a vision for the local area.
2. Ensuring that both the PCC and CC perform effectively in clearly defined roles, responsibilities and functions in order to support the aims and objectives of the PCC, whilst achieving a common purpose.
3. Promoting the values for the PCC and CC and demonstrating good governance through practise and behaviour.
4. Making informed and transparent decisions which will stand up to risk management and robust examination by the public and the Police and Crime Panel (PCP).
5. Developing the capacity and capability of the PCP to ensure the PCC and his office deliver effectively.
6. Engaging with the people of Essex, key stakeholders, partners and the third sector to guarantee robust local accountability.

Each section of the Annual Governance Statement recognises that the PCC and CC, wherever possible, share a common set of policies and procedures underpinning the Scheme of Governance. Moreover, there are the joint use of systems and procedures therefore only exceptions to this arrangement will be highlighted.

The statement is in five main parts covering:

- a) The scope of responsibility
- b) The purpose of the Governance Framework
- c) The Governance Framework
- d) Value for Money Arrangements
- e) Significant Governance Issue

There are a numbers of statutory responsibilities that flow from the Police Reform and Social Responsibility (PRSR) Act 2011 that set out specific responsibilities for the PCC, CC, Chief Executive, Treasurer and Chief Finance Officer (CFO).

### **1. Scope of Responsibility**

- 1.1 The PCC is responsible for ensuring its 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 PCC 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.
- 1.2 The CC is responsible for maintaining the Queen's Peace and has discretion over the direction and control over the force's officers and staff. Further, the CC is responsible to the public and accountable to the PCC for supporting the PCC in the delivery of the Police and Crime Plan.
- 1.3 In discharging this overall responsibility, the PCC is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its 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 this responsibility the PCC places reliance on the CC of Essex Police to support the governance and risk management processes.
- 1.4 During the year there was regular contact on a two weekly basis between the PCC and CC in order to ensure that matters are dealt with within their respective responsibilities. In addition, the formal meetings are interspersed with informal contact between the PCC and CC.

- 1.5 There were formal governance meetings between senior OPCC and Force officers and staff each month dealing separately with financial and performance monitoring. The minutes of these meetings are publicised on the PCC's website.
- 1.6 The PCC's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2012). The Treasurer and CFO are bound by professional standards and specific legislative responsibilities. In Attorney General v De Winton 1908 it was established that the Treasurer/CFO is not merely a servant of the authority (PCC/CC) but holds a fiduciary responsibility to local taxpayers. The PRSR Act 2011 requires the Treasurer/CFO to comply with relevant provisions within the Local Government Acts.
- 1.7 The Scheme of Governance operating during the year incorporated the following:
1. Constitution and Scheme of Consent
  2. Specified Information Order
  3. Information Sharing Agreement: Essex Police and the Police and Crime Commissioner for Essex
  4. Information Sharing Agreement: Police and Crime Commissioner for Essex and Police and Crime Panel for Essex
  5. Financial Management Code of Practice for the Police Service of England and Wales
  6. Scheme of Delegation
  7. Policing Protocol Order 2011
  8. Voluntary Code of Conduct
  9. The Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012
  10. Appointment of Chief Constables
  11. The Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012
  12. The Police and Crime Commissioner Elections (Declaration of Acceptance of Office) Order 2012
  13. Protective Marking Procedure
  14. Financial Regulations
  15. Anti-Fraud & Corruption Strategy
  16. Statutory Guidance for Police Collaboration
  17. Police Reform and Social Responsibility Act 2011

Copies of these documents are available on our website at [www.essex.pcc.police.co.uk](http://www.essex.pcc.police.co.uk) or can be obtained from the OPCC, 3 Hoffmanns Way, Chelmsford, Essex CM1 1GU.

- 1.8 This statement is compliant with regulation 4(2) of the Accounts and Audit 2011 (England) Regulations in relation to the publication of a statement on internal control.

## **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the OPCC is directed and controlled and its activities through which it accounts to and engages with the community. It enables the OPCC to monitor the achievement of its 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.
- 2.2 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 therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the PCC's and CC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, managing them effectively, efficiently and economically.
- 2.3 The PCC'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 collaboration.

### 3. The Governance Framework

3.1 The good governance standard for public service sets out the six core principles. The key elements of the systems and processes that comprise the governance arrangements have been put in place by the PCC and how they adhere to them is set out as follows:

**1) *Focusing on the purpose of the PCC and on outcomes for the community including citizens and service users, creating and implementing a vision for the local area.***

The PCC made his commitments and areas of focus for policing clear in his Police and Crime Plan (the Plan), which has been widely consulted upon. The Plan indicates how these areas of focus will be delivered, paying due regard to the Strategic Policing Requirement, as set by the Home Secretary.

The PCC has developed a performance framework that will monitor and support the delivery of the areas of focus set within the Plan. This framework, which is fully supported by the CC, provides the mechanism for monitoring the implementation of the PCC's areas of focus together with defining activities that are routine and considered as business as usual, i.e. fulfilling the legal obligations of the PCC.

The PCC has clear contact detail on the website for members of the community to raise issues or concerns with him. A process is in place to respond to any issues/ concerns raised, aiding the focus on outcomes for the local community. The PCC visited each district to meet with local people to understand and respond to their specific needs, aiding the creation of a vision for the local area.

**2) *Ensuring the PCC performs effectively in clearly defined roles, responsibilities and functions in order to support the aims and objectives of the PCC, whilst achieving a common purpose***

The governance arrangements for the PCC have been developed in accordance with the PRSR Act 2011 statutory Policing Protocol, Home Office Financial Management Code of Practise (FMCP) and existing guidance on financial and governance matters which continue to apply. A scheme of delegation, financial regulations and contract regulations is in accordance with the FMCP to enable effective accountability and to govern the relationship between the OPCC and Essex Police. There was a decision making framework that ensures all PCC decisions are published and available for public scrutiny.

There are agreed terms of reference for the PCC and CC Joint Audit Committee.

**3) *Promoting the values for the PCC and demonstrating good governance through practise and behaviour.***

The PCC has signed up to a Code of Conduct incorporating the 7 Nolan principles relating to Public Life. Moreover, the PCC has approved and adopted a policy on anti-fraud and corruption which clearly sets out the procedures that will be in operation. This policy is designed to encourage prevention, promote detection and identify a clear pathway for investigation of fraudulent and/ or corrupt activities or behaviour.

There is a PCC policy on reporting wrongdoing (Handling of Qualifying Disclosures) for the OPCC. The CC has several policies which cover discipline, standards, use of social media and an anonymous e-mail for confidential reporting to Professional Standards Department.

**4) *Making informed and transparent decisions which will stand up to risk management and robust scrutiny by the public and the Police and Crime Panel (PCP) and the Joint Audit Committee (JAC)***

The PCC and CC's decision making process is set out in the Scheme of Governance. All significant PCC decisions are taken following a written report on the subject matter which includes consideration of risk. All decisions taken are published on the PCC's website.

The OPCC have a duty to ensure that it acts in accordance to the law and legislation. This has been fulfilled through the Financial Regulations and Contract Standing Orders, and supporting policies and procedures were produced to ensure officers and staff within both the OPCC and Force understood their responsibilities. Compliance with them was and will continue to be reviewed.

The PCC complied with a clear decision making policy that requires the oversight of both statutory officers within the OPCC, namely the Monitoring Officer and Treasurer. This ensures that both legal and financial implications are clearly stated prior to any decision being taken. All decisions made by the PCC are formally recorded and made available on the website for public information and scrutiny.

In addition, the PCC's performance against the Plan is regularly reported to the Police and Crime Panel for their challenge and support as appropriate.

The JAC have responsibility for monitoring the effectiveness of arrangements in place for risk management processes and programmes receiving regular updates on risk management. The PCC and CC continue to use the risk management policy and framework that complies with CIPFA guidance.

The JAC meets formally four times a year and continues to deliver the PCC and CC's responsibility for enhancing public trust and confidence in the governance of the OPCC and Essex Police.

The JAC have made a significant contribution in providing a first class level of independent assurance to the PCC and CC during the year and have not hesitated to address important and sometimes very challenging issues. It is anticipated that their contribution will not only continue but be enhanced during 2016/17 and beyond.

**5) *Developing the capacity and capability of the PCC to ensure the PCC and his office deliver effectively.***

Staff continue to receive annual performance reviews, in which personal objectives are set. The objectives considered the role individual staff members had within the OPCC. Strategic objectives that focus on and help deliver the areas of focus within the Police and Crime Plan are included. The reviews take into account any training undertaken during the year.

The OPCC and CC continue to use the risk management policy and framework that complies with CIPFA guidance.

**6) *Engaging with the people of Essex, key stakeholders, partners and the third sector to guarantee robust local accountability.***

Since taking office the PCC has held public meetings in each of the fourteen districts, twice yearly, where the people of Essex were able to challenge the PCC in how he is holding the Chief Constable to account for the delivery of policing. Notes for each of the meetings are made available on the website, along with issues raised at each of these events and any subsequent outcomes.

Quarterly public scrutiny meetings were established where the PCC will openly challenge and scrutinise the Chief Constable on police performance, not limited to those areas of focus within the Police and Crime Plan. The public were invited to pose questions to the PCC for him to raise with the Chief Constable providing further robust local accountability.

The PCC met with key stakeholders, partners and the third sector to gauge their views and work collaboratively wherever possible. Forums continue to be held with specific groups, discussing issues such as victim support, rural crime and business crime. These forums enhanced the partnership working across all areas and link directly with the delivery of the Police and Crime Plan.

Consultation with the public, partners, key stakeholders and the third sector all feed into the strategic planning cycle to ensure that the views of those consulted will continue to influence the delivery of the PCC's priorities.

**4. Value for Money Arrangements**

The PCC has responsibility for ensuring that the governance arrangements support good value for money and thereby conducting a review of the effectiveness of the governance framework, including:

- The system of internal audit
- The system of internal control

The governance framework is subject to on-going monitoring for effectiveness by the PCC's Treasurer and Chief Executive. This will be further informed by the work of the External Auditors and by continuing Internal Audit reviews. There are also monthly performance and finance monitoring meetings between the PCC, DPCC, CC and senior staff whereby the CC is held to account for ensuring value for money for the provision of policing services.

The PCC established an advisory Strategic Policing Board supported by a Finance Committee and Ethics and Integrity Committee with members from the wider community, including industry and people with specialist

knowledge. The main role of the Board and Committees is to advise on the strategic direction and approach taken by the PCC and CC on a critical friend basis.

The roles and processes applied in maintaining and reviewing effectiveness of the governance framework are outlined as follows:

### **OPCC**

The PCC has overall responsibility for the discharge of all powers and duties placed upon it, including a statutory duty to 'maintain an efficient and effective police force'. The review and maintenance of the governance framework is undertaken by the OPCC in a close working relationship with the Chief Constable and his senior staff including the Chief Financial Officer. The PCC's and CC's JAC has responsibility for overseeing these arrangements and will continue to discuss governance issues, referring reports to the PCC and CC when appropriate.

### **Essex Police**

The Chief Constable has responsibility for reviewing the effectiveness of the governance framework within the Force. This review is informed by the work of the Head of Corporate Services and the Risk Manager within the Force 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 PCC and CC.

The Corporate Services Department within Essex Police carry out an annual compliance and review programme. The rationale for this work is to assist senior managers in the following areas:

- 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
- Assist in ensuring Essex Police is 'fit and healthy' going forward

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.

### **Internal Audit**

In maintaining and reviewing the governance framework the PCC's Treasurer and CC's Chief Finance Officer place reliance on the work undertaken by Internal Audit and in particular, Internal audit's independent opinion on the adequacy and effectiveness of the system of internal control. For 2015/16 the Internal Auditor's opinion is as follows:

#### *PCC*

The PCC 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.

#### *Essex Police*

The Force 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.

The internal audit service was subjected to competitive tender during 2015/16 as a result of which RSM were awarded the three year contract.

***External Audit***

External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the OPCC's services, with their annual letter particularly providing comment on financial aspects of corporate governance, performance management and other reports.

***Her Majesty's Inspectorate of Constabularies (HMIC)***

Furthermore, other review/assurance mechanisms such as Her Majesty's Inspectorate of Constabularies who are charged with promoting the effectiveness and efficiencies of policing, improving performance and sharing good practise nationally and the Health and Safety Inspectorate are also relied upon.

HMIC's review of Police Effectiveness, Efficiency and Legitimacy (PEEL) assessed Essex Police in 2015 as follows:

- Keeping people safe and reducing crime – requires improvement
- Extent to which Essex Police is efficient at keeping people safe and reducing crime - good
- Extent to which Essex Police is legitimate at keeping people safe and reducing crime – good

HMIC expanded further on the first measure above that requires improvement:

“HMIC judges that Essex Police requires improvement at keeping people safe and reducing crime. The force has a strong commitment to preventing crime but anti-social behaviour is not a priority, analysis is not routinely completed and knowledge of wider anti-social behaviour is limited. The quality of the force's crime investigation is poor for cases involving some vulnerable people, although investigations are improving generally. The force is successful at disrupting high-level organised crime groups but involvement in tackling serious and organised crime at the local policing level is limited.”

Other HMIC reports issued during 2015 are:

i) Honour-based violence (HBV)

This report published in 2015 was part of a national review of force's preparedness to deal with honour based violence, forced marriage and female genital mutilation. The findings for Essex were:

- Essex Police is not yet prepared across all areas to protect people from harm from HBV.
- The force has not yet prepared its leadership and governance structures in order to support its ability to identify and respond to cases of HBV.
- The force is prepared in respect of its awareness and understanding of HBV, and ensures that its officers and staff recognise, understand and identify victims from the first point of contact.
- The force is prepared in respect of the levels of protection to be offered to victims of HBV.
- The force is not yet prepared in respect of enforcement against perpetrators of HBV. The force is not yet prepared to prevent offences occurring.

ii) Firearms licensing

This report was a national overview of the efficiency and effectiveness of firearms licencing in police forces in England and Wales. Their findings were that firearms licensing arrangements in Essex are not sufficiently robust in some important respects, which means that public safety may be compromised and is a matter of concern.

**5. Significant Governance Issues**

The new PCC is reviewing the current Scheme of Governance highlighted in Section 1.7 with a view to furthering good governance across a range of areas.

The work of the Strategic Transformation Board continues but with an added dimension that formal arrangements are in place to consider collaborative options with Essex Fire and Rescue Service. Targeted

## ANNUAL GOVERNANCE STATEMENT

capital investment with a clear service and/or financial return is being applied to the main demand categories of estate, IT and fleet in order to maximise the benefit to citizens of Essex. The governance structure to support this work is being further enhanced and will be incorporated into the new Scheme of Governance.

The significant contribution made by the JAC in providing independent scrutiny across the work of both the PCC and CC is fully recognised. The PCC plans to bring the work of the JAC to the attention of the PCP and vis-versa in order to facilitate the work of each party.

Title	Action	Expected delivery
Collaboration with Essex Fire and Rescue Service	Preparation of a business case to determine recommended governance option	October 2016
Refreshment of Strategic Transformation Programme	Preparation of strategic business case for 2020, target operation model and supporting MTFS	September 2016
Information and knowledge exchange between the JAC and vis-versa	PCC to liaise with the PCP in order to facilitate the exchange of information and knowledge for both parties	December 2016

**The Police & Crime Commissioner for Essex**

**Chief Constable of Essex**

**Treasurer to the PCC for Essex**

**Chief Finance Officer of the Chief Constable of Essex**

**Opinion on the Police and Crime Commissioner for Essex's financial statements**

We have audited the financial statements of the Police and Crime Commissioner for Essex for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Essex and Group Movement in Reserves Statements;
- Police and Crime Commissioner for Essex and Group Comprehensive Income and Expenditure Statements;
- Police and Crime Commissioner for Essex and Group Balance Sheets;
- Police and Crime Commissioner for Essex and Group Cash Flow Statements;
- related notes 1 to 35; and
- Police and Crime Commissioner for Essex Pension Fund Account Statements.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFNLSAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner for Essex in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Essex for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Treasurer to the PCC for Essex and auditor**

As explained more fully in the Statement of Responsibilities set out on page 15, the Treasurer to the PCC for Essex 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 CIPFNLSAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Essex and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer to the PCC for Essex; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts for the PCC for Essex Group and PCC 2015/16 Financial Year to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Essex and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the PCC for Essex Group and PCC 2015/16 Financial Year for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or Inconsistent with other information forthcoming from the audit or our knowledge of the Police and Crime Commissioner for Essex and the Chief Constable of Essex Group ;
- we Issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

**Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Police and Crime Commissioner's responsibilities**

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

**Auditor's responsibilities**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Police and Crime Commissioner for Essex had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Essex put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

**Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Essex put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

**Mark Hodgson (senior statutory auditor)  
for and on behalf of Ernst & Young LLP,  
Appointed Auditor Cambridge**

**Date: 23<sup>rd</sup> September 2016**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE PCC FOR ESSEX GROUP

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

	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
Local Policing	117,683	(3,749)	113,934	121,497	(5,228)	116,269
Dealing with the Public	28,379	(298)	28,081	32,470	(747)	31,723
Criminal Justice Arrangements	29,085	(1,705)	27,380	27,138	(1,742)	25,396
Road Policing	14,930	(2,555)	12,375	13,845	(3,019)	10,826
Operations Support	30,625	(8,455)	22,170	26,314	(7,495)	18,819
Intelligence	19,225	(180)	19,045	17,119	(394)	16,725
Investigations	60,119	(2,482)	57,637	72,727	(1,596)	71,131
Investigative Support	9,758	(98)	9,660	9,180	(135)	9,045
National Policing	13,580	(10,000)	3,580	13,424	(8,500)	4,924
Police & Crime Commissioner	1,539	(81)	1,458	1,694	(314)	1,380
<b>Net Cost of Services</b>	<b>324,923</b>	<b>(29,603)</b>	<b>295,320</b>	<b>335,408</b>	<b>(29,170)</b>	<b>306,238</b>
<b>Other Operating Expenditure</b>						
(Gain)/loss on the disposal of non current assets	38	462	500	33	200	233
<b>Financing and Investment Income and Expenditure</b>						
Interest payable and similar charges	0	0	0	1	0	1
Net interest on the defined benefit pensions liability						
- Police Officers	89,134	0	89,134	80,199	0	80,199
- Police Staff	4,730	0	4,730	4,737	0	4,737
Interest receivable and similar income	0	(208)	(208)	0	(135)	(135)
	<b>93,864</b>	<b>(208)</b>	<b>93,656</b>	<b>84,937</b>	<b>(135)</b>	<b>84,802</b>
<b>Taxation and Non Specific Grant Income</b>						
Police grant	0	(110,111)	(110,111)	0	(103,372)	(103,372)
DCLG Grant	0	(58,110)	(58,110)	0	(56,253)	(56,253)
Council tax	0	(86,453)	(86,453)	0	(90,151)	(90,151)
Council tax support grant	0	(10,992)	(10,992)	0	(10,992)	(10,992)
Council tax freeze grant	0	(2,133)	(2,133)	0	(2,133)	(2,133)
Pensions top up grant	0	(27,440)	(27,440)	0	(37,721)	(37,721)
Capital grant	0	(2,942)	(2,942)	0	(2,041)	(2,041)
	<b>0</b>	<b>(298,181)</b>	<b>(298,181)</b>	<b>0</b>	<b>(302,663)</b>	<b>(302,663)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>418,825</b>	<b>(327,530)</b>	<b>91,295</b>	<b>420,378</b>	<b>(331,768)</b>	<b>88,610</b>
<b>Other Comprehensive Income and Expenditure</b>						
(Surplus)/deficit on revaluation of fixed assets	(2,046)	0	(2,046)	(358)	0	(358)
Remeasurement of the net defined benefit liability						
- Police Officers	298,980	0	298,980	(129,585)	0	(129,585)
- Police Staff	26,868	0	26,868	(22,775)	0	(22,775)
Other losses	1,277	0	1,277	0	0	0
	<b>325,079</b>	<b>0</b>	<b>325,079</b>	<b>(152,718)</b>	<b>0</b>	<b>(152,718)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>743,904</b>	<b>(327,530)</b>	<b>416,374</b>	<b>267,660</b>	<b>(331,768)</b>	<b>(64,108)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE PCC FOR ESSEX

This Statement 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 PCC's account does not include police officers, PCSOs, staff (other than those employed by the PCC), seconded officers or mutual aid. These costs are reported in the Chief Constable's Statement of Accounts and Group Comprehensive Income and Expenditure Statement.

	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	<b>2014/15 Net Expenditure £000</b>	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	<b>2015/16 Net Expenditure £000</b>
Local Policing	17,662	(3,424)	<b>14,238</b>	19,568	(4,881)	<b>14,687</b>
Dealing with the Public	4,870	(298)	<b>4,572</b>	5,609	(707)	<b>4,902</b>
Criminal Justice Arrangements	6,216	(1,688)	<b>4,528</b>	5,804	(1,725)	<b>4,079</b>
Road Policing	2,329	(2,555)	<b>(226)</b>	2,527	(2,997)	<b>(470)</b>
Operations Support	5,006	(7,907)	<b>(2,901)</b>	4,327	(7,334)	<b>(3,007)</b>
Intelligence	2,452	(180)	<b>2,272</b>	2,569	(376)	<b>2,193</b>
Investigations	8,309	(2,468)	<b>5,841</b>	9,692	(1,525)	<b>8,167</b>
Investigative Support	3,495	(98)	<b>3,397</b>	3,178	(128)	<b>3,050</b>
National Policing	1,984	(8,589)	<b>(6,605)</b>	2,071	(7,395)	<b>(5,324)</b>
Corporate and Democratic Core	1,297	(81)	<b>1,216</b>	1,675	(314)	<b>1,361</b>
<b>Cost of Services</b>	<b>53,620</b>	<b>(27,288)</b>	<b>26,332</b>	<b>57,020</b>	<b>(27,382)</b>	<b>29,638</b>
Intra Group Funding for Chief Constable's Net Service Cost	275,755	0	<b>275,755</b>	280,998	0	<b>280,998</b>
<b>Net Cost of Services</b>	<b>329,375</b>	<b>(27,288)</b>	<b>302,087</b>	<b>338,018</b>	<b>(27,382)</b>	<b>310,636</b>
<b>Other Operating Expenditure</b>						
(Gain)/loss on the disposal of non current assets	<b>38</b>	<b>462</b>	<b>500</b>	<b>33</b>	<b>200</b>	<b>233</b>
<b>Financing and Investment Income and Expenditure</b>						
Interest payable and similar charges	0	0	<b>0</b>	1	0	<b>1</b>
Net interest on the defined benefit pensions liability						
- Police Staff	14	0	<b>14</b>	18	0	<b>18</b>
Interest receivable and similar income	0	(208)	<b>(208)</b>	0	(135)	<b>(135)</b>
	<b>14</b>	<b>(208)</b>	<b>(194)</b>	<b>19</b>	<b>(135)</b>	<b>(116)</b>
<b>Taxation and Non Specific Grant Income</b>						
Police grant	0	(110,111)	<b>(110,111)</b>	0	(103,372)	<b>(103,372)</b>
DCLG Grant	0	(58,110)	<b>(58,110)</b>	0	(56,253)	<b>(56,253)</b>
Council tax	0	(86,453)	<b>(86,453)</b>	0	(90,151)	<b>(90,151)</b>
Council tax support grant	0	(10,992)	<b>(10,992)</b>	0	(10,992)	<b>(10,992)</b>
Council tax freeze grant	0	(2,133)	<b>(2,133)</b>	0	(2,133)	<b>(2,133)</b>
Pensions top up grant	0	(27,440)	<b>(27,440)</b>	0	(37,721)	<b>(37,721)</b>
Capital grant	0	(2,942)	<b>(2,942)</b>	0	(2,041)	<b>(2,041)</b>
	<b>0</b>	<b>(298,181)</b>	<b>(298,181)</b>	<b>0</b>	<b>(302,663)</b>	<b>(302,663)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>329,427</b>	<b>(325,215)</b>	<b>4,212</b>	<b>338,070</b>	<b>(329,980)</b>	<b>8,090</b>
<b>Other Comprehensive Income and Expenditure</b>						
(Surplus)/deficit on revaluation of fixed assets	(2,046)	0	<b>(2,046)</b>	(358)	0	<b>(358)</b>
Remeasurement of the net defined benefit liability						
- Police Staff	145	0	<b>145</b>	(172)	0	<b>(172)</b>
Other losses	1,277	0	<b>1,277</b>	0	0	<b>0</b>
	<b>(624)</b>	<b>0</b>	<b>(624)</b>	<b>(530)</b>	<b>0</b>	<b>(530)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>328,803</b>	<b>(325,215)</b>	<b>3,588</b>	<b>337,540</b>	<b>(329,980)</b>	<b>7,560</b>

## BALANCE SHEET FOR THE PCC FOR ESSEX AND THE PCC FOR ESSEX GROUP

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the PCC. The net liabilities of the PCC are matched by the reserves held by the PCC.

Note	31 March 2015		31 March 2016	
	£000	£000	£000	£000
	<b>PCC</b>	<b>Group</b>	<b>PCC</b>	<b>Group</b>
<b>Long-term assets</b>				
14	86,395	86,395	88,566	88,566
15	708	708	2,398	2,398
18	54	54	51	51
	<b>87,157</b>	<b>87,157</b>	<b>91,015</b>	<b>91,015</b>
<b>Current assets</b>				
28	16,015	16,015	0	0
17	767	767	706	706
18	22,993	24,403	31,939	33,524
19	12,545	12,545	16,283	16,283
20	2,811	2,811	389	389
	<b>55,131</b>	<b>56,541</b>	<b>49,317</b>	<b>50,902</b>
<b>Current liabilities</b>				
21	(22,890)	(29,992)	(29,600)	(34,333)
	<b>(22,890)</b>	<b>(29,992)</b>	<b>(29,600)</b>	<b>(34,333)</b>
<b>Long term liabilities</b>				
22	(4,136)	(4,136)	(3,064)	(3,064)
33	0	(2,387,920)	0	(2,331,316)
33	(556)	(143,980)	(490)	(131,396)
11	(457)	(457)	(488)	(488)
	<b>(5,149)</b>	<b>(2,536,493)</b>	<b>(4,042)</b>	<b>(2,466,264)</b>
	<b>114,249</b>	<b>(2,422,787)</b>	<b>106,689</b>	<b>(2,358,680)</b>
<b>Net liabilities</b>				
<b>Usable reserves</b>				
26	(15,227)	(15,227)	(13,157)	(13,157)
	(5,187)	(5,187)	(3,511)	(3,511)
	(304)	(304)	(17)	(17)
	(8,534)	(8,534)	(2,436)	(2,436)
	(1,752)	(1,752)	(1,615)	(1,615)
	<b>(31,004)</b>	<b>(31,004)</b>	<b>(20,736)</b>	<b>(20,736)</b>
<b>Unusable reserves</b>				
27	(3,811)	(3,811)	(3,729)	(3,729)
	(77,038)	(77,038)	(79,559)	(79,559)
	(27)	(27)	(27)	(27)
	0	2,387,920	0	2,331,316
	556	143,980	490	131,396
	(2,944)	(2,944)	(3,138)	(3,138)
	19	5,711	10	3,157
	<b>(83,245)</b>	<b>2,453,791</b>	<b>(85,953)</b>	<b>2,379,416</b>
	<b>(114,249)</b>	<b>2,422,787</b>	<b>(106,689)</b>	<b>2,358,680</b>
	<b>Total reserves</b>			

I certify that the statement of accounts give a true and fair view of the financial position of the PCC/Group at 31 March 2016 and its income and expenditure for the year ended 31 March 2016. These financial statements replace the unaudited financial statements certified by Charles Garbett, Treasurer for the Police and Crime Commissioner for Essex on 30 June 2016.

Charles Garbett BA (Hons) CPFA, Treasurer to the PCC for Essex  
23 September 2016

## MOVEMENT IN RESERVES STATEMENT FOR THE PCC FOR ESSEX GROUP

This statement shows the movement in the year on the different reserves held by the PCC Group, analysed into 'usable reserves' and 'unusable reserves'.

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 Transfers to Earmarked Reserves line shows the General Reserve Balance before any discretionary transfers to or from earmarked reserves.

		2014/15							
Note		Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
		Held for revenue purposes		Held for capital purposes					
		General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2014</b>	<b>(18,046)</b>	<b>(7,395)</b>	<b>(22)</b>	<b>(7,700)</b>	<b>(4,428)</b>	<b>(37,591)</b>	<b>2,044,004</b>	<b>2,006,413</b>
	(Surplus)/deficit on provision of services (accounting basis)	91,295	0	0	0	0	91,295	0	91,295
	Other Comprehensive Income and Exp	1,019	0	0	0	0	1,019	324,060	325,079
	<b>Total Comprehensive Income and Expenditure</b>	<b>92,314</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>92,314</b>	<b>324,060</b>	<b>416,374</b>
5	Adjustments between accounting basis and funding basis under regulations	(87,570)	0	0	(835)	2,676	(85,729)	85,729	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>4,744</b>	<b>0</b>	<b>0</b>	<b>(835)</b>	<b>2,676</b>	<b>6,585</b>	<b>409,789</b>	<b>416,374</b>
6	Transfers (to)/from Earmarked Reserves	(1,925)	2,208	(282)	0	0	0	0	0
	<b>(Increase)/Decrease in Year</b>	<b>2,819</b>	<b>2,208</b>	<b>(282)</b>	<b>(835)</b>	<b>2,676</b>	<b>6,586</b>	<b>409,787</b>	<b>416,374</b>
	<b>Balance at 31 March 2015 carried forward</b>	<b>(15,227)</b>	<b>(5,187)</b>	<b>(304)</b>	<b>(8,535)</b>	<b>(1,752)</b>	<b>(31,004)</b>	<b>2,453,791</b>	<b>2,422,787</b>

During 2014/15 £1.019m was transferred from the General Reserve to the Insurance Provision to fund the potential cost of outstanding claims.

		2015/16							
Note		Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
		Held for revenue purposes		Held for capital purposes					
		General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2015</b>	<b>(15,227)</b>	<b>(5,187)</b>	<b>(304)</b>	<b>(8,534)</b>	<b>(1,752)</b>	<b>(31,004)</b>	<b>2,453,792</b>	<b>2,422,787</b>
	(Surplus)/deficit on provision of services (accounting basis)	88,610	0	0	0	0	88,610	0	88,610
	Other Comprehensive Income and Exp	0	0	0	0	0	0	(152,718)	(152,718)
	<b>Total Comprehensive Income and Expenditure</b>	<b>88,610</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>88,610</b>	<b>(152,718)</b>	<b>(64,108)</b>
5	Adjustments between accounting basis and funding basis under regulations	(84,577)	0	0	6,098	137	(78,342)	78,342	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>4,033</b>	<b>0</b>	<b>0</b>	<b>6,098</b>	<b>137</b>	<b>10,268</b>	<b>(74,376)</b>	<b>(64,108)</b>
6	Transfers (to)/from Earmarked Reserves	(1,963)	1,676	287	0	0	0	0	0
	<b>(Increase)/Decrease in year</b>	<b>2,070</b>	<b>1,676</b>	<b>287</b>	<b>6,098</b>	<b>137</b>	<b>10,268</b>	<b>(74,376)</b>	<b>(64,108)</b>
	<b>Balance at 31 March 2016 carried forward</b>	<b>(13,157)</b>	<b>(3,511)</b>	<b>(17)</b>	<b>(2,436)</b>	<b>(1,615)</b>	<b>(20,736)</b>	<b>2,379,416</b>	<b>2,358,680</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE PCC FOR ESSEX

This statement shows the movement in the year on the different reserves held by the PCC, analysed into 'usable reserves' and 'unusable reserves'.

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 Transfers to Earmarked Reserves line shows the General Reserve Balance before any discretionary transfers to or from earmarked reserves.

		2014/15							
Note		Usable Reserves					Total Usable	Total Unusable	Total Reserves
		Held for revenue purposes		Held for capital purposes					
		General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2014</b>	<b>(18,046)</b>	<b>(7,395)</b>	<b>(22)</b>	<b>(7,700)</b>	<b>(4,428)</b>	<b>(37,591)</b>	<b>30,040</b>	<b>(7,551)</b>
	<b>Reclassification of CC balances</b> (Surplus)/deficit on provision of services (accounting basis)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(110,286)</b>	<b>(110,286)</b>
	Other Comprehensive Income and Exp	4,212	0	0	0	0	4,212	0	4,212
	<b>Total Comprehensive Income and Expenditure</b>	<b>1,019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,019</b>	<b>(1,643)</b>	<b>(624)</b>
		<b>5,231</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,231</b>	<b>(1,643)</b>	<b>3,588</b>
5	Adjustments between accounting basis and funding basis under regulations	(487)	0	0	(835)	2,676	1,354	(1,354)	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>4,744</b>	<b>0</b>	<b>0</b>	<b>(835)</b>	<b>2,676</b>	<b>6,585</b>	<b>(2,997)</b>	<b>3,588</b>
6	Transfers (to)/from Earmarked Reserves	(1,925)	2,208	(282)	0	0	0	0	0
	<b>(Increase)/Decrease in Year</b>	<b>2,819</b>	<b>2,208</b>	<b>(282)</b>	<b>(835)</b>	<b>2,676</b>	<b>6,586</b>	<b>(2,998)</b>	<b>3,588</b>
	<b>Balance at 31 March 2015 carried forward</b>	<b>(15,227)</b>	<b>(5,187)</b>	<b>(304)</b>	<b>(8,534)</b>	<b>(1,752)</b>	<b>(31,004)</b>	<b>(83,245)</b>	<b>(114,249)</b>

During 2014/15 £1.019m was transferred from the General Reserve to the Insurance Provision to fund the potential cost of outstanding claims.

		2015/16							
Note		Usable Reserves					Total Usable	Total Unusable	Total Reserves
		Held for revenue purposes		Held for capital purposes					
		General £000	Earmarked £000	Future capital funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
	<b>Balance at 1 April 2015</b>	<b>(15,227)</b>	<b>(5,187)</b>	<b>(304)</b>	<b>(8,534)</b>	<b>(1,752)</b>	<b>(31,004)</b>	<b>(83,245)</b>	<b>(114,249)</b>
	(Surplus)/deficit on provision of services (accounting basis)	8,090	0	0	0	0	8,090	0	8,090
	Other Comprehensive Income and Exp	0	0	0	0	0	0	(530)	(530)
	<b>Total Comprehensive Income and Expenditure</b>	<b>8,090</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,090</b>	<b>(530)</b>	<b>7,560</b>
5	Adjustments between accounting basis and funding basis under regulations	(4,057)	0	0	6,098	137	2,178	(2,178)	0
	<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>4,033</b>	<b>0</b>	<b>0</b>	<b>6,098</b>	<b>137</b>	<b>10,268</b>	<b>(2,708)</b>	<b>7,560</b>
6	Transfers (to)/from Earmarked Reserves	(1,963)	1,676	287	0	0	0	0	0
	<b>(Increase)/Decrease in year</b>	<b>2,070</b>	<b>1,676</b>	<b>287</b>	<b>6,098</b>	<b>137</b>	<b>10,268</b>	<b>(2,708)</b>	<b>7,560</b>
	<b>Balance at 31 March 2016 carried forward</b>	<b>(13,157)</b>	<b>(3,511)</b>	<b>(17)</b>	<b>(2,436)</b>	<b>(1,615)</b>	<b>(20,736)</b>	<b>(85,953)</b>	<b>(106,689)</b>



## CASH FLOW STATEMENT FOR THE PCC FOR ESSEX AND THE PCC FOR ESSEX GROUP

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC and the PCC Group during the reporting period. The statement shows how the PCC generates and uses cash and cash equivalents (liquid investments) 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 PCC are funded by way of taxation and grant income or from recipients of the services provided by the PCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC's future service delivery.

Note	2014/15		2015/16		2014/15		2015/16	
	£000	£000	£000	£000	£000	£000	£000	£000
	PCC		PCC		Group		Group	
<b>Deficit on the provision of services:-</b>		4,212		8,090		91,295		88,610
<b>Adjustments for non cash movements:-</b>								
Depreciation/amortisation of non current assets	(6,479)		(6,386)		(6,479)		(6,386)	
Movement in pension liability	(52)		(106)		(86,994)		(83,172)	
Increase/(decrease) in inventories	(50)		(61)		(50)		(61)	
Increase/(decrease) in debtors	6,041		8,601		6,041		8,601	
(Increase)/decrease in creditors	(3,405)		(7,252)		(3,405)		(7,252)	
(Increase)/decrease in provisions	(173)		1,071		(173)		1,071	
Other non cash movements	1,785		(1,818)		1,645		728	
<b>Total adjustments for non cash movements</b>		<b>(2,333)</b>		<b>(5,951)</b>		<b>(89,415)</b>		<b>(86,471)</b>
<b>Net cash flows from operating activities</b>		<b>1,879</b>		<b>2,139</b>		<b>1,880</b>		<b>2,139</b>
<b>Financing Activities</b>								
Release of capital grants		278		(31)		278		(31)
<b>Investing Activities</b>								
Purchase of property, plant and equipment and intangible assets	6,208		13,095		6,208		13,095	
Proceeds from the sale of property, plant and equipment	(1,394)		(2,969)		(1,394)		(2,969)	
Proceeds from short term investments	(6,500)		(16,000)		(6,500)		(16,000)	
<b>Sub total</b>		<b>(1,686)</b>		<b>(5,874)</b>		<b>(1,686)</b>		<b>(5,874)</b>
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>471</b>		<b>(3,766)</b>		<b>472</b>		<b>(3,766)</b>
19 Cash and cash equivalents at the beginning of the reporting period		12,989		12,517		12,989		12,517
19 Cash and cash equivalents at the end of the reporting period		12,517		16,283		12,517		16,283
<b>Movement in cash equivalents</b>		<b>(472)</b>		<b>3,766</b>		<b>(472)</b>		<b>3,766</b>

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## 1. Creation of Police & 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 22nd November 2012 with two 'corporation sole' bodies, the 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. These financial statements for 2015/16 show the financial positions of the PCC and the PCC Group for the fourth year of operation.

### Accounting principles

The accounting recognition of assets, liabilities and reserves during the first period of transition, reflects 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 22nd 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. All payments for the Group are made by the PCC from the police fund and all income and funding is received by the PCC. The PCC 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 PCC have recognised the expenditure and income associated with day-to-day direction and control and the PCC'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 PCC's Accounts. Transactions in respect of operational police officer and staff costs, and associated operational incomes, 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.

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 1 April 2014 and all staff, except those employed by the Office of the PCC, transferred to the corporation sole of Chief Constable.

## NOTES TO THE ACCOUNTS AS A WHOLE

### 2. Intra Group Adjustments

#### Intra group adjustments

The table below shows the movement through an intra group account within the respective accounts during 2014/15 and 2015/16. There are no outstanding intra group balances at year end, as the PCC paid all financial resources consumed at the request of the Chief Constable and an intra group adjustment was made to offset the Chief Constable's consumption of resources.

	Intra group balances for 2014/15			Intra group balances for 2015/16		
	PCC £000	Chief Constable £000	Group £000	PCC £000	Chief Constable £000	Group £000
Opening balance as at 1 <sup>st</sup> April	0	0	0	0	0	0
PCC resources consumed at the request of the Chief Constable	(275,555)	275,555	0	(280,998)	280,998	0
PCC Intra group adjustment	275,555	(275,555)	0	280,998	(280,998)	0
<b>Closing balance as at 31<sup>st</sup> March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 35, the PCC 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:

- a) **Joint Activities.** The PCC 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 PCC and Chief Constable also participate in some joint activities with other Eastern Region Authorities. These activities are deemed by the PCC 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 these activities are shown in the Related Party Transactions note 30.
- b) **Impairment of assets:** Further information can be found at note 12.

### 4. Events after the Reporting Period

There have been no material post balance sheet events between the year-end and the date of approval of these accounts which require adjustment to these financial statements.

### 5. Date of Authorisation of the Statement of Accounts for Issue

The Statement of Accounts was authorised for issue on 23 September 2016 by Charles Garbett BA (Hons) CPFA, Treasurer to the PCC for Essex and Deborah Martin BA (Hons), CPFA, Chief Finance Officer of the Chief Constable.

## NOTES TO THE ACCOUNTS AS A WHOLE

### 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:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the PCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £0.029m for every year that useful lives had to be reduced.
<b>Insurance Provision</b>	The PCC has made a provision of £2.759m for the settlement of outstanding insurance claims that fall to be met under the 'excess' clauses of the PCC's Insurance Policies. It is not certain that all valid claims have yet been received by the PCC. 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.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.368m to the provision needed.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the PCC with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption for Police Staff pension would result in a decrease in the pension liability of £7.966m. An increase of one year on mortality rate assumptions for members of the Police Officer 1987 Pension Scheme would result in an increase in the pension liability for that scheme of £74.808m. It should be noted, however, that the various assumptions interact in complex ways.
<b>Severance Provision</b>	The PCC has made a provision of £0.305m for severance payments that will be incurred as a result of the savings programme	If the provision is too low, there will be additional costs in 2016/17 which are not met by the provision. If the provision is too high and there are no further provision requirements at the end of 2015/16, the balance of the provision will be transferred to the General Reserve. A 10% change equates to £0.031m.

## NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENTS

### **7. Amounts Reported for Resource Allocation Decisions**

The Police and Crime Commissioner sets the annual budget. The day-to-day management of the budget is delegated to the Chief Constable. The Force monitors the financial position and produces monthly and ad hoc reports for the PCC and the Chief Constable.

The analysis of income and expenditure in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Chief Constable on the basis of budgeted reports analysed across Chief Officer portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements, in particular the reports includes:

- Transfers to reserves and provisions
- Investment income
- Reversals of depreciation, revaluations, impairment losses and employee benefits

**NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENTS**

**7. Amounts Reported for Resource Allocation Decisions (contd.)**

The income and expenditure of the portfolios for the year is as follows: -

<b>2014/15 - Group</b>										
<b>Portfolio Analysis - Income and Expenditure</b>	<b>Policing Operations</b>	<b>Special Operations</b>	<b>Serious Crime Directorate</b>	<b>Director of HR</b>	<b>Support Services</b>	<b>Deputy Chief Constable</b>	<b>Corporate Budgets</b>	<b>PCC Grants and Allocations</b>	<b>Office of the PCC</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£0</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges & other service income	0	(2,189)	(5)	(1,972)	(19,645)	(50)	(364)	0	0	(24,225)
Interest and investment income	0	0	0	0	0	0	(208)	0	0	(208)
Government grants & contributions	0	0	(484)	0	(2,776)	0	(2)	(2,043)	(73)	(5,378)
Pension interest cost & return on assets	0	0	0	0	0	0	(114,196)	0	0	(114,196)
<b>Total Income</b>	<b>0</b>	<b>(2,189)</b>	<b>(489)</b>	<b>(1,972)</b>	<b>(22,421)</b>	<b>(50)</b>	<b>(114,770)</b>	<b>(2,043)</b>	<b>(73)</b>	<b>(144,007)</b>
Employee expenses	1,954	5,033	2,092	235,522	2,115	1,608	21,533	14	833	270,704
Other service expenses	0	4,281	3,810	576	30,853	1,100	494	4,424	441	45,979
Support Service recharges	0	574	0	1	340	16	0	322	0	1,253
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	0	0	0
Interest Payments	0	0	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	500	0	0	500
Contribution to reserves and provisions	0	0	0	0	0	0	30,035	0	0	30,035
Pension interest cost & return on assets	0	0	0	0	0	0	93,716	0	0	93,716
<b>Total Expenditure</b>	<b>1,954</b>	<b>9,888</b>	<b>5,902</b>	<b>236,099</b>	<b>33,308</b>	<b>2,724</b>	<b>146,278</b>	<b>4,760</b>	<b>1,274</b>	<b>442,187</b>
<b>Net Expenditure</b>	<b>1,954</b>	<b>7,699</b>	<b>5,413</b>	<b>234,127</b>	<b>10,887</b>	<b>2,674</b>	<b>31,508</b>	<b>2,717</b>	<b>1,201</b>	<b>298,180</b>
<b>2015/16 - Group</b>										
<b>Portfolio Analysis - Income and Expenditure</b>	<b>Territorial Policing</b>	<b>Criminal Justice and Offender Management Command and Strategic Projects</b>	<b>Serious Crime Directorate</b>	<b>Director of Support Services</b>	<b>Deputy Chief Constable</b>	<b>Corporate Budgets</b>	<b>PCC Grants and Allocations</b>	<b>Office of the PCC</b>	<b>Total</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Fees, charges & other service income	(116)	(1,228)	(5)	(20,088)	(1,105)	(1,317)	0	0	(23,859)	
Interest and investment income	0	0	0	0	0	(135)	0	0	(135)	
Government grants & contributions	0	0	(632)	(2,428)	0	0	(2,251)	0	(5,311)	
Pension interest cost & return on assets	0	0	0	0	0	(120,787)	0	0	(120,787)	
<b>Total Income</b>	<b>(116)</b>	<b>(1,228)</b>	<b>(637)</b>	<b>(22,516)</b>	<b>(1,105)</b>	<b>(122,239)</b>	<b>(2,251)</b>	<b>0</b>	<b>(150,092)</b>	
Employee expenses	2,375	2,882	776	236,991	2,207	38,007	64	791	284,093	
Other service expenses	1,304	2,190	3,523	30,734	1,046	363	5,781	752	45,693	
Support Service recharges	0	574	0	549	25	0	0	0	1,148	
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	0	0	
Interest Payments	0	0	0	0	0	0	0	1	1	
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	233	0	0	233	
Contribution to reserves and provisions	0	0	0	0	0	37,090	0	(333)	36,757	
Pension interest cost & return on assets	0	0	0	0	0	84,830	0	0	84,830	
<b>Total Expenditure</b>	<b>3,679</b>	<b>5,646</b>	<b>4,299</b>	<b>268,274</b>	<b>3,278</b>	<b>160,523</b>	<b>5,845</b>	<b>1,211</b>	<b>452,755</b>	
<b>Net Expenditure</b>	<b>3,563</b>	<b>4,418</b>	<b>3,662</b>	<b>245,758</b>	<b>2,173</b>	<b>38,284</b>	<b>3,594</b>	<b>1,211</b>	<b>302,663</b>	

NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENTS

**7. Amounts Reported for Resource Allocation Decisions (contd.)**

Reconciliation to Comprehensive Income and Expenditure Statement

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

2014/15 - Group							
	Amounts not reported to Portfolio Analyses	Amounts Not included in Cost of Services in CI&E	Total Cost of Services In CI&E	Other Operating, Financing, Investment Amounts	Taxation and Non Specific Grants	Surplus or Deficit on Provision of Services	
	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	(24,225)	0	0	(24,225)	0	(24,225)	
Interest and investment income	(208)	0	208	(208)	0	(208)	
Income from council tax	0	0	0	0	(86,453)	(86,453)	
Government grants and contributions	(5,378)	0	0	(5,378)	(211,728)	(217,106)	
Pension interest cost & return on assets	(114,196)	0	114,196	0	0	0	
<b>Total Income</b>	<b>(144,007)</b>	<b>0</b>	<b>114,404</b>	<b>(29,603)</b>	<b>(298,181)</b>	<b>(327,992)</b>	
Employee expenses	270,704	0	160	270,864	0	270,864	
Other service expenses	45,979	0	0	45,979	0	45,979	
Support Service recharges	1,253	0	0	1,253	0	1,253	
Depreciation, amortisation and impairment	0	0	5,342	5,342	0	5,342	
Interest Payments	0	0	0	0	0	0	
Gain or Loss on Disposal of Fixed Assets	500	0	(500)	500	0	500	
Contribution to reserves and provisions	30,035	0	(28,550)	1,485	0	1,485	
Pension interest cost & return on assets	93,716	0	(93,716)	93,864	0	93,864	
<b>Total Expenditure</b>	<b>442,187</b>	<b>0</b>	<b>(117,264)</b>	<b>324,923</b>	<b>94,364</b>	<b>419,287</b>	
<b>Surplus or deficit on the provision of services</b>	<b>298,180</b>	<b>0</b>	<b>(2,860)</b>	<b>295,320</b>	<b>94,156</b>	<b>(298,181)</b>	

2015/16 - Group							
	Amounts not reported to Portfolio Analyses	Amounts Not included in Cost of Services in CI&E	Total Cost of Services In CI&E	Other Operating, Financing, Investment Amounts	Taxation and Non Specific Grants	Surplus or Deficit on Provision of Services	
	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	(23,859)	0	0	(23,859)	0	(23,859)	
Interest and investment income	(135)	0	135	(135)	0	(135)	
Income from council tax	0	0	0	0	(90,150)	(90,150)	
Government grants and contributions	(5,311)	0	0	(5,311)	(212,513)	(217,824)	
Pension interest cost & return on assets	(120,787)	0	120,787	0	0	0	
<b>Total Income</b>	<b>(150,092)</b>	<b>0</b>	<b>120,922</b>	<b>(29,170)</b>	<b>(302,663)</b>	<b>(331,968)</b>	
Employee expenses	284,093	0	(2,555)	281,538	0	281,538	
Other service expenses	45,693	0	0	45,693	0	45,693	
Support Service recharges	1,148	0	0	1,148	0	1,148	
Depreciation, amortisation and impairment	0	0	8,192	8,192	0	8,192	
Interest Payments	1	0	(1)	0	1	1	
Gain or Loss on Disposal of Fixed Assets	233	0	(233)	233	0	233	
Contribution to reserves and provisions	36,757	0	(37,920)	(1,163)	0	(1,163)	
Pension interest cost & return on assets	84,830	0	(84,830)	84,936	0	84,936	
<b>Total Expenditure</b>	<b>452,755</b>	<b>0</b>	<b>(117,347)</b>	<b>335,408</b>	<b>85,170</b>	<b>420,578</b>	
<b>Surplus or deficit on the provision of services</b>	<b>302,663</b>	<b>0</b>	<b>3,575</b>	<b>306,238</b>	<b>85,035</b>	<b>(302,663)</b>	



**NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENTS**

**7. Amounts Reported for Resource Allocation Decisions (contd.)**

2014/15- PCC										
Portfolio Analysis - Income and Expenditure	Policing Operations	Special Operations	Serious Crime Directorate	Director of HR	Director of Support Services	Deputy Chief Constable	Corporate Budgets	PCC Grants and Allocations	Office of the PCC	Total
	£000	£000	£000		£000	£000	£000	£000	£000	£000
Fees, charges & other service income	0	(2,189)	(5)	(311)	(18,991)	(50)	(364)	0	0	(21,910)
Interest and investment income	0	0	0	0	0	0	(208)	0	0	(208)
Government grants & contributions	0	0	(484)	0	(2,776)	0	(2)	(2,043)	(73)	(5,378)
Pension interest cost & return on assets	0	0	0	0	0	0	0	0	0	0
<b>Total Income</b>	<b>0</b>	<b>(2,189)</b>	<b>(489)</b>	<b>(311)</b>	<b>(21,767)</b>	<b>(50)</b>	<b>(574)</b>	<b>(2,043)</b>	<b>(73)</b>	<b>(27,496)</b>
Employee expenses	0	0	0	2,066	0	0	38	14	832	2,950
Other service expenses	0	4,281	3,810	505	29,042	1,100	416	4,424	441	44,019
Support Service recharges	0	574	0	1	340	16	0	322	0	1,253
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	0	0	0
Interest Payments	0	0	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	500	0	0	500
Contribution to reserves and provisions	0	0	0	0	0	0	28,587	0	0	28,587
Pension interest cost & return on assets	0	0	0	0	0	0	(134)	0	0	(134)
<b>Total Expenditure</b>	<b>0</b>	<b>4,855</b>	<b>3,810</b>	<b>2,572</b>	<b>29,382</b>	<b>1,116</b>	<b>29,407</b>	<b>4,760</b>	<b>1,273</b>	<b>77,175</b>
<b>Net Expenditure</b>	<b>0</b>	<b>2,666</b>	<b>3,321</b>	<b>2,261</b>	<b>7,615</b>	<b>1,066</b>	<b>28,833</b>	<b>2,717</b>	<b>1,200</b>	<b>49,679</b>

2015/16 - PCC										
Portfolio Analysis - Income and Expenditure	Territorial Policing	Criminal Justice and Offender Management Command and Strategic Projects	Serious Crime Directorate	Director of Support Services	Deputy Chief Constable	Corporate Budgets	PCC Grants and Allocations	Office of the PCC	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	(116)	(1,228)	(5)	(18,301)	(1,105)	(1,316)	0	0	(22,071)	
Interest and investment income	0	0	0	0	0	(135)	0	0	(135)	
Government grants & contributions	0	0	(632)	(2,428)	0	0	(2,251)	0	(5,311)	
Pension interest cost & return on assets	0	0	0	0	0	0	0	0	0	
<b>Total Income</b>	<b>(116)</b>	<b>(1,228)</b>	<b>(637)</b>	<b>(20,729)</b>	<b>(1,105)</b>	<b>(1,451)</b>	<b>(2,251)</b>	<b>0</b>	<b>(27,517)</b>	
Employee expenses	0	0	0	2,541	0	88	64	791	3,484	
Other service expenses	1,304	2,190	3,523	29,333	1,046	276	5,781	752	44,205	
Support Service recharges	0	574	0	549	25	0	0	0	1,148	
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	0	0	
Interest Payments	0	0	0	0	0	0	0	1	1	
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	233	0	0	233	
Contribution to reserves and provisions	0	0	0	0	0	38,253	0	(333)	37,920	
Pension interest cost & return on assets	0	0	0	0	0	(88)	0	0	(88)	
<b>Total Expenditure</b>	<b>1,304</b>	<b>2,764</b>	<b>3,523</b>	<b>32,423</b>	<b>1,071</b>	<b>38,762</b>	<b>5,845</b>	<b>1,211</b>	<b>86,903</b>	
<b>Net Expenditure</b>	<b>1,188</b>	<b>1,536</b>	<b>2,886</b>	<b>11,694</b>	<b>(34)</b>	<b>37,311</b>	<b>3,594</b>	<b>1,211</b>	<b>59,386</b>	

NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENTS

**7. Amounts Reported for Resource Allocation Decisions (contd.)**

2014/15 - PCC				
	Portfolio Analyses £000	Amounts not reported to management for decision making £000	Amounts Not included in Cost of Services in CI&E £000	Total Net Cost of Services In CI&E £000
Fees, charges & other service income	(21,910)	0	0	(21,910)
Interest and investment income	(208)	0	208	0
Income from council tax	0	0	0	0
Government grants and contributions	(5,378)	0	0	(5,378)
Pension interest cost & return on assets	0	0	0	0
<b>Total Income</b>	<b>(27,496)</b>	<b>0</b>	<b>208</b>	<b>(27,288)</b>
Employee expenses	2,950	0	19	2,969
Other service expenses	44,019	0	0	44,019
Support Service recharges	1,253	0	0	1,253
Depreciation, amortisation and impairment	0	0	5,342	5,342
Interest Payments	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	500	0	(500)	0
Contribution to reserves and provisions	28,587	0	(28,550)	37
Pension interest cost & return on assets	(134)	0	134	0
<b>Total Expenditure</b>	<b>77,175</b>	<b>0</b>	<b>(23,555)</b>	<b>53,620</b>
<b>Total</b>	<b>49,679</b>	<b>0</b>	<b>(23,347)</b>	<b>26,332</b>

2015/16 - PCC				
	Portfolio Analyses £000	Amounts not reported to management for decision making £000	Amounts Not included in Cost of Services in CI&E £000	Total Net Cost of Services In CI&E £000
Fees, charges & other service income	(22,071)	0	0	(22,071)
Interest and investment income	(135)	0	135	0
Income from council tax	0	0	0	0
Government grants and contributions	(5,311)	0	0	(5,311)
Pension interest cost & return on assets	0	0	0	0
<b>Total Income</b>	<b>(27,517)</b>	<b>0</b>	<b>135</b>	<b>(27,382)</b>
Employee expenses	3,484	0	(9)	3,475
Other service expenses	44,205	0	0	44,205
Support Service recharges	1,148	0	0	1,148
Depreciation, amortisation and impairment	0	0	8,192	8,192
Interest Payments	1	0	(1)	0
Gain or Loss on Disposal of Fixed Assets	233	0	(233)	0
Contribution to reserves and provisions	37,920	0	(37,920)	0
Pension interest cost & return on assets	(88)	0	88	0
<b>Total Expenditure</b>	<b>86,903</b>	<b>0</b>	<b>(29,883)</b>	<b>57,020</b>
<b>Total</b>	<b>59,386</b>	<b>0</b>	<b>(29,748)</b>	<b>29,638</b>

## NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

### 8. Officers' Remuneration

The following tables identify the number of police officers and police staff whose remuneration was £50,000 or more during 2015/16. The tables are presented for the PCC for Essex Group and for the PCC. The numbers of officers and staff are shown in remuneration bands of £5,000. They include officers and staff seconded to other police forces, government departments and other public bodies.

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:-

#### PCC for Essex Group

Remuneration Band	2014-15			2015-16		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£50,000 - £54,999	212	19	231	208	11	219
£55,000 - £59,999	116	7	123	122	9	131
£60,000 - £64,999	26	1	27	29	4	33
£65,000 - £69,999	9	1	10	11	1	12
£70,000 - £74,999	4	2	6	5	2	7
£75,000 - £79,999	4	4	8	3	2	5
£80,000 - £84,999	7	0	7	3	1	4
£85,000 - £89,999	3	0	3	7	1	8
£90,000 - £94,999	1	0	1	0	0	0
<b>Total for Group</b>	<b>382</b>	<b>34</b>	<b>416</b>	<b>388</b>	<b>31</b>	<b>419</b>

The role of Digital Investigating and Intelligence Co-Ordinator is included in the above table but is a shared partnership post. During 2015/16 the related costs of this post were split three ways with contributions received from the Home Office and the College of Policing

#### PCC for Essex

Remuneration Band	2014-15	2015-16
	Police Staff	Police Staff
£50,000 - £54,999	1	1
£55,000 - £59,999	1	1
£60,000 - £64,999	0	0
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
<b>Total for PCC</b>	<b>2</b>	<b>2</b>

The numbers in the above two tables exclude the police officers and staff disclosed in the tables on the following two pages.

**NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

**8. Officers' Remuneration (contd.)**

The tables below identify the remuneration of the Chief Officers and senior employees of the Group and the PCC:-

**Group – 2014/15**

	<b>Salary (including allowances) (note 1) £</b>	<b>Benefits in Kind (note 2) £</b>	<b>Employers Pension Contributions (note 3) £</b>	<b>Total Remuneration £</b>
Chief Constable - S Kavanagh (note 4)	189,355	7,775	39,889	<b>237,019</b>
Deputy Chief Constable (note 5)	146,103	3,611	30,057	<b>179,771</b>
Assistant Chief Constable	126,142	1,603	24,034	<b>151,779</b>
Assistant Chief Constable	119,843	0	23,702	<b>143,545</b>
Assistant Chief Constable (note 6)	79,821	6,858	18,505	<b>105,184</b>
Temporary Assistant Chief Constable (note 7)	24,636	566	5,665	<b>30,867</b>
Chief Finance Officer of the Chief Constable	75,670	1,967	9,913	<b>87,550</b>
Police & Crime Commissioner	79,000	0	10,349	<b>89,349</b>
Deputy Police & Crime Commissioner	58,333	0	7,642	<b>65,975</b>
Chief Executive (note 8)	80,923	0	10,601	<b>91,524</b>
Treasurer	52,969	0	6,939	<b>59,908</b>
<b>Total for PCC for Essex Group</b>	<b>1,032,795</b>	<b>22,380</b>	<b>187,296</b>	<b>1,242,471</b>

**PCC – 2014/15**

<b>2014/15</b>				
	<b>Salary (including allowances) (note 1) £</b>	<b>Benefits in Kind (note 2) £</b>	<b>Employers Pension Contributions (note 3) £</b>	<b>Total Remuneration £</b>
Police & Crime Commissioner	79,000	0	10,349	<b>89,349</b>
Deputy Police & Crime Commissioner	58,333	0	7,642	<b>65,975</b>
Chief Executive (note 8)	80,923	0	10,601	<b>91,524</b>
Treasurer	52,969	0	6,939	<b>59,908</b>
<b>Total for PCC for Essex</b>	<b>271,225</b>	<b>0</b>	<b>35,531</b>	<b>306,756</b>

Notes

- 1) The salary column includes basic salary plus, where applicable, housing allowance, rent allowance and Chief Officers' allowance.
- 2) Benefits in kind represent the monetary value of motor cars, either made available to officers as part of the Chief Officers' allowance or leased by officers under the Essex Police Car Provision Scheme.
- 3) Employer pension contributions are an employer cost and is not received by the employee.
- 4) The salary and allowances figure of £189,355 for the Chief Constable is net of contributions paid by the Chief Constable for his lease car. The salary and allowance excluding the lease car contributions paid by the Chief Constable was £194,336.
- 5) The salary and allowance figure of £146,103 for the Deputy Chief Constable is net of contributions paid by the Deputy Chief Constable for their lease car. The salary and allowance excluding the lease car contributions paid by the Deputy Chief Constable was £148,603.
- 6) This Assistant Chief Constable came into post on 30 June 2014 and the costs shown are the earnings from that day. If they had been in post for the whole year, their salary would have been £101,805 plus allowances.
- 7) The Temporary Assistant Chief Constable was in post between 1 April 2014 and 29 June 2014. They reverted to their substantive post of Detective Chief Superintendent on 30 June 2014 and retired on 2 January 2015. If they had remained as Temporary Assistant Chief Constable for the whole year, their salary would have been £94,692 plus allowances.

**NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

**8. Officers' Remuneration (contd.)**

8) During 2014/15 the post of Executive Director was renamed to Chief Executive.

Members of the Essex Police Chief Officer Team

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:-

- a) Director of Essex/Kent Support Services
- b) Director of Essex/Kent Human Resources

These post holders were on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2014/15. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

**Group – 2015/16**

<b>ACPO rank officers' remuneration</b>				
<b>2015/16</b>				
	<b>Salary (including allowances) (note 1)</b>	<b>Benefits in Kind (note 2)</b>	<b>Employers Pension Contributions (note 3)</b>	<b>Total Remuneration</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Constable - S Kavanagh (note 4)	196,780	7,755	0	204,535
Deputy Chief Constable (note 5 & 6)	98,277	1,697	17,329	117,303
Deputy Chief Constable (note 7)	46,003	3,092	9,391	58,486
Temporary Deputy Chief Constable (note 8)	59,352	806	11,259	71,417
Assistant Chief Constable (note 9)	71,223	4,282	14,412	89,917
Assistant Chief Constable (note 10)	73,460	0	12,685	86,145
Assistant Chief Constable	124,081	0	21,730	145,811
Temporary Assistant Chief Constable (note 11)	42,140	14	7,740	49,894
Chief Finance Officer of the Chief Constable (note 12)	82,661	2,412	10,829	95,902
Director of Strategic Change and Performance (note 13)	0	0	0	0
Police & Crime Commissioner	79,000	0	10,349	89,349
Deputy Police & Crime Commissioner	45,811	0	6,001	51,812
Executive Director	85,200	0	11,161	96,361
Treasurer	54,035	0	7,079	61,114
<b>Total for Group</b>	<b>1,058,023</b>	<b>20,058</b>	<b>139,964</b>	<b>1,218,045</b>

**PCC – 2015/16**

<b>2015/16</b>				
	<b>Salary (including allowances) (note 1)</b>	<b>Benefits in Kind (note 2)</b>	<b>Employers Pension Contributions (note 3)</b>	<b>Total Remuneration</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Police & Crime Commissioner	79,000	0	10,349	89,349
Deputy Police & Crime Commissioner (note 14)	45,811	0	6,001	51,812
Executive Director	85,200	0	11,161	96,361
Treasurer	54,035	0	7,079	61,114
<b>Total for PCC</b>	<b>264,046</b>	<b>0</b>	<b>34,590</b>	<b>298,636</b>

## 8. Officers' Remuneration (contd.)

### Notes

- 1) The salary column includes basic salary plus, where applicable, housing allowance, rent allowance and Chief Officers' allowance.
- 2) Benefits in kind represent the monetary value of motor cars, either made available to officers as part of the Chief Officers' allowance or leased by officers under the Essex Police Car Provision Scheme.
- 3) Employer pension contributions are an employer cost and is not received by the employee.
- 4) The salary and allowance figure of £196,780 for the Chief Constable excludes the lease car contributions paid by the Chief Constable. The 2014/15 figure of £189,355 shows the pay net of the Chief Constable's lease car contributions. The net figure for 2015/16 is £192,230.
- 5) This Deputy Chief Constable retired on 25th November 2015. If they had been in post for the whole year, their salary would have been £125,964 plus allowances.
- 6) The salary and allowance figure of £98,277 for the Deputy Chief Constable excludes the lease car contributions paid by the Deputy Chief Constable. The 2014/15 table shows the figure net of the Deputy Chief Constable's lease car contributions. The net figure for 2015/16 is £97,069.
- 7) An Assistant Chief Constable was promoted to Deputy Chief Constable on 25th November 2015 and the costs shown are the earnings from that day. If they had been in post for the whole year, their salary would have been £125,964 plus allowances.
- 8) An Assistant Chief Constable was promoted to Temporary Deputy Chief Constable of the Seven Force Strategic Collaboration Programme on 2nd November 2015 and the costs shown are the earnings from that day. Although 100% of the costs are shown, each of the seven collaborating forces contribute. If they had been in post for the whole year, their salary would have been £125,964 plus allowances.
- 9) This Assistant Chief Constable was promoted to Deputy Chief Constable on 25th November 2015 (note 4 refers) and the costs shown are the earnings up to that day. If they had been in post for the whole year, their salary would have been £105,945 plus allowances.
- 10) This Assistant Chief Constable was promoted to Temporary Deputy Chief Constable of the Seven Force Strategic Collaboration Programme on 2nd November 2015 (note 5 refers) and the costs shown are the earnings up to that day. If they had been in post for the whole year, their salary would have been £102,822 plus allowances.
- 11) This Temporary Assistant Chief Constable came into post on 30th October 2015 and the costs shown are the earnings from that day. If they had been in post for the whole year, their salary would be £96,597 plus allowances.
- 12) During 2015/16 the Chief Finance Officer received back pay of £1,260 relating to 2014/15.
- 13) The Director of Strategic Change and Performance came into post on 21<sup>st</sup> March 2016. No costs are included in the 2015/16 accounts for this post. If they had been in post for the whole year, their salary would have been £96,597 plus allowances.
- 14) The Deputy Police & Crime Commissioner reduced to 0.6 FTE from 1<sup>st</sup> September 2015. If the post had remained 1.0 FTE the salary would be £60,000 plus allowances.

### Members of the Essex Police Chief Officer Team

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:-

- a) Director of Essex/Kent Support Services
- b) Director of Essex/Kent Human Resources

These post holders were on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2015/16. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

## NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

### 8. Officers' Remuneration (contd.)

#### Exit Packages

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
£0 - £20,000	1	93	1	10	2	103
£20,001 - £40,000	4	21	0	2	4	23
£40,001 - £60,000	0	11	1	1	1	12
£60,001 - £80,000	0	1	0	0	0	1
£80,001 - £100,000	0	0	1	0	1	0
<b>Total</b>	<b>5</b>	<b>126</b>	<b>3</b>	<b>13</b>	<b>8</b>	<b>139</b>

Total Cost of Exit Packages in Each Band						
	2014-15			2015-16		
	Severance	Pension Strain	Total	Severance	Pension Strain	Total
£0 - £20,000	£30,881	£0	£30,881	£926,572	£13,540	£940,112
£20,001 - £40,000	£81,552	£28,413	£109,965	£350,498	£294,106	£644,604
£40,001 - £60,000	£31,103	£14,596	£45,699	£190,590	£381,755	£572,345
£60,001 - £80,000	£0	£0	£0	£20,995	£46,040	£67,035
£80,001 - £100,000	£35,092	£52,289	£87,381	£0	£0	£0
<b>Total</b>	<b>£178,628</b>	<b>£95,298</b>	<b>£273,926</b>	<b>£1,488,655</b>	<b>£735,441</b>	<b>£2,224,096</b>

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

### 9. Termination Benefits

There were 139 employees contracts terminated in 2015/16 (8 employees in 2014/15), incurring the following liabilities:

- £1.489m severance payments (£0.179m in 2014/15)
- £0.735m enhancement of retirement benefits/pension strain (£0.095m in 2014/15)

In addition to the amounts included in the bandings, an amount of £1,653 was credited to the Comprehensive Income and Expenditure Statement in 2015/16, representing the difference between estimates recognised in the previous year and actual amount paid in the current year.

### 10. External Audit Costs

	2014/15 £000	2014/15 £000	2015/16 £000	2015/16 £000
	PCC	Group	PCC	Group
<u>Fees payable to Ernst &amp; Young LLP</u>				
- with regard to external audit services carried out by the appointed auditor	55	80	41	60
	<b>55</b>	<b>80</b>	<b>41</b>	<b>60</b>

NOTES RELATING TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

**11. Grant Income**

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

	2014/15	2015/16
	£000	£000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Police Grant	(110,111)	(103,372)
DCLG Grant	(58,110)	(56,253)
Council Tax Precepts	(86,453)	(90,151)
Council Tax Support Grant	(10,992)	(10,992)
Council Tax Freeze Grant	(2,133)	(2,133)
Pension top up Grant	(27,440)	(37,721)
Capital Grants	(2,942)	(2,041)
<b>Total</b>	<b>(298,181)</b>	<b>(302,663)</b>
<b>Credited to Services</b>		
Local Partnership Funding	(1,328)	(1,230)
Other Grants	(4,050)	(4,080)
<b>Total</b>	<b>(5,378)</b>	<b>(5,310)</b>

The PCC 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:

	2014/15	2015/16
	£000	£000
<b>Capital Grants Receipts in Advance</b>		
NPCC (formerly ACPO / TAM) - for various capital projects	404	433
ANPR project 1	39	0
ANPR project 2	3	3
ANPR project 3	2	2
ANPR project 4	6	0
ANPR project 5	0	33
ANPR project 6	0	17
In car video project	3	0
<b>Total</b>	<b>457</b>	<b>488</b>



## 12. 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 2015/16 was undertaken in conjunction with the PCC's valuers. The review of asset valuations comprised an assessment of the PCC'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 2015/16 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 14 and 15 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

## 13. Operating Leases

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

	2014/15	2015/16
	£000	£000
Not later than one year	72	1,328
Later than one year and not later than five years	919	3,981
Later than five years (per annum)	304	284
<b>Total</b>	<b>1,295</b>	<b>5,593</b>

The 2014/15 figures show the forecast annual lease payment due for 2015/16 only. The 2015/16 figures show the total forecast annual lease payment commitments within the time periods specified in each lease.

**NOTES RELATING TO THE BALANCE SHEET**

**14. Property, Plant and Equipment**

The following two tables show the movements for 2014/15.

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 1 April 2014</b>	<b>69,998</b>	<b>26,178</b>	<b>16,247</b>	<b>6,354</b>	<b>151</b>	<b>118,928</b>
Additions	0	2,262	2,515	0	1,771	6,548
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,729	0	0	324	0	2,053
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	147	0	0	1,102	0	1,249
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(401)	0	0	0	0	(401)
Derecognition - Disposals	(416)	(1,263)	(2,806)	(382)	0	(4,867)
Derecognition - Other	(60)	(3,128)	(1,236)	(31)	0	(4,455)
Assets reclassified (to)/from						
- within PPE	1,927	103	0	(1,243)	(787)	0
- Held for Sale	(297)	0	0	(2,712)	0	(3,009)
Other movements	(1)	0	0	(1)	(5)	(7)
<b>At 31 March 2015</b>	<b>72,626</b>	<b>24,152</b>	<b>14,720</b>	<b>3,411</b>	<b>1,130</b>	<b>116,039</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 1 April 2014</b>	<b>(2,491)</b>	<b>(17,437)</b>	<b>(10,440)</b>	<b>(1,095)</b>	<b>0</b>	<b>(31,463)</b>
Depreciation Charge	(1,606)	(2,799)	(1,727)	(96)	0	(6,228)
Depreciation written out to the Revaluation Reserve	435	0	0	47	0	482
Depreciation written out to the Surplus/Deficit on the Provision of Services	30	0	0	24	0	54
Derecognition - Disposals	13	1,252	2,634	99	0	3,998
Derecognition - Other	19	2,862	604	28	0	3,513
Other movements in Depreciation and Impairment	(44)	20	0	24	0	0
<b>At 31 March 2015</b>	<b>(3,644)</b>	<b>(16,102)</b>	<b>(8,929)</b>	<b>(969)</b>	<b>0</b>	<b>(29,644)</b>
<b>Net Book Value</b>						
<b>At 31 March 2015</b>	<b>68,982</b>	<b>8,050</b>	<b>5,791</b>	<b>2,442</b>	<b>1,130</b>	<b>86,395</b>
<b>At 31 March 2014</b>	<b>67,507</b>	<b>8,741</b>	<b>5,807</b>	<b>5,259</b>	<b>151</b>	<b>87,465</b>

## NOTES RELATING TO THE BALANCE SHEET

### 14. Property, Plant and Equipment (PPE) (contd)

The following two tables show the movements for 2015/16:

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 1 April 2015</b>	<b>72,626</b>	<b>24,152</b>	<b>14,720</b>	<b>3,411</b>	<b>1,129</b>	<b>116,038</b>
Additions	0	1,257	2,288	0	6,789	10,334
Revaluation increases/(decreases) recognised in the Revaluation Reserve	351	0	0	47	0	398
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	625	0	0	116	0	741
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(3,159)	0	0	0	0	(3,159)
Derecognition - Disposals	(303)	(1,532)	(2,602)	(21)	0	(4,458)
Derecognition - Other	(32)	(204)	0	0	0	(236)
Assets reclassified (to)/from						
- within PPE	3,159	(403)	0	427	(3,183)	0
- Held for Sale	0	0	0	(157)	0	(157)
Other movements	(6)	0	0	7	0	1
<b>At 31 March 2016</b>	<b>73,261</b>	<b>23,270</b>	<b>14,406</b>	<b>3,830</b>	<b>4,735</b>	<b>119,502</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 1 April 2015</b>	<b>(3,644)</b>	<b>(16,102)</b>	<b>(8,929)</b>	<b>(969)</b>	<b>0</b>	<b>(29,644)</b>
Depreciation Charge	(1,516)	(2,706)	(1,664)	(81)	0	(5,967)
Depreciation written out to the Revaluation Reserve	(155)	0	0	21	0	(134)
Depreciation written out to the Surplus/Deficit on the Provision of Services	662	0	0	50	0	712
Derecognition - Disposals	3	1,492	2,301	21	0	3,817
Derecognition - Other	8	189	0	0	0	197
Other movements in Depreciation and Impairment	90	427	0	(434)	0	83
<b>At 31 March 2016</b>	<b>(4,552)</b>	<b>(16,700)</b>	<b>(8,292)</b>	<b>(1,392)</b>	<b>0</b>	<b>(30,936)</b>
<b>Net Book Value</b>						
<b>At 31 March 2016</b>	<b>68,709</b>	<b>6,570</b>	<b>6,114</b>	<b>2,438</b>	<b>4,735</b>	<b>88,566</b>
<b>At 31 March 2015</b>	<b>68,983</b>	<b>8,050</b>	<b>5,791</b>	<b>2,442</b>	<b>1,130</b>	<b>86,396</b>

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

A total of fifty five of the PCC's existing land and building assets were revalued as at 31 March 2016 by external professionally qualified valuers, Guy Harbord MA MRICS IRRV (Hons) of Wilks, Head and Eve. Valuations were completed in accordance with the Code. As required by the Code and the PCC's accounting policy, significant components were separately valued in relation to selected property assets.

**NOTES RELATING TO THE BALANCE SHEET**

**14. Property, Plant and Equipment (contd.)**

As part of the collaborative arrangements between Essex Police and Kent Police, 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 31 March 2016 and which are included in the above PPE note.

<b>Jointly Controlled Assets with Kent Police</b>	<b>Total value of the Joint Assets as of 31 March 2016</b>	<b>% contributed by Essex</b>
	£000	
CSI - Software Application	22	50
DNA Clean Room	90	50
IT Service Management Tool	53	50
Laser for Forensics	18	50
Mobile Data Terminals	120	50
Network Infrastructure Upgrade	565	50
Public Contact Programme	41	50
SCD - Covert Equipment	232	50
SCD - Fingerprint Cabinet	14	50
Single Desktop Programme	119	50
Video Conferencing	133	50
Visual Media Evidence	230	50
<b>Total</b>	<b>1,637</b>	

**Fair Value Disclosures for Surplus Assets**

Details of the PCC's surplus assets as at 31 March 2016 are as follows:

<b>Recurring Fair Value Measurement Using:</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Other Significant Observable inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Fair Value as at 31st March 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Surplus Operational Buildings	0	1,423	0	<b>1,423</b>
Surplus Land	0	986	0	<b>986</b>
Total	<b>0</b>	<b>2,409</b>	<b>0</b>	<b>2,409</b>

NOTES RELATING TO THE BALANCE SHEET

**15. Intangible Assets**

The PCC 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 PCC 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 PCC. The useful lives assigned to the major software suites used by the PCC are:

	Internally Generated Assets	Other Assets
5 years	none	Athena Mobile Data SAP System Licences Single Desktop 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:

	2014/15 Purchased Software Licences £000	2015/16 Purchased Software Licences £000
<b>Gross book value at start of year</b>	<b>5,854</b>	<b>5,703</b>
<b>Movement in Year</b>		
Additions	424	2,109
Disposals and deletions	(397)	(21)
Transfers	(178)	(7)
<b>Gross Book Value at end of year</b>	<b>5,703</b>	<b>7,784</b>
Accumulated dep'n and amortisation from earlier years	(5,192)	(4,995)
Depreciation on disposals and deletions	387	21
Depreciation on transfers	115	7
Amortisation for the year	(305)	(419)
<b>Net Book Value at end of year</b>	<b>708</b>	<b>2,398</b>

	Carrying Amount (Major Software Suites only)		
	31 March 2015 £000	31 March 2016 £000	Remaining Amortisation Period at 31 March 2016
Athena	286	250	3 years
Mobile Data	48	36	3 years
SAP Systems Licences	0	1,091	4 years
Single Desktop Programme	86	66	3 years

## NOTES RELATING TO THE BALANCE SHEET

### 16. Capital Expenditure and Capital 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 as assets are used by the PCC, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of capital expenditure incurred historically by the PCC that has yet to be financed. The CFR is analysed in the second part of this note.

	2014/15 £000	2015/16 £000
<b>Opening Capital Financing Requirement</b>	<b>9,040</b>	<b>9,065</b>
Adjustment	838	0
<b>Adjusted Opening Capital Financing Requirement</b>	<b>9,878</b>	<b>9,065</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	6,543	10,334
Intangible Assets	424	2,109
<b>Total Capital Investment</b>	<b>6,967</b>	<b>12,443</b>
<b>Sources of Finance</b>		
Capital receipts	(559)	(9,067)
Government grants and other contributions	(5,619)	(2,894)
Revenue funding	(602)	(482)
Minimum revenue provision	(1,000)	(1,000)
<b>Total Sources of Finance</b>	<b>(7,780)</b>	<b>(13,443)</b>
<b>Closing Capital Financing Requirement</b>	<b>9,065</b>	<b>8,065</b>
<b>Explanation of movements in year</b>		
Decrease in underlying need to borrow (unsupported by government financial assistance)	(813)	(1,000)
<b>Decrease in Capital Financing Requirement</b>	<b>(813)</b>	<b>(1,000)</b>

The 2014/15 year adjustment of £0.838m is a correction to the opening Capital Financing Requirement, which had been understated in previous years.

The estimated value of significant commitments under capital contracts totalled £4.148m at 31 March 2016 (£1.787m at 31 March 2015). This primarily covers a major refurbishment and custody facilities building contract at Southend Police Station.

## NOTES RELATING TO THE BALANCE SHEET

### 17. Inventories

	Vehicle Parts		Uniform		CS Spray Prisoner Supplies General Stock		Total	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
<b>Balance outstanding at start of year</b>	141	131	553	517	123	119	778	767
Purchases	1,214	1,061	275	226	132	81	1,621	1,368
Recognised as an expense in the year	(1,224)	(1,062)	(311)	(215)	(136)	(152)	(1,671)	(1,429)
<b>Balance outstanding at year end</b>	<b>131</b>	<b>130</b>	<b>517</b>	<b>528</b>	<b>119</b>	<b>48</b>	<b>767</b>	<b>706</b>

### 18. Debtors

#### Long term debtors

The long-term debtors' figure of £0.051m (2014/15 £0.054m) 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:-

	2014/15 £000	2014/15 £000	2015/16 £000	2015/16 £000
	PCC	Group	PCC	Group
Central Government Bodies	9,555	9,555	12,138	12,138
Other Local Authorities	6,761	8,171	11,746	13,331
NHS Bodies	16	16	0	0
Other Entities & Individuals	6,661	6,661	8,055	8,055
<b>Balance at year end</b>	<b>22,993</b>	<b>24,403</b>	<b>31,939</b>	<b>33,524</b>

### 19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2014/15 £000	2015/16 £000
<u>Current Assets</u>		
Liquid investments	12,335	18,159
Operational bank accounts	(40)	(2,126)
Petty cash advances	250	250
<b>Total as per Balance Sheet</b>	<b>12,545</b>	<b>16,283</b>
Less accrued interest on net short term deposits	(28)	0
<b>Total excluding accrued interest</b>	<b>12,517</b>	<b>16,283</b>
<b>Balance at year end</b>	<b>12,517</b>	<b>16,283</b>

## NOTES RELATING TO THE BALANCE SHEET

### 20. Assets Held for Sale

	2014/15 £000	2015/16 £000
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>2,811</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,811	141
Revaluation losses	0	(74)
Assets sold	0	(2,489)
<b>Balance outstanding at year-end</b>	<b>2,811</b>	<b>389</b>

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.

9 assets met the above criteria at 31 March 2015.

At 31 March 2016 2 properties met the above criteria.

### 21. Short-Term Creditors

	2014/15 £000	2014/15 £000	2015/16 £000	2015/16 £000
	PCC	Group	PCC	Group
Central Government Bodies	(6,965)	(6,965)	(6,066)	(6,066)
Other Local Authorities	(4,497)	(4,497)	(7,359)	(7,359)
NHS Bodies	0	0	(17)	(17)
Other Entities & Individuals	(11,427)	(18,530)	(16,158)	(20,891)
<b>Balance at year end</b>	<b>(22,889)</b>	<b>(29,992)</b>	<b>(29,600)</b>	<b>(34,333)</b>



## NOTES RELATING TO THE BALANCE SHEET

### 22. Provisions

The PCC maintains two provisions as follows:

#### a) Insurance Provision (see note 6 for further details):-

	£000
<b>Balance at 1 April 2014</b>	<b>2,923</b>
Additional provisions made in 2014/15	1,075
Amounts used in 2014/15	(1,330)
<b>Balance at 31 March 2015</b>	<b>2,668</b>
<b>Balance at 1 April 2015</b>	<b>2,668</b>
Additional provisions made in 2015/16	1,204
Amounts used in 2015/16	(1,113)
<b>Balance at 31 March 2016</b>	<b>2,759</b>

#### b) Severance payments provision

	£000
<b>Balance at 1 April 2014</b>	<b>20</b>
Additional provisions made in 2014/15	1,468
Amounts used in 2014/15	(20)
<b>Balance at 31 March 2015</b>	<b>1,468</b>
<b>Balance at 1 April 2015</b>	<b>1,468</b>
Additional provisions made in 2015/16	1,065
Amounts used in 2015/16	(2,228)
<b>Balance at 31 March 2016</b>	<b>305</b>

## NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT

### 23. 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 PCC Group during 2014/15 and 2015/16 in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the PCC Group to meet future capital and revenue expenditure.

PCC Group - 2014/15	General Reserve £000	Capital Receipts Reserve 0	Capital Grants Unapplied Account 0	Total Usable Reserves 0	Revaluation Reserve 0	Capital Adjustment Account 0	Deferred Capital Receipts Reserve 0	IAS19 Pensions Reserve- Police Officers 0	IAS19 Pensions Reserve- Police Staff 0	Collection Fund Adjust Account 0	Accumulating Absences Account 0	Total Unusable Reserves 0	Total all Reserves 0
<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	(6,630)	0	0	(6,630)	0	6,630	0	0	0	0	0	6,630	0
Amortisation of intangible assets	(305)	0	0	(305)	0	305	0	0	0	0	0	305	0
Revaluation gains on reclassification of Property, Plant & Equipment	1,104	0	0	1,104	0	(1,104)	0	0	0	0	0	(1,104)	0
Reversal of previous impairments on revaluation of Property, Plant & Equipment	489	0	0	489	1,154	(1,643)	0	0	0	0	0	(489)	0
Depreciation of revaluation gains held in the revaluation reserve	0	0	0	0	106	(106)	0	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	1,000	0	0	1,000	0	(1,000)	0	0	0	0	0	(1,000)	0
Capital Expenditure charged against the General Reserve	602	0	0	602	0	(602)	0	0	0	0	0	(602)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,942	0	(10)	2,932	0	(2,932)	0	0	0	0	0	(2,932)	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure	0	0	2,686	2,686	0	(2,686)	0	0	0	0	0	(2,686)	0
<b>Adjustments involving the Capital Receipts Reserve</b>													
Accumulated gains on assets sold or scrapped	0	0	0	0	71	(71)	0	0	0	0	0	0	0
Transfer of sale proceeds	1,394	(1,394)	0	0	0	0	0	0	0	0	0	0	0
Write out asset disposals	(1,856)	0	0	(1,856)	0	1,856	0	0	0	0	0	1,856	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	559	0	559	0	(559)	0	0	0	0	0	(559)	0
<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	(154,272)	0	0	(154,272)	0	0	0	137,611	16,661	0	0	154,272	0
Employers' pension contributions and direct payments to pensioners payable in the year	67,278	0	0	67,278	0	0	0	(58,233)	(9,046)	0	0	(67,278)	0
<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	844	0	0	844	0	0	0	0	0	(844)	0	(844)	0
<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	(160)	0	0	(160)	0	0	0	0	0	0	160	160	0
<b>Total</b>	<b>(87,570)</b>	<b>(835)</b>	<b>2,676</b>	<b>(85,729)</b>	<b>1,331</b>	<b>(1,912)</b>	<b>0</b>	<b>79,378</b>	<b>7,615</b>	<b>(844)</b>	<b>160</b>	<b>85,729</b>	<b>0</b>

**NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT**

**23. Adjustments between Accounting Basis and Funding Basis under Regulations (contd.)**

PCC - 2014/15	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 Adjust Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
<b>Adjustments involving the Capital Adjustment Account</b>	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(6,630)	0	0	(6,630)	0	6,630	0	0	0	0	0	6,630	0
Amortisation of intangible assets	(305)	0	0	(305)	0	305	0	0	0	0	0	305	0
					1,154	(1,154)	0	0	0	0	0	0	0
Revaluation gains on reclassification of Property, Plant & Equipment	1,104	0	0	1,104	0	(1,104)	0	0	0	0	0	(1,104)	0
Reversal of previous impairments on revaluation of Property, Plant & Equipment	489	0	0	489	0	(489)	0	0	0	0	0	(489)	0
Depreciation of revaluation gains held in the revaluation reserve	0	0	0	0	106	(106)	0	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	1,000	0	0	1,000	0	(1,000)	0	0	0	0	0	(1,000)	0
Capital Expenditure charged against the General Reserve	602	0	0	602	0	(602)	0	0	0	0	0	(602)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,942	0	(10)	2,932	0	(2,932)	0	0	0	0	0	(2,932)	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure	0	0	2,686	2,686	0	(2,686)	0	0	0	0	0	(2,686)	0
<b>Adjustments involving the Capital Receipts Reserve</b>													
Accumulated gains on assets sold or scrapped	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of sale proceeds	1,394	(1,394)	0	0	0	0	0	0	0	0	0	0	0
Write out asset disposals	(1,856)	0	0	(1,856)	0	1,856	0	0	0	0	0	1,856	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	559	0	559	0	(559)	0	0	0	0	0	(559)	0
<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	(52)	0	0	(52)	0	0	0	0	52	0	0	52	0
Employers' pension contributions and direct payments to pensioners payable in the year	0	0	0	0	0	0	0	0	0	0	0	0	0
<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	844	0	0	844	0	0	0	0	0	(844)	0	(844)	0
<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	(19)	0	0	(19)	0	0	0	0	0	0	19	19	0
<b>Total</b>	<b>(487)</b>	<b>(835)</b>	<b>2,676</b>	<b>1,354</b>	<b>1,260</b>	<b>(1,841)</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>(844)</b>	<b>19</b>	<b>(1,354)</b>	<b>0</b>

## NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT

### 23. Adjustments between Accounting Basis and Funding Basis under Regulations (contd.)

PCC Group - 2015/16	General Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	IAS19 Pensions Reserve- Police Officers £000	IAS19 Pensions Reserve- Police Staff £000	Collection Fund Adjust Account £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £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	(6,155)			(6,155)		6,155					6,155	0
Amortisation of intangible assets	(420)			(420)		420					420	0
Revaluation losses on Property, Plant & Equipment	(1,617)			(1,617)		1,617					1,617	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,169)			(3,169)		3,169					3,169	0
Adjusting amounts written out of the Revaluation Reserve				0	440	(440)					0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>												
Statutory provision for the financing of capital investment	1,000			1,000		(1,000)					(1,000)	0
Capital Expenditure charged against the General Reserve	482			482		(482)					(482)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>												
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,785			2,785		(2,785)					(2,785)	0
Prior year income removed from reserve and transferred to Capital Grant Creditor	(29)		29	0							0	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure			108	108		(108)					(108)	0
<b>Adjustments involving the Capital Receipts Reserve</b>												
Accumulated gains on assets sold or scrapped				0							0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,969	(2,969)		0							0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		9,067		9,067		(9,067)					(9,067)	0
<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	(159,405)			(159,405)			139,587	19,818			159,405	0
Employers' pension contributions and direct payments to pensioners payable in the year	76,233			76,233			(66,606)	(9,627)			(76,233)	0
<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	194			194					(194)		(194)	0
<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	2,555			2,555						(2,555)	(2,555)	0
<b>Total</b>	<b>(84,577)</b>	<b>6,098</b>	<b>137</b>	<b>(78,342)</b>	<b>440</b>	<b>(2,521)</b>	<b>72,981</b>	<b>10,191</b>	<b>(194)</b>	<b>(2,555)</b>	<b>78,342</b>	<b>0</b>

## NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT

### 23. Adjustments between Accounting Basis and Funding Basis under Regulations (contd.)

PCC - 2015/16	General Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	IAS19 Pensions Reserve- Police Officers £000	IAS19 Pensions Reserve- Police Staff £000	Collection Fund Adjust Account £000	Accumulating Absences Account £000	Total Unusable Reserves £000	Total all Reserves £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	(6,155)			(6,155)		6,155						6,155	0
Amortisation of intangible assets	(420)			(420)		420						420	0
Revaluation losses on Property, Plant & Equipment	(1,617)			(1,617)		1,617						1,617	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,169)			(3,169)		3,169						3,169	0
Adjusting amounts written out of the Revaluation Reserve				0	440	(440)						0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Statutory provision for the financing of capital investment	1,000			1,000		(1,000)						(1,000)	0
Capital Expenditure charged against the General Reserve	482			482		(482)						(482)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,785			2,785		(2,785)						(2,785)	0
Prior year income removed from reserve and transferred to Capital Grant Creditor	(29)		29	0								0	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure			108	108		(108)						(108)	0
<b>Adjustments involving the Capital Receipts Reserve</b>													
Accumulated gains on assets sold or scrapped				0								0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,969	(2,969)		0								0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		9,067		9,067		(9,067)						(9,067)	0
<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	(191)			(191)					191			191	0
Employers' pension contributions and direct payments to pensioners payable in the year	85			85					(85)			(85)	0
<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	194			194						(194)		(194)	0
<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	9			9							(9)	(9)	0
<b>Total</b>	<b>(4,057)</b>	<b>6,098</b>	<b>137</b>	<b>2,178</b>	<b>440</b>	<b>(2,521)</b>	<b>0</b>	<b>0</b>	<b>106</b>	<b>(194)</b>	<b>(9)</b>	<b>(2,178)</b>	<b>0</b>

## NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT

### 24. Purpose of Earmarked Reserves

The following notes explain the purpose of the earmarked reserves on which there was a balance at the end of 2015/16:-

1. The Athena Reserve was created in 2013/14. It holds funds set aside for the implementation of the Athena system. See the Related Party note 30 for more details of the Athena system.
2. The Estates Reserve was created in 2013/14 to fund improvements to the Essex Police estate.
3. The Force Central Carry Forward Reserve represents amounts carried forward from the financial year just ended to the new financial year to meet specific financial commitments. The commitments to be funded from this reserve in 2015/16 are as follows:-
  - PCC Grants £136,386
  - Operational Activities £110,771
4. The Forfeiture Monies Reserve holds funds transferred to the PCC 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.
5. The Investment in Estates and IT Strategies reserve was created in 2015/16 and will help to fund the one off costs of implementing the Estates and IT Strategies.
6. The Leased Property Dilapidations Reserve Original funds the cost of future major repairs to a multi occupancy building. The PCC is responsible for the maintenance of this building, and it is intended to restore the building back to its original condition at the end of the lease.
7. The Leased Property Dilapidation & Maintenance Reserve funds the cost of minor repairs to the multi occupancy building. The funds transferred into the Reserve represent service charges collected from the tenants in respect of outstanding balances. Charges ceased at the end of 2014 after agreement was reached with all respective forces that they would contribute on an agreed percentage basis any costs due at the end of the lease. The balance on this reserve will be held until the end of the lease.
8. The Pay Equalisation Reserve was created in 2014/15 to help fund in-year shortfalls on pay due to the cost of turnover activity.
9. The Proceeds of Crime Act (POCA) Reserve holds receipts received through the Asset Recovery Incentive Scheme, to fund crime reduction related expenditure.
10. The Redundancy and Relocation Reserve was created in 2014/15 to help fund the cost of the savings programme.
11. The Support Services Convergence Programme Reserve funded a project team set up to deliver an integrated support services directorate between Essex and Kent. The reserve was closed at the end of 2014/15.
12. The Future Capital Funding Reserve funds future capital programmes.

## NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT

### 25. 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 2015/16

See note 24 for details of the purpose of earmarked reserves.

	Balance at 31-Mar-14 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31-Mar-15 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31-Mar-16 £000
<b>Earmarked Reserves</b>							
<b>Held for revenue purposes</b>							
Athena Reserve	1,740	(1,106)	110	744	(744)	22	22
Estates Programme	2,346	(1,087)	0	1,259	(1,042)	0	217
Force Central Carry Forward Reserve	1,857	(2,092)	1,482	1,247	(1,247)	247	247
Forfeiture Monies Reserve	58	0	17	75	0	23	98
Investment in Estates and IT Strategies	0	0	241	241	(1,062)	1,990	1,169
Leased Property Dilapidations Reserve	175	0	0	175	0	0	175
Leased Property Maintenance Reserve	520	0	15	535	0	0	535
Pay Equalisation Reserve	0	0	262	262	0	0	262
Proceeds of Crime Act (POCA) Reserve	609	(324)	326	611	(289)	464	786
Redundancy & Relocation Reserve	0	0	38	38	(38)	0	0
Support Services Convergence Programme	90	(90)	0	0	0	0	0
<b>Sub total</b>	<b>7,395</b>	<b>(4,699)</b>	<b>2,491</b>	<b>5,187</b>	<b>(4,422)</b>	<b>2,746</b>	<b>3,511</b>
<b>Held for capital purposes</b>							
Future Capital Funding Reserve	22	(368)	650	304	(482)	195	17
<b>Sub total</b>	<b>7,417</b>	<b>(5,067)</b>	<b>3,141</b>	<b>5,491</b>	<b>(4,904)</b>	<b>2,941</b>	<b>3,528</b>
<b>General Reserve</b>	<b>18,046</b>	<b>(3,129)</b>	<b>310</b>	<b>15,227</b>	<b>(2,070)</b>	<b>0</b>	<b>13,157</b>
<b>Total Specific &amp; General Reserves</b>	<b>25,463</b>	<b>(8,196)</b>	<b>3,451</b>	<b>20,718</b>	<b>(6,974)</b>	<b>2,941</b>	<b>16,685</b>

### 26. Usable Reserves

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

### 27. Unusable Reserves

The tables on the following pages describe the unusable reserves.

#### 27.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the PCC 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, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 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.

## NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT

### 27.1 Revaluation Reserve (Contd.)

	2014/15 £000	2015/16 £000
<b>Balance at 1 April</b>	<b>(3,096)</b>	<b>(3,811)</b>
<b>Restatement of opening balance</b>	1,155	0
<b>Surplus or deficit on revaluation of non-current assets not</b>		
Upward revaluation of assets	(2,102)	(4,408)
Downward revaluation of assets and impairment losses	55	4,050
<b>Amount written off to the Capital Adjustment Account</b>		
Depreciation of revaluation gains	106	147
Accumulated gains on assets sold or scrapped	71	293
<b>Balance at 31 March</b>	<b>(3,811)</b>	<b>(3,729)</b>

### 27.2 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 CIES. 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 23 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



## NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT

### 27. Unusable Reserves (Contd.)

	2014/15 £000	2015/16 £000
<b>Balance at 1 April</b>	<b>(75,111)</b>	<b>(77,038)</b>
<b>Restatement of opening balance</b>	<b>(1,155)</b>	<b>0</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non current assets	5,090	7,787
Revaluation (gains)/losses on Property, Plant and Equipment	(31)	0
Amortisation of intangible assets	305	405
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	1,822	3,169
Capital contributions written out	0	0
<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(178)</b>	<b>(440)</b>
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(69,258)</b>	<b>(66,117)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(559)	(9,067)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,932)	(2,785)
Application of grants to capital financing from the Capital Grants Unapplied account	(2,686)	(108)
Statutory provision for the financing of capital investment charged against the General Reserve	(1,000)	(1,000)
Capital expenditure charged against the General Reserve	(603)	(482)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
<b>Balance at 31 March</b>	<b>(77,038)</b>	<b>(79,559)</b>

### 27.3 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has not yet taken place. Under statutory arrangements, the PCC does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2014/15 £000	2015/16 £000
<b>Balance at 1 April</b>	<b>(298)</b>	<b>(27)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	271	0
<b>Balance at 31 March</b>	<b>(27)</b>	<b>(27)</b>

The above balance refers to the transfer of the force helicopter to the National Police Air Service (NPAS) in October 2012 when the NPAS service to Essex commenced. The Essex Air Support Unit discontinued operations with effect from 30 September 2012. Under the transfer arrangements NPAS pay forces an amount in recognition of the value of transferred asset over its remaining operational life. The total amount paid to the PCC by the end of March 2016 by NPAS is £0.684m and the final instalment of £0.027m is due to be paid in 2017/18.

## NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT

### 27. Unusable Reserves (Contd.)

#### 27.4 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 PCC 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 PCC 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 PCC 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.

	2014/15 Group			2015/16 Group		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>2,009,561</b>	<b>109,496</b>	<b>2,119,057</b>	<b>2,387,920</b>	<b>143,980</b>	<b>2,531,900</b>
Actuarial (gains)/losses on pensions assets and liabilities	298,980	26,868	<b>325,848</b>	(129,585)	(22,775)	<b>(152,360)</b>
Reversal of items relating to retirement benefits debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	137,611	16,661	<b>154,272</b>	139,587	19,818	<b>159,405</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(58,232)	(9,045)	<b>(67,277)</b>	(66,606)	(9,627)	<b>(76,233)</b>
<b>Balance at 31 March</b>	<b>2,387,920</b>	<b>143,980</b>	<b>2,531,900</b>	<b>2,331,316</b>	<b>131,396</b>	<b>2,462,712</b>

	2014/15 PCC			2015/16 PCC		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>0</b>	<b>109,496</b>	<b>109,496</b>	<b>0</b>	<b>556</b>	<b>556</b>
Transfer of Police Staff to Chief Constable	0	(109,137)	<b>(109,137)</b>	0	0	<b>0</b>
Actuarial (gains)/losses on pensions assets and liabilities	0	145	<b>145</b>	0	(172)	<b>(172)</b>
Reversal of items relating to retirement benefits debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	0	146	<b>146</b>	0	191	<b>191</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	0	(94)	<b>(94)</b>	0	(85)	<b>(85)</b>
<b>Balance at 31 March</b>	<b>0</b>	<b>556</b>	<b>556</b>	<b>0</b>	<b>490</b>	<b>490</b>

## NOTES RELATING TO THE MOVEMENT IN RESERVES STATEMENT

### 27.5 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.

	2014/15	2015/16
	£000	£000
<b>Balance at 1 April</b>	<b>(2,100)</b>	<b>(2,944)</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	(844)	(194)
<b>Balance at 31 March</b>	<b>(2,944)</b>	<b>(3,138)</b>

### 27.6 Compensated Absences Adjustment Account

The Compensated Absences Adjustment 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 31 March. Statutory arrangements require that the impact on the General Reserve is neutralised by transfers to or from the Account.

	2014/15	2014/15	2015/16	2015/16
	PCC	Group	PCC	Group
	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>1,149</b>	<b>5,552</b>	<b>19</b>	<b>5,711</b>
Settlement or cancellation of accrual made at the end of the preceding year	(1,149)	(5,552)	(19)	(5,711)
Amounts accrued at the end of the current year	19	5,711	10	3,157
<b>Balance at 31 March</b>	<b>19</b>	<b>5,711</b>	<b>10</b>	<b>3,157</b>

## 28. Financial Instruments

### Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Short Term	
	2014/15 £000	2015/16 £000
<b>Investments</b>		
Loans and receivables	28,350	18,159
<b>Total investments</b>	<b>28,350</b>	<b>18,159</b>
<b>Debtors</b>		
Financial assets carried at contract amounts	7,926	18,490
<b>Total debtors</b>	<b>7,926</b>	<b>18,490</b>
<b>Creditors</b>		
Financial liabilities carried at contract amounts	(14,056)	(21,512)
<b>Total creditors</b>	<b>(14,056)</b>	<b>(21,512)</b>

### Investments

The investments can be analysed as follows:-

	2014/15 £000	2015/16 £000
<u>Current assets</u>		
Short term investments	16,015	0
Liquid investments	12,335	18,159
<b>Total Current assets</b>	<b>28,350</b>	<b>18,159</b>

The liquid investments represent funds held in instant-access deposit accounts.

All of these deposits were with UK banks. Where applicable, the above figure included the interest accrued at the year end.

There are no short term investments at 31 March 2016.

The values shown in the above table are carrying values, i.e. principal outstanding plus accrued interest at 31 March 2016. These are deemed to be approximately equal to their fair value (i.e. the present value of the cash flows that will take place over the remaining term of the investments) in the current low and flat interest rate environment.

The PCC does not hold any external borrowings at 31 March 2016 but has a historic internal borrowing requirement of £8.065m (as per note 16).

**28. Financial Instruments (contd.)**

Gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	<b>Financial Assets - loans and receivables</b>	
	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Interest expense	0	0
Interest receivable	(208)	(135)
<b>Net gain for the year</b>	<b>(208)</b>	<b>(135)</b>

**29. Nature and Extent of Risks Arising from Financial Instruments**

The Code of Practice states that the amortised cost measurement basis should be applied to:

- all financial liabilities
- financial assets represented by loans and receivables

All of the PCC's investments and other financial instruments fall into one of the above two categories, and are therefore carried in the Balance Sheet at amortised cost.

The fair value of the investments held by the PCC is deemed to be approximately equal to their carrying value in the current low and flat interest rate environment.

The Code states that fair value disclosures are not required for short-term trade payables and receivables on the basis that the carrying value in the Balance Sheet (i.e. invoiced or billed amount) can be taken to be a reasonable approximation of fair value. Accordingly, no fair value disclosures are given for any of the PCC's other financial instruments.

The PCC's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the PCC
- liquidity – the possibility that the PCC might not have funds available to meet his commitment to make payments
- market risk – the possibility that financial loss might arise for the PCC as a result of changes in such measures as interest rates and stock market movements

**29. Nature and Extent of Risks Arising from Financial Instruments (contd.)**

**Liquidity risk**

The PCC manages his liquidity position through a comprehensive cash management system.

The PCC did not have any short or long term external borrowings at 31 March 2016. Should there be a need for the PCC to raise borrowings in future years, it would have ready access to funds from the money markets and the Public Works Loans Board. There is therefore no significant risk that the PCC would be unable to raise finance to meet his commitments under financial instruments. The risk would be that the PCC would be bound to replenish a significant proportion of any future borrowings at a time of unfavourable interest rates. The PCC would mitigate this risk by spreading the maturity date of its loans over a period of years by a combination of careful planning of new loans taken out and, where it is economic to do so, making early repayments.

**Market risk**

Interest rate risk

The PCC is exposed to some risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex effect on the PCC. For instance, a rise in interest rates would:

- decrease the fair value of assets at fixed rates
- increase the interest income credited to the Comprehensive Income and Expenditure Statement in respect of investments at variable rates

The Corporate Finance Department works closely with its treasury advisers to ensure that interest rate movement risks are minimised by actively assessing likely future interest rate movements in the financial markets and making investment decisions accordingly.

Price risk

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

Foreign exchange risk

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

**29. Nature and Extent of Risks Arising from Financial Instruments (contd.)**

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the PCC's customers.

This risk is minimised through the annual Treasury Management Strategy.

In addition, the PCC uses market data, information on government support for financial institutions and the credit rating of that government support to assess the creditworthiness of investments.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the PCC.

The agreed cash and time limits for 2015/16 are shown in the following table:

Counterparty	Cash limit	Duration
UK banks whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor is A-	£10m each	1 year
UK banks whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor is BBB+	£10m each	100 days
UK Central Government (irrespective of credit rating)	unlimited	1 year
UK Local Authorities (irrespective of credit rating)	£10m each	1 year
UK building societies who have credit ratings from at least two of the three main credit rating agencies (Fitch, Moody's and Standard & Poor) and whose lowest published long-term credit rating is A-	£10m each	1 year
Foreign banks whose lowest published long-term credit rating is A- and whose country has a sovereign rating of AAA	£10m each	1 year

The analysis below summarises the PCC's potential maximum exposure to credit risk, based on experience of default and non-collection over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2016	Historical experience of default	Historical experience market conditions at 31 March 2016	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	18,159	0.00	0.00	0
Sundry debtors	6,286	0.05	0.00	1
<b>Total</b>	<b>24,445</b>			<b>1</b>

The PCC does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The PCC does not generally allow credit for sundry debtors beyond 30 days, such that £0.287m of the £6.286m balance is past its due date for payment. The past due amount can be analysed by age as follows:

- between 31 and 60 days                   £0.085m
- between 61 and 90 days                 £0.057m
- over 90 days                                 £0.145m

### 30. Related Parties

The PCC Group is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the PCC Group or be controlled or influenced by the Group. Disclosure of these transactions allows readers to assess the extent to which the PCC 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.

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 core financial statements and accompanying notes. Amounts due to and from central government are shown in the debtor (note 18) and creditor (note 21).

The PCC's and Chief Constable's Joint Audit Committee is responsible for monitoring the effectiveness of arrangements in place for risk management. During the year no members of the Committee have undertaken any material transactions with the Group.

During the year no Chief Officers have undertaken any material transactions with the PCC.

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

a) Essex County Council provides a coroner service. They also provide a police officer and police staff pension administration service to the Group. The total value of services provided in 2015/16 was £0.951m

b) Essex Police has collaborative agreements with Kent Police covering Serious Crime Directorate and Support Services Directorate which includes Information Services, Procurement, Transport Services, HR, Property Services 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 2015/16 in respect of contributions to joint departments was £4.663m (2014/15 £1.693m). The amount paid to Kent Police for the year 2015/16 in respect of contributions to joint departments was £6.303m (2014/15 £2.961m).



**30. Related Parties (contd.)**

The following table shows the total costs incurred by the PCC for Essex Group in respect of collaborative activities with Kent. These costs are included in the Group's core financial statements and the corresponding notes to the accounts:

	2014/15 £000	2015/16 £000
<b>Collaborative Activity</b>		
Joint Serious Crime Directorate	29,451	26,629
Joint Support Services Directorate:		
Business Services	9,566	8,499
Head of Directorate and Team	226	137
Human Resources	7,536	6,950
IT Services	10,304	11,467
Payroll Services	103	113
Procurement Services	289	437
Property Services	8,214	7,673
Transport Services	2,837	2,918
<b>Total</b>	<b>68,526</b>	<b>64,823</b>

c) The Eastern Region Special Operations Unit (ERSOU)

ERSOU was established 1 April 2010 as a joint arrangement between 6 forces – Hertfordshire, Cambridgeshire, Essex, Suffolk, Norfolk and Bedfordshire 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 forces share of costs are consolidated into their own financial statements. In 2015/16 the net expenditure for Essex was £0.652m

d) Athena

Athena is an IT development covering case preparation, custody, investigation management, intelligence and property. 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, but with the clear expectation that Athena will then be used as a national system. The benefits and liabilities of the Athena contract are shared between the founder forces through a Section 22 Athena Collaborative Service Agreement largely in proportion to their net revenue expenditure.

The Strategic Athena Management Board (SAMB) consists of the PCC and Chief Constable of the founder forces with equal voting rights. Project implementation and eventual day to day management of Athena 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.

Essex went live with Athena on 1 April 2015 and the other founder forces have going live during 2015/16 and 2016/17. A joint team between the two forces has been set up to manage the local implementation of the system with costs of shared resources being met on an equal basis. The net amount received from Kent during 2015/16 for the local implementation was £7k.

**30. Related Parties (contd.)**

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), the highest level board consisting of the PCCs and Chief Constables of each of the seven founder forces and both Wave 2 Forces have one vote each (18 votes in total) has control over significant activities and funding arrangements of Athena. 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'.

IFRS 12 disclosures do not apply to Athena as there is no separate entity.

The total value of the contract signed in December 2011 was £31.8m excluding the cost of the AMO. Despite the two year delay in going live the revised cost was £31.4m. Additional service requirements approved by the SAMB to meet new legislative and service requirements amounted to £3.4m.

The cost of the AMO for the financial year ending 31 March 2016 amounted to £1.5m and is subject to review as originally envisaged.

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

	2014/15		2015/16	
	Share of Athena system costs	Recharge of AMO Management costs	Share of Athena system costs	Recharge of AMO Management costs
	£	£	£	£
Bedfordshire	559,625	114,458	345,210	111,436
Cambridgeshire	647,090	142,208	414,976	141,014
Hertfordshire	839,316	212,505	568,301	206,022
Kent	1,149,878	294,106	816,015	311,045
Norfolk	705,052	157,155	461,207	160,614
Suffolk	596,376	112,318	374,524	123,871
Essex	1,089,612	270,240	729,122	290,665
Warwickshire	0	0	479,542	84,750
West Mercia	0	0	455,405	37,500
<b>Total</b>	<b>5,586,949</b>	<b>1,302,990</b>	<b>4,644,302</b>	<b>1,466,917</b>

e) Athena Development Fund

Warwickshire and West Mercia joined the seven founder Forces in 2015 as part of a Wave 2 agreement. Due to the system development work that had already been undertaken and funded by the founder Forces it was agreed that both of the new Forces would be charged to compensate the founder Forces. Therefore a lump sum was paid in March 2016 plus an annual contribution would be made into a Development Fund. The SAMB agreed this credit will fund any further change control notices that were required to develop the system. The table shows contributions to date and spend on change control notices with the balance being carried forward into 2016/17.

2015/16	
Development Fund	
£	
Contributions	814,875
Less expenditure	(83,224)
<b>Carried forward</b>	<b>731,651</b>

**30. Related Parties (contd.)**

f) Athena Home Office Innovation Funding

A bid was successfully submitted to the Home Office Innovation Fund to enhance the Athena system. Three work streams were approved entitled 'Problem Solving', 'Public Engagement' and 'Data Analytics'. The total grant spend was £8.1m and the grant claim was £4.7m with the remaining £3.4m being recharged to the founder Forces.

The Home Office bid was made before Wave 2 so only the seven founder forces are included in the enhanced system development.

	<b>2015/16</b>
	<b>Share of Athena Innovation costs</b>
	<b>£</b>
Bedfordshire	286,130
Cambridgeshire	362,073
Hertfordshire	528,976
Kent	798,626
Norfolk	412,401
Suffolk	318,041
Essex	746,297
<b>Total</b>	<b>3,452,544</b>

g) Seven Forces Strategic Collaboration Programme

This team was set up in Oct 2015 headed by T/DCC Julia Wortley with team resources contributed by 6 other Forces and costs shared based on NRB. The programme is currently planned to run up to March 2017 to review new collaborative workings possibilities.

	<b>2015/16</b>
	<b>Share of Seven Forces Strategic Collaboration costs</b>
	<b>£</b>
Bedfordshire	21,791
Cambridgeshire	27,575
Hertfordshire	40,286
Kent	60,822
Norfolk	31,408
Suffolk	24,221
Essex	56,836
<b>Total</b>	<b>262,938</b>

**31. Contingent Liabilities and Assets**

The Chief Constable of Essex, along with other Chief Constables and the Home Office, currently has over 70 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

**32. Heritage Assets**

The PCC is the owner of the collection of exhibits held by the Essex Police Museum. Many of the items held are considered to be heritage assets, i.e. assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held principally for their contribution to knowledge and culture. The collection comprises over 1700 objects, plus a large quantity of archive material and photographs. Although there is no information on cost or value, it is considered that individually the items held are low value. The cost of obtaining reliable valuations on collection items is considered to be disproportionate in relation to the benefits from such valuations. As a result these assets are not disclosed in the balance sheet.

Two of the PCC's police stations, at Saffron Walden and Thorpe le Soken, are Grade II buildings. The buildings are held for operational purposes rather than for heritage reasons, they have therefore been valued on the same basis as other operational premises.

**33. Defined Benefit Pension Schemes**

**Transactions Relating to Retirement Benefits**

The PCC Group recognises the cost of retirement benefits in the Net Cost of Services when they are earned by serving police officers and police staff, rather than when the benefits are eventually paid as pensions. The charge the PCC 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 PCC Group's accounts during the year.

**Police Officer Pension Schemes**

	Totals	
	2014/15 £000	2015/16 £000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Cost of Services:		
Service cost	48,477	59,388
Financing and Investment Income & Expenditure:		
Net interest on the defined liability	89,134	80,199
<b>Total Post Employment Benefit charged to the Deficit on the Provision of Services</b>	<b>137,611</b>	<b>139,587</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	298,890	(137,471)
change in demographic assumptions	0	0
Experience (gain)/loss on defined benefit obligation	0	7,886
<b>Remeasurements</b>	<b>298,890</b>	<b>(129,585)</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>436,501</b>	<b>10,002</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits	(137,611)	(139,587)
<b><u>Actual amount charged against the General Reserve for pensions in the year</u></b>		
Retirement benefits payable to retired police officers	58,232	66,606

NOTES TO THE ACCOUNTS – SUPPLEMENTARY NOTES

**33. Defined Benefit Pension Schemes (contd.)**

Actuarial gains and losses

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £129.585m (losses of £298.890 in 2014/15) have been included in the Comprehensive Income & Expenditure Statement.

**Local Government Pension Scheme**

	Local Government Pension Scheme			
	2014/15 £000 PCC	2014/15 £000 Group	2015/16 £000 PCC	2015/16 £000 Group
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>				
Service cost	132	11,835	172	14,960
Financing and Investment Income & Expenditure:				
Net interest on the defined liability	14	4,729	18	4,737
Administration expenses	0	96	1	121
	<b>14</b>	<b>4,825</b>	<b>19</b>	<b>4,858</b>
<b>Total Post Employment Benefit charged to the Deficit on the Provision of Services</b>	<b>146</b>	<b>16,660</b>	<b>191</b>	<b>19,818</b>
<b><u>Other Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</u></b>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets in excess of interest	(84)	(19,900)	13	2,493
Other actuarial (gains)/losses on assets	0	0	0	0
Change in financial assumptions	229	46,755	(185)	(25,255)
Change in demographic assumptions	0	0	0	0
Experience (gain)/loss on defined benefit obligation	0	13	0	(13)
<b>Total Remeasurements</b>	<b>145</b>	<b>26,868</b>	<b>(172)</b>	<b>(22,775)</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>291</b>	<b>43,528</b>	<b>19</b>	<b>(2,957)</b>
<b><u>Movement in Reserves Statement</u></b>				
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits	<b>(146)</b>	<b>(16,660)</b>	<b>(191)</b>	<b>(19,818)</b>
<b>Actual amount charged against the General Reserve for pensions in the year</b>				
Employer's contribution payable to scheme	94	9,045	85	9,627

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 surplus of £22.775m for the Group and £0.172m for the PCC (£26.868m losses for the Group in 2014/15) have been included in the Comprehensive Income & Expenditure Statement.

Total actuarial gains and losses

The total actuarial gains recognised in the Comprehensive Income & Expenditure Statement for Police Officer and Police Staff schemes are £152.718m (£323.802m losses in 2014/15).

NOTES TO THE ACCOUNTS – SUPPLEMENTARY NOTES

**33. Defined Benefit Pension Schemes (contd.)**

**Pension Assets and Liabilities recognised in the balance sheet**

The amount included in the balance sheet arising from the PCC's obligation in respect of defined benefit plans are:-

	Police Officer Pension Scheme	
	2014/15 £000	2015/16 £000
Present value of the defined benefit obligation	(2,387,920)	(2,331,316)
<b>Defined Benefit Obligation at start of year</b>	<b>(2,387,920)</b>	<b>(2,331,316)</b>
Unrecognised past service cost	0	0
<b>Net liability in balance sheet</b>	<b>(2,387,920)</b>	<b>(2,331,316)</b>

	Local Government Pension Scheme			
	2014/15 £000 PCC	2014/15 £000 Group	2015/16 £000 PCC	2015/16 £000 Group
Present value of funded obligation	(1,656)	(388,862)	(1,755)	(387,133)
Fair value of scheme assets (bid value)	1,100	246,555	1,265	257,311
<b>Net liability</b>	<b>(556)</b>	<b>(142,307)</b>	<b>(490)</b>	<b>(129,822)</b>
Present value of unfunded obligation	0	(1,673)	0	(1,574)
<b>Net liability in balance sheet</b>	<b>(556)</b>	<b>(143,980)</b>	<b>(490)</b>	<b>(131,396)</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	
	2014/15 £000	2015/16 £000
<b>Defined Benefit Obligation at start of year</b>	<b>(2,009,561)</b>	<b>(2,387,920)</b>
Current Service Cost	(48,477)	(59,388)
Interest Cost	(89,134)	(80,199)
Change in Financial Assumptions	(298,980)	137,471
Change in Demographic Assumptions	0	0
Experience gain/loss on defined benefit obligation	0	(7,886)
Estimated benefits paid net of transfers in	72,935	80,742
Contributions by Scheme Participants	(14,703)	(14,136)
<b>Defined Benefit Obligation at end of year</b>	<b>(2,387,920)</b>	<b>(2,331,316)</b>

	Police Officer Pension Scheme	
	2014/15 £000	2015/16 £000
Contributions by Employer	58,232	66,606
Contributions by Participants	14,703	14,136
Net Benefits Paid in/(out)	(72,935)	(80,742)
<b>Closing Fair Value of Assets</b>	<b>0</b>	<b>0</b>

**33. Defined Benefit Pension Schemes (contd.)**

The following tables reconciles the present value of the liabilities and assets of the Local Government Pension Scheme attributable to the PCC

<b>Liabilities</b>	<b>Local Government Pension Scheme</b>			
	<b>2014/15 £000 PCC</b>	<b>2014/15 £000 Group</b>	<b>2015/16 £000 PCC</b>	<b>2015/16 £000 Group</b>
<b>Balance at start of year</b>	<b>(1,193)</b>	<b>(320,966)</b>	<b>(1,656)</b>	<b>(390,535)</b>
Current Service Cost	(132)	(11,733)	(172)	(14,789)
Interest Cost	(55)	(14,372)	(59)	(13,204)
Change in financial assumptions	(229)	(46,755)	185	25,255
Experience gain on defined benefit obligation	0	(13)	0	13
Contributions by scheme participants	(47)	(3,488)	(53)	(3,665)
Benefits/transfers paid	0	6,806	0	8,301
Unfunded pension payments	0	88	0	88
Past service costs/(gains)	0	(102)	0	(171)
<b>Balance at end of year</b>	<b>(1,656)</b>	<b>(390,535)</b>	<b>(1,755)</b>	<b>(388,707)</b>
<b>Assets</b>	<b>Local Government Pension Scheme</b>			
	<b>2014/15 £000 PCC</b>	<b>2014/15 £000 Group</b>	<b>2015/16 £000 PCC</b>	<b>2015/16 £000 Group</b>
<b>Balance at start of year</b>	<b>834</b>	<b>211,469</b>	<b>1,100</b>	<b>246,555</b>
Interest on assets	41	9,642	41	8,467
Return on assets less interest	84	19,900	(13)	(2,493)
Other actuarial losses	0	0	0	0
Administration expenses	0	(96)	(1)	(121)
Employer contributions including unfunded	94	9,045	85	9,627
Contributions by scheme participants	47	3,488	53	3,665
Benefits paid	0	(6,893)	0	(8,389)
<b>Balance at end of year</b>	<b>1,100</b>	<b>246,555</b>	<b>1,265</b>	<b>257,311</b>
<b>Net liability at start of year</b>	<b>(359)</b>	<b>(109,497)</b>	<b>(556)</b>	<b>(143,980)</b>
<b>Net liability at end of year</b>	<b>(556)</b>	<b>(143,980)</b>	<b>(490)</b>	<b>(131,396)</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.



### 33. Defined Benefit Pension Schemes (contd.)

The Police Officer Pension Schemes have no assets to cover their liabilities. The Local Government Pension Scheme assets consist of the following categories:

	2014/15 PCC		2014/15 Group		2015/16 PCC		2015/16 Group	
	£000	%	£000	%	£000	%	£000	%
Equities	741	67.0%	165,861	67.0%	856	68.0%	174,149	68%
Government bonds	48	4.0%	10,832	4.0%	37	3.0%	7,586	3%
Other bonds	105	10.0%	23,598	10.0%	61	5.0%	12,351	5%
Property	119	11.0%	26,779	11.0%	151	12.0%	30,643	12%
Cash/Liquidity	24	2.0%	5,405	2.0%	41	3.0%	8,359	3%
Alternative assets	63	6.0%	14,079	6.0%	56	4.0%	11,440	4%
Other managed funds	0	0.0%	0	0.0%	63	5.0%	12,782	5%
<b>Total</b>	<b>1,100</b>	<b>100.0%</b>	<b>246,554</b>	<b>100.0%</b>	<b>1,265</b>	<b>100.0%</b>	<b>257,310</b>	<b>100%</b>

The liabilities show the underlying commitments that the PCC has in the long term to pay retirement benefits. The total liability of £2,462.7m has a substantial impact upon the net worth of the PCC 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 contribution expected to be made to the Local Government Pension Scheme in the year to 31 March 2017 is £0.086m for the PCC and £8.798m for the Group. The expected contributions for the Police Officer Pension Schemes in the year to 31 March 2017 by the employer is £26.696m.

#### Basis for Estimating Assets and Liabilities

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: 31 March 2013
- Police Pension Schemes: 31 March 2014

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.

**33. Defined Benefit Pension Schemes (contd.)**

The principal assumptions used by the actuaries are as follows:

	Police Officer Pension Schemes			
	2014/15 PCC	2014/15 Group	2015/16 PCC	2015/16 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	n/a	29.8	n/a	30.0
Female	n/a	32.3	n/a	32.4
Retiring today:				
Male	n/a	27.4	n/a	27.5
Female	n/a	29.8	n/a	29.9
Rate of Inflation (RPI)	n/a	3.3%	n/a	3.3%
Rate of Inflation (CPI)	n/a	2.4%	n/a	2.4%
Rate of Increase in Salaries	n/a	4.1%	n/a	4.1%
Rate of Increase in Pensions	n/a	2.4%	n/a	2.4%
Discount Rate	n/a	3.4%	n/a	3.7%

	Local Government Pension Scheme			
	2014/15 PCC	2014/15 Group	2015/16 PCC	2015/16 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	25.1	25.1	25.2	25.2
Female	27.6	27.6	27.7	27.7
Retiring today:				
Male	22.8	22.8	22.9	22.9
Female	25.2	25.2	25.3	25.3
Rate of Inflation (RPI)	3.4%	3.3%	3.4%	3.4%
Rate of Inflation (CPI)	2.5%	2.4%	2.5%	2.5%
Rate of Increase in Salaries	4.3%	4.2%	4.3%	4.3%
Rate of Increase in Pensions	2.5%	2.4%	2.5%	2.5%
Discount Rate	3.5%	3.4%	3.9%	3.9%

The following assumptions have also been made:

- police officers will exchange half their commutable pension for cash at retirement
- police staff will exchange 60% of their commutable pension for cash at retirement
- police officers will retire when they are first eligible to do so without reduction
- police staff will retire at one retirement age for all tranches of benefit, which will be the pension weighted average retirement age
- 10% of police staff will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

**NOTES TO THE ACCOUNTS – SUPPLEMENTARY NOTES**

**33. Defined Benefit Pension Schemes (contd.)**

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:-

<b>Police Staff</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
		<b>PCC</b>			<b>Group</b>	
<u>Adjustment to discount rate</u>	-0.1%	0.0%	-0.1%	-0.1%	0.0%	-0.1%
Present value of total obligation	1,712	1,755	1,799	380,741	388,707	396,847
Projected service cost	148	152	156	12,368	12,673	12,986
<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	1,766	1,755	1,744	389,651	388,707	387,767
Projected service cost	152	152	152	12,679	12,673	12,667
<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	1,789	1,755	1,722	396,000	388,707	381,572
Projected service cost	156	152	148	12,984	12,673	12,370
<u>Adjustment to mortality age rating assumption</u>	-0.1%	0.0%	-0.1%	-0.1%	0.0%	-0.1%
Present value of total obligation	1,800	1,755	1,711	399,920	388,707	377,817
Projected service cost	156	152	148	12,997	12,673	12,357

<b>Police Officers</b>	<b>Police Officer Pension Scheme</b>		
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,286,965	2,331,316	2,376,614
Projected service cost	52,186	53,654	55,169
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,336,575	2,331,316	2,326,090
Projected service cost	53,872	53,654	53,437
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,371,891	2,331,316	2,291,591
Projected service cost	54,969	53,645	52,383
<u>Adjustment to mortality age rating assumption</u>	+1 Year	None	-1 Year
Present value of total obligation	2,406,124	2,331,316	2,258,898
Projected service cost	55,023	53,654	52,319

**34. Accounting Standards that have been issued but have not yet been adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced a change in accounting policy which will be required from 1<sup>st</sup> April 2016. If these had been adopted for the financial year 2015/16 there would be no known material changes. Once further information becomes available, any 2015/16 changes will be restated in the 2016/17 financial statements.

These standards are:-

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement

### 35. Summary of Significant Accounting Policies

These are categorised as follows:-

#### Policies applying to the PCC Group

- 35.1 General Principles
- 35.2 Accruals of Income and Expenditure
- 35.3 Overhead and Support Services
- 35.4 Employee Benefits
- 35.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors
- 35.6 Revenue Recognition
- 35.7 Events after the Reporting Period
- 35.8 Retirement Benefits – Police Staff
- 35.9 Contingent Assets and Liabilities
- 35.10 Income

#### **35.1 General Principles**

The Statement of Accounts summarises the PCC's and the CC's financial transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 and the Service Reporting Accounting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance, issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historic cost modified by the revaluation of certain categories of non-current assets and financial.

#### **35.2 Accruals of Income and Expenditure Group**

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.
- Fees, charges and rents due from customers are accounted for as income at the date the PCC provides the relevant goods or services.
- 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.

#### **35.3 Overhead and Support Services**

The costs of overhead and support services are included within the service expenditure analysis shown in the Comprehensive Income & Expenditure Statement, in accordance with the CIPFA *Service Reporting Code of Practice (SeRCOP)*.

#### **35.4 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 PCC.

The PCC 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 PCC 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 PCC 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 pensions scheme liabilities and the police officer pension scheme reserve.

### **35.5 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 PCC's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### **35.6 Revenue Recognition**

Revenue is measured at fair value of the consideration received or receivable 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.

### **35.7 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

### 35.8 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.
- 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:
  - i. Quoted securities are included at realisable values (i.e. bid values). In previous financial periods they have been included at fair value (i.e. mid-market value).
  - ii. 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 as Non-Distributed Costs.
  - c) Interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
  - d) Expected return on 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 as Non-Distributed Costs.
  - 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 PCC to raising Council Tax to cover the amounts payable by the PCC 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.

### 35.9 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.

### 35.10 Income

The PCC is the recipient of most funding, including government grants, precept and other sources of income, related to policing and crime reduction and most funding for the Chief Constable is via the PCC. The PCC 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. The Chief Constable is responsible for the income from seconded officers, mutual aid and PCSO funding.

#### **Policies applying to the PCC**

- 35.11 Council Tax Income
- 35.12 Reserves
- 35.13 Provisions
- 35.14 Value Added Tax
- 35.15 Provision for Bad Debts
- 35.16 Inventories
- 35.17 Property, Plant and Equipment
- 35.18 Intangible assets
- 35.19 Assets held for sale
- 35.20 Non-current assets out of use
- 35.21 Capital grants and contributions
- 35.22 Donated Assets
- 35.23 Minimum revenue provision
- 35.24 Revenue expenditure funded from capital
- 35.25 Leases
- 35.26 Financial Assets and Liabilities
- 35.27 Cash and Cash Equivalents

#### **35.11 Council Tax Income**

The PCC 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 PCC. Each billing authority credits the Council Tax income that it collects to its Collection Fund, and pays to the PCC the precept or demand for the year, plus or less the PCC's share of the surplus or deficit on the Collection Fund for the previous year.

The PCC is required to include in his Comprehensive Income & Expenditure Statement its share of the accrued Council Tax income of each billing authority, i.e. the PCC'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 PCC'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.

#### Balance Sheet

The PCC'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.

#### **35.12 Reserves**

The PCC 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 PCC. These reserves are explained in the relevant policies.

### **35.13 Provisions**

The PCC 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 PCC 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.

### **35.14 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.

### **35.15 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.

### **35.16 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.

### **35.17 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 PCC for a period of more than one year.

The PCC 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 £5,000 limit applies. An exception to this covers 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 1 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.

## POLICIES APPLYING TO THE PCC FOR ESSEX GROUP AND THE PCC FOR ESSEX

- 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.

Land and buildings are revalued at least every 5 years by an external valuer in accordance with the Royal Institution of Chartered Surveyors (R.I.C.S.) Valuation Standards.

An increase in an asset value following revaluation is matched by 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 1 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 PCC'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
- plant, IT and equipment 3-30 years
- marine vessels 10-25 years

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 PCC 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 1 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 PCC's de-minimis level.

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 Authority's de-minimis for components**

The PCC operates a policy of only separately identifying components which are 20% or more (and greater than £100,000) of the total asset value.

### **Property assets**

Where appropriate the PCC 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 PCC's policy of disposal of police housing.

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).  
operating leases.

#### Equipment assets

The PCC 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.

#### Revaluation Reserve balances

Reserve balances on property were 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.

The reserve balance on the helicopter, held until 30 September 2012 was not separated between individual component parts but allocated to the airframe.

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 PCC 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 PCC 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 PCC is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However the PCC 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 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.

### **35.18 Intangible assets**

Expenditure on the PCC'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.

### **35.19 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. 31 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 (ie 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.

### **35.20 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.

### **35.21 Capital grants and contributions**

All capital grants and contributions received by the PCC 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.

### **35.22 Donated assets**

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

Donated assets transferred to the PCC 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 PCC 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(s) the difference is recognised in the Donated Assets Reserve until the condition(s) is met.

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

### **35.23 Minimum revenue provision**

The former Police Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10, and assessed the MRP for each financial year in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. The PCC has continued this policy. The MRP relates to the historic debt liability that continues to be charged at the rate of 4%, in accordance with option 2 of the guidance.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the PCC. However, the PCC reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the PCC may not be capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

### **35.24 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 PCC. 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.

### **35.25 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 PCC 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 PCC is the lessee, consideration is given to substance of the transaction rather than the form of the agreement. The PCC 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 PCC 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 PCC's other assets.

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(s) and the arrangement conveys a right to use that asset(s). 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.

### **35.26 Financial Assets and Liabilities**

The PCC's financial assets are classed as:

- loans and receivables, i.e. assets that have fixed or determinable payments but are not quoted in an active market: these are represented by term deposits in the money markets at fixed rate of interest
- short term trade receivables

The PCC does not hold any financial assets that would be classifiable as available for sale assets under the Code.

Loans and receivables are initially measured at fair value and carried at their amortised cost. The amounts credited to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. In effect, this means that the amount shown in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The PCC's financial liabilities are classed entirely as short term trade payables. The PCC does not hold any borrowings or other instruments that would be classifiable as financial liabilities.

### **35.27 Cash and Cash Equivalents**

The PCC treats cash as representing cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours.

The PCC 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. The features of these funds are as follows:

- fixed term investments that mature in no more than one month or less from the date of acquisition
- deposits with call accounts that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

## POLICE OFFICER PENSION FUND

### 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.

	2014/15		2015/16	
	£000	£000	£000	£000
<b>Contributions receivable</b>				
Employer (21.3% of Pensionable Pay in 2015/16, 24.2% in 2014/15)	(26,197)		(22,051)	
Serving police officers	(14,703)		(14,136)	
Capital equivalent payment for ill health	(1,124)		(388)	
<b>Transfers in</b>				
Individual transfers in from other schemes	(288)		(784)	
<b>Total Receipts</b>		<b>(42,312)</b>		<b>(37,359)</b>
<b>Benefits payable</b>				
Pensions	53,921		56,328	
Commutations and lump sum payments	14,391		13,577	
Lump sum death benefits	167		76	
NIC on pension funds	6		10	
<b>Payments to and on account of leavers</b>				
Refund of contributions	24		25	
Individual transfers out to other schemes	1,243		182	
<b>Payments in respect of 2015/16 benefits</b>		<b>69,752</b>		<b>70,198</b>
<b>Benefits payable - backdated in respect of Milne v GAD</b>				
Pensions	0		97	
Commutations and lump sum payments	0		6,360	
Interest on commutations and lump sum payments	0		1,428	
<b>Payments in respect of Milne v GAD</b>		<b>0</b>		<b>7,885</b>
<b>Total Payments</b>		<b>69,752</b>		<b>78,083</b>
<b>Sub total for the year before transfer from the PCC of amount equal to the deficit</b>		<b>27,440</b>		<b>40,724</b>
Transfer of amount from the PCC of amount equal to the deficit - 2015/16 benefits (21.3%)	(27,440)		(29,837)	
Transfer of amount from the PCC of amount equal to the deficit - additional funding payable (2.9%)	0		(3,002)	
Transfer of amount from the PCC of amount equal to the deficit - Milne v GAD	0		(7,885)	
<b>Transfer of amount from the PCC of amount equal to the deficit - Total</b>		<b>(27,440)</b>		<b>(40,724)</b>
<b>Net Amount Payable for the year</b>		<b>0</b>		<b>0</b>



### CARE Scheme

The CARE (Career Average Revalued Earnings) scheme was introduced from 1 April 2015. This is the only scheme open to new officers. Existing officers will be brought into the scheme on 1 April 2015 unless they have full transitional protection or tapered protection. Injury and ill health awards continue to be paid from the PCC's operating account. The employer rate is 21.3% (with an additional 2.9% top up contribution payable by the PCC, directly to the Home Office).

### Milne v GAD

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

The Ombudsman found in favour of the plaintiff, which meant that for all Police Pension Scheme 1987 cases where pension entitlements were drawn between 1 December 2001 and 1 December 2006 recalculation of lump sum payments should take place based upon revised commutation factors issued by GAD, including adjustments for interest.

The 2015/16 financial statements include benefits payable totalling £7.886m in respect of this matter, with all of this cost fully refundable from the Home Office.

The following table identifies the net assets and liabilities of the Fund:

	2014/15 £000	2015/16 £000
Unpaid pension benefits	0	0
Amounts owing from the General Reserve	0	0
<b>Total Net Assets</b>	<b>0</b>	<b>0</b>

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. The liabilities for future retirement benefits are disclosed in note 33 to the Group's core financial statements.

## GLOSSARY OF TERMS

**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.

**APPROPRIATIONS** - Amounts transferred to or from revenue or capital reserves.

**ASSET** - An item owned by the PCC, which has a value, for example, land & buildings, vehicles, equipment, cash.

**AUDIT COMMISSION** – An independent body, established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to appoint external auditors to the PCC. The Audit Commission has a duty to ensure that the PCC makes proper arrangements for ensuring the economy, efficiency and effectiveness in their use of resources and has the power to undertake special 'value for money' studies.

**BUDGET** – A statement of the PCC's plans in financial terms. A budget is prepared and approved by the PCC before the start of each financial year and is used to monitor actual expenditure throughout the year.

**BUSINESS RATES** – The business rate in the pound is the same for all business ratepayers and is set annually by the Government. Income from business rates goes into a central Government pool that is then distributed to authorities according to resident population.

**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.

**COLLECTION FUND** – A fund administered by each District Council into which individuals' Council Tax payments are paid. The PCC 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.

## GLOSSARY OF TERMS

**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 PCC 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 PCC 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 PCC'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 PCC's discretionary powers.

**EARMARKED RESERVES** – These represent monies set aside that can only be used for a specific purpose.

**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.

**EXTRAORDINARY ITEMS** – Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the PCC and are not expected to recur.

**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 INSTRUMENTS** – contracts that give rise to a financial asset of one entity and a financial liability of another entity.

**FINANCIAL REGULATIONS** – A written code of procedures approved by the PCC, intended to provide a framework for proper financial management.

**FINANCIAL REPORTING STANDARDS (FRS)** – These standards are developed by the Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance to these Standards or disclosures in the notes if there are any material departures from those Standards.

## GLOSSARY OF TERMS

**FINANCIAL YEAR** - The period of twelve months for the accounts commencing 1<sup>st</sup> April.

**FIXED ASSETS** – Tangible assets that yield benefits to the PCC for a period of more than one year.

**FLOOR** – The minimum increase in Government grants guaranteed to all PCCs. There is also a ceiling (i.e) a maximum increase above which Police Authorities will lose government grant. This is used to offset those below the 'floor' and bring them up to the minimum level of funding.

**FORMULA SPENDING SHARE (FSS)** – An assessment by central government of how much a PCC 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 PCC 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 PCC in return for past or future compliance with certain conditions relating to the activities of the PCC.

**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.

**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 PCC 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.

**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.

**MINIMUM REVENUE PROVISION (MRP)** – The statutory minimum amount which the PCC 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.

**NON DISTRIBUTED COSTS** – Overheads not charged or apportioned to activities within the Service Expenditure Analysis.

**NON OPERATIONAL ASSETS** – Non operational assets are fixed assets held by the PCC but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

## GLOSSARY OF TERMS

**OPERATIONAL ASSETS** – Fixed assets held and occupied, used or consumed by the PCC in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**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 31 March for supplies and services received after 1 April.

**PENSION FUND** – A fund which makes pension payments on retirement of its participants.

**POLICE GRANT** – A grant paid by the Government to PCCs as a proportion of the Formula Spending Share or FSS.

**PRECEPT** – The income which the Authority requires the District Council 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.

**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 31 March for supplies and services provided by the Authority after 1 April.

**RESERVES** – Monies set aside by the PCC 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 1 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.

**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.

## GLOSSARY OF TERMS

**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.

**WORK IN PROGRESS** – The cost of work done on an uncompleted project at the balance sheet date.

## FURTHER INFORMATION

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Further information about the PCC for Essex Group and PCC's accounts is available from:

Corporate Finance  
Business Centre  
Chelmsford Road  
Great Dunmow  
Essex  
CM6 1LW

Telephone 01245 452615

E-mail: [PublicfinanceenquiriesEssex@essex.pnn.police.uk](mailto:PublicfinanceenquiriesEssex@essex.pnn.police.uk)

In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. The audit of the accounts has been formally concluded and this is reflected in the independent auditor's report that appears on pages 16 - 19.

General information about the PCC can be obtained by visiting: <http://www.essex.pcc.police.uk/>