



**Statement of Accounts for the PCC
for Essex Group and the PCC for Essex
FINANCIAL YEAR 2016/17**

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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 2016/17 financial year.

This report sets out the financial position of the Police and Crime Commissioner (PCC) for the 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.

Role of the Police & Crime Commissioner

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. Mr Roger Hirst was elected Police and Crime Commissioner on 5th May 2016 and appointed Jane Gardner as Deputy Police and Crime Commissioner. The PCC immediately began to translate the manifesto commitments upon which elected into the Essex Police and Crime Plan, which was published in November 2016. In the development of this Plan further consultation was undertaken with the public and partners to secure commitment to the delivery of this strategic vision for policing over a four year period.

The Police and Crime Plan 2016-2020 sets out the vision and strategic priorities for the PCC across Essex and seeks to ensure that, wherever possible, crime is prevented from happening in the first place; that the police service is close to the people it serves and the public have confidence in local policing. The Plan sets out the vision for keeping Essex safe:

'Safe and secure communities are the bedrock on which we build wellbeing and prosperity for all'

The Police and Crime Plan can be found through the following link:

<http://www.essex.pcc.police.uk/wp-content/uploads/2015/11/PCC-Crime-Plan-2016-Download.pdf>

The Statement of Accounts

The Statement of Accounts consists of the following sections:

i) Combined Annual Governance Statement for the PCC for Essex and the Chief Constable of Essex

This sets out the PCC's and Chief Constable's governance arrangements and a review of the effectiveness of those arrangements

ii) Statement of Responsibilities for the Statement of Accounts

This states the PCC's and the Treasurer to the PCC's responsibilities in the administration of the financial affairs and in the preparation of the Statement of Accounts for the PCC and the PCC Group.

iii) Independent Auditor's Report to the PCC for Essex and to the Chief Constable of Essex

This states the auditor's opinion on whether the Statement of Accounts gives a true and fair view of the financial position and operations of the PCC and the Group.

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iv) Expenditure and Funding Analysis

The new Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund.

v) Core Financial Statements

These comprise:

- **Comprehensive Income and Expenditure Statements** - these shows the accounting cost in the year to the PCC and the Group of providing services rather than the amount to be funded from taxation. This distinction is very important in interpreting the accounts. The PCC sets a precept (i.e. the police share of council tax) to cover expenditure classified in accordance with regulations and this will be very different to the accounting cost.
- **Balance Sheet** - this sets out the assets and liabilities of the PCC and the Group as at 31 March 2017. Net assets of the PCC (assets less liabilities) are matched by reserves held by him. Reserves are reported in two categories:
 - Useable reserves – these are reserves that the PCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For example capital reserves can only be applied to fund capital expenditure or to repay debt and not to fund revenue expenditure.
 - Unusable reserves hold unrealised gains and losses such as those arising from revaluations
- **Movement in Reserves Statements** - this shows the movement in the year on the different reserves held by the PCC and the Group. The net increase/decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the PCC.
- **Cash Flow Statement** – this summarises the inflows and outflows of cash with third parties. The statement shows how the PCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the 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.

vi) Notes to the Financial Statements

These comprise an index of notes and a detailed analysis of the summarised financial information in the Core Financial Statements. These also set out the accounting policies adopted by the PCC, which explain the basis on which the PCC's financial transactions are presented.

vii) Glossary of Terms

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

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Performance Framework

The PCC chairs a Performance and Resources Board that holds the Chief Constable and the Force to account for the performance of the force officers and staff against the delivery of the Police and Crime Plan. On a monthly basis, the current performance data of the papers and minutes of the Performance and Resources Board are published on the OPCC website.

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

The Police and Crime Panel receive a quarterly report on the progress against the priorities in the Police and Crime Plan. During 2016/17 the information reported was based around the eight themes of the former Police & Crime Plan. The themes, which are reported upon in the Chief Constable's Narrative Report to his Statement of Accounts were:

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

The performance measures underpinning these priorities continued to be reviewed and scrutinised throughout 2016/17. However, in November 2017 the **new Police and Crime Plan 2016/2020** was approved. The PCC priorities within the Police and Crime Plan are as follows:

1. More Local, Visible and Accessible policing
2. Crack down on Anti-Social Behaviour
3. Breaking the Cycle of Domestic Abuse
4. Reverse the Trend in Serious Violence
5. Tackle Gangs and Organised Crime
6. Protecting Children and Vulnerable People from Harm
7. Improve Safety on Our Roads

A new set of Outcome Indicators have been developed to assess progress against these priorities. These will be reported to the Police and Crime Panel from the start of the 2017/18 financial year. Following the consultation periods with key stakeholders, including the public and partners the PCC introduced his seven policing priorities. The new Police and Crime Plan was rolled out in November 2017 and performance indicators were developed late in the year, therefore the force performance has been assessed against these priority areas for the last quarter of the financial year.

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Police Priority Indicators for each Police and Crime Plan Priority

Police and Crime Plan Priorities	Police Priority Indicators	12 months to Mar 2016	12 months to Mar 2017	Number Difference	% Difference	Direction of Travel	Statistically Significant Change*	
Priority 1 - More local, visible and accessible policing	Percentage of people who have confidence in policing in Essex ¹			Data are not currently available				-
	Confidence in the local police (CSEW) ²	56.9	59.8	2.9	-	↑	-	
	Number of all crime offences	111,022	120,665	9,643	8.7	↑	✓	
Priority 2 - Crack down on anti-social behaviour	Number of anti-social behaviour incidents	52,732	52,170	-562	-1.1	↓		
	Percentage of people who have confidence that the policing response to ASB is improving ¹			Data are not currently available				-
Priority 3 - Breaking the cycle of domestic abuse	Number of incidents of domestic abuse	30,719	32,009	1,290	4.2	↑	-	
	Number of repeat incidents of domestic abuse ³	n/a	13,489	-	-	n/a	-	
	Percentage of domestic abuse offences solved	30.7	26.2	-4.5	-	↓	✓	
Priority 4 - Reverse the trend in serious violence	Number of homicides	34	15	-19	-55.9	↓	✓	
	Number of violence with injury offences	11,680	12,577	897	7.7	↑	✓	
Priority 5 - Tackle gangs and organised crime	Number of Organised Criminal Group disruptions ⁴	n/a	n/a	-	-	n/a	-	
	Number of drug offences in relation to Trafficking of Drugs	582	606	24	4.1	↑		
Priority 6 - Protecting children & vulnerable people	Number of child abuse outcomes ⁵	381	330	-51	-13.4	↓	-	
Priority 7 - Improve safety on our roads	Number of driving related mobile phone crime on Essex roads	5,648	4,417	-1,231	-21.8	↓	-	
	Number of driving under the influence of drink and/or drugs on Essex roads	1,757	1,719	-38	-2.2	↓	-	

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Priority 1 - More local, visible and accessible policing

This is a key concern for the public and a priority for the PCC; work is taking place to embed this priority throughout Essex Police. A number of programs of work have been instigated by the PCC in this area in order that some immediate improvements can be made against this priority. Some highlights include:

- Plans to increase the number of Special Constables by ensuring those that join are retained and through a comprehensive and new campaign increasing recruitment with the ambition to double to number of Specials within Essex by March 2019.
- Technological improvements within Essex Police such as the roll out Mobile First technology to increase the time Officers can spend on the street.
- Improvements to the Essex Police website and the introduction of 'Do it online'. This allows the public to report non-emergency crimes online as well as providing advice and direction for other areas such as noise nuisance and complaints.
- Reinvestment of a significant underspend forecasted by Essex Police during 2016/17 into local policing to increase the level of resource available.
- Setting of a budget and precept for 2017/18 by the PCC which included £3.1m of investment, substantially in this priority to improve visibility and accessibility of police services.

The percentage of people who have confidence in the local police in Essex for the 12 months to March 2017 is 59.8% this is an improvement of 2.9% compared to the same period the year before.

Priority 2 - Crack down on anti-social behaviour

Work is taking place across the county to implement district based Community Safety Hubs where Community Policing Teams will be able to co-locate work closely with other partners. The investment made in this area by the PCC will create an environment which supports a greater sharing of intelligence and this will in turn help improve the multi-agency response subsequently made to the public. Community Safety Hubs are now established and fully operational in Tendring, Colchester, Braintree and Uttlesford, Southend and Epping Forest and Brentwood.

From the Community Safety Fund the PCC contributes over £300k to the operation of Community Safety Partnerships (CSPs) across Essex. This funding provides a local focus for CSPs to work with partners and local communities to identify and fund local priorities that are important to them.

The PCC directly funds the Essex Restorative and Mediation Service through the use of a grant from the Ministry of Justice. Approximately 62% of referrals to the service involve anti-social behaviour from communities across the county. 97% of those that used this service said that they were satisfied; 94% said it was a positive outcome for them and a 100% said they would refer again.

Priority 3 - Breaking the cycle of domestic abuse

The Joint Commissioning Strategy for Domestic Abuse 2015-2020 has been approved and covers the whole of Essex. The Joint DA Board monitors progress against this. The PCC is a key partner on this Board – this Board monitors progress against the Strategy. As part of this strategy, the PCC plans to:

- i) Ensure that the scope of the DA analytic project provides value and insight
- ii) Scrutinise the effectiveness of Multi Agency Risk Assessment Conference/Multi Agency Safeguarding Hub in respect of coordinating support for victims and their families, as well as of the Independent Domestic Violence Advisor/Independent Sexual Violence Advisor service
- iii) Review the effectiveness of the behaviour change programmes that are commissioned by the PCC.

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Data shows that domestic abuse (DA) offences have increased: 7.7 per cent (991 offences) increase for the 12 months to April 2017 compared to the same period to April 2016. This represents a 0.5 per cent point increase when compared to the 12 months to March 2017 versus 2016. However, the number of those deemed high risk DA has fallen by 32.4 per cent (1197 offences) as well as the number of those deemed medium risk DA by 20.4 per cent (1447 offences).

In respect of the solved rate, there has been a 5.5 per cent (to 25.5 per cent) decrease compared to 12 months to April 2016, which is of concern and the PCC will work closely with the Chief Constable in the coming year to better understand why this is and what needs to be done to see significant improvement.

The PCC will be commissioning a joint study with the Chief Constable during 2017 to review the effectiveness of the use of Domestic Violence Protection Notices (DVPN) and Domestic Violence Protection Orders (DVPO) in Essex. DVPN's are issued by an authorised Police Superintendent which sets out prohibitions that bar a suspected perpetrator from returning to a victim's home and/or contacting the victim. Following the issue of a DVPN the Police must apply to the Magistrates for a DVPO which will last for 28 days. The study is a proactive initiative to ensure that the DVPN/DVPO process is

Priority 4 - Reverse the trend in serious violence

Essex Police rolling 12 month data shows that the number of homicides has decreased from 31 in 2016 to 16 in 2017. The same data shows that incident of violence with injury have increased from 11,818 to 12,751 and of these, 32 per cent are domestic abused-related. The solved rate has decreased from 30 percent to 25.7 per cent. The same data also shows that the number of rapes reported has increased. In respect of victims aged under 16, this has increased from 338 to 341 (an increase of 3 per cent). In respect of victims over 16, this has increased from 663 to 762 (an increase of 14.9 percent), and 44.1 per cent of these were domestic abuse-related.

The PCC will ensure that Essex Police and the Safer Essex Partnership has a clear strategic approach to tackling serious violence, and will review how to develop more focused commissioning of diversionary activities aimed at those deemed to be at risk of committing serious violence.

With regard to rape, in response to this performance data the PCC recommended that a rape scrutiny panel be established in order to understand and review the evidence, practice and performance to make significant improvements in this area.

Priority 5 - Tackle gangs and organised gangs

As part of the PCC's commitment to tackling gangs within Essex, a programme of work has commissioned to Gangsline to provide direct and targeted support to individuals being identified as most at risk of exploitation by gangs. Gangsline will work with Essex Police and partners to identify those individuals most at risk. In addition to this they will provide information and education to professionals to enable them to identify the risk factors that are indicators of gang involvement within young people.

The PCC is working closely with Essex Police and partner organisations in order to assist with the disruption of Organised Criminal Groups (OCG's).

Drugs remain as the most common commodity associated with OCG's with consequences for the wider community. The joint efforts of Essex Police and Kent Police through the Serious Crime Directorate are focussed on this threat which is regularly monitored by the PCC through the Essex and Kent PCC Collaboration Board.

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Priority 6 - Protecting children and vulnerable people

In February 2017 HMIC published their National Child Inspection – Re-Inspection report, this followed the December 2015 PEEL Vulnerability report where Essex was judged to be “inadequate”. Although the re-inspection did not offer a grading HMIC did note the following:

“Our 2015 inspection raised significant concerns about Essex Police’s response to children in need of help and protection. This inspection found that the force has acted decisively on these findings, and is making improvements and addressing shortcomings. However, some of the changes the force has made are still relatively recent, and may not have taken full effect. As a consequence, the force does not yet fully understand the effect the changes are having. We also found evidence that the priority placed on improving performance at the top of the force is not yet resulting in consistently better practice on the frontline, and so in better outcomes for children across Essex.”

In collaboration with the Essex Health Economy and Essex Police, the PCC has facilitated the introduction of new legislation in relation to Section 136 of the Mental Health Act that will ensure that individuals in mental health crisis are no longer arrested but rather receive appropriate assessment and intervention within a health based place of safety. This in effect means that only individuals displaying extreme violence will be detained in custody. To support the introduction of this legislation, the PCC has further invested in the mental triage service, which has significantly reduced the pressure on Essex Police resources and more importantly, has provided a more responsive and more appropriate intervention to those in mental health crisis.

The PCC is a member of all Safeguarding Boards across Essex and as such directly contributes to ensuring the safety and wellbeing of the more vulnerable children and adults in our society.

The PCC continues to jointly commission with Kent PCC the Anti-Slavery Partnership Co-ordinator, who directs partnership activity and action in the areas of modern day slavery and human trafficking.

Priority 7 - Improve safety on our roads

The PCC is committed to improving safety on our roads and reducing the number of people killed or seriously injured and has developed a strong working relationship with Safer Essex Roads Partnership (SERP). In 2016/17 the PCC committed to part fund a Community Speed watch co-ordinator who would support and develop volunteers within the local community.

The PCC is keen to consider other investment opportunities in this priority area as more people are killed in this area than in all other crime categories in Essex.

Statutory Framework

The accounts have been prepared in accordance with the ‘Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 totality of policing in Essex. The public accountability for the delivery and performance of the police service is placed into the hands of the PCC on behalf of the electorate of Essex. He must therefore secure the maintenance of the police force in Essex and ensure that the police force is efficient and effective. This encompasses a duty to:

- i) Set the strategic direction and objectives of the force through the Police and Crime Plan
- ii) Scrutinise, support and challenge the overall performance of the force including against the seven policing priorities to protect Essex
- iii) Hold the Chief Constable to account for the performance of the force’s officers and staff

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- iv) Decide the budget, allocating assets and funds to the Chief Constable and set the precept (council tax for policing services)
- v) Enter into collaborative agreements with other PCCs, other policing bodies and partners that improve the efficiency or effectiveness of policing for one or more policing bodies or police forces in consultation or agreement as appropriate with the Chief Constable
- vi) Provide the local link between the police and communities, working to translate the legitimate desires and aspirations of the public into action
- vii) Hold the Chief Constable to account for the exercise of the functions of the office of Chief Constable and the functions of the persons under the direction and control of the Chief Constable
- viii) Publish information specified by the Secretary of State and information that the PCC considers necessary to enable the people who live in the force area to assess the performance of the PCC and Chief Constable
- ix) Comply with all reasonable requests from the Panel to attend their meetings
- x) Prepare and issue an annual report to the Panel on the PCC's delivery against the objectives set within the Plan
- xi) Monitor all complaints made against officers and staff, whilst having responsibility for complaints against the Chief Constable

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

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

Operational decision-making on day-to-day policing remains the responsibility of the Chief Constable. The Chief Constable is accountable to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. The Chief Constable is responsible to the public and accountable to the PCC for:

- i) Leading the force in a way that is consistent with the attestation made by all constables on appointment and ensuring that it acts with impartiality
- ii) Appointing the force's officers and staff (after consultation with the PCC, in the case of officers above the rank of Chief Superintendent and police officer equivalents)
- iii) Supporting the PCC in the delivery of the strategy and objectives set out in the Plan
- iv) Assisting the PCC in planning the force's budget
- v) Providing the PCC with access to information, officers and staff as required
- vi) Having regard to the Strategic Policing Requirement
- vii) Notifying and briefing the PCC on any matter or investigation on which the PCC may need to provide public assurance
- viii) Being the operational voice of policing in the force area and regularly explaining to the public the operational actions of officers and staff under their command
- ix) Entering into collaboration agreements with other Chief Constables, other policing bodies and partners that improve the efficiency or effectiveness of policing, and with the agreement of the PCC
- x) Remaining politically independent of the PCC
- xi) Managing all complaints against the force, its officers and staff, except in relation to the Chief Constable, and ensuring that the PCC is kept informed in such a way as to enable the PCC to discharge their statutory obligations in relation to complaints in a meaningful and timely fashion
- xii) Exercising the power of direction and control in such a way as is reasonable to enable the PCC to have access to all necessary information and staff within the force
- xiii) Having day to day responsibility for financial management of the force within the framework of the agreed budget allocation and levels of authorisation issued by the PCC

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The respective responsibilities of the PCC and Chief Constable as Corporations Sole are brought together in legal and accounting terms to form the 'PCC Group'.

Financial Review

In recognising the respective responsibilities of the PCC and CC all assets, liabilities and contracts remained in the name and ownership of the PCC whereas 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 15 permanent staff supplemented by additional contract staff recruited to deliver short term pieces of work in response to the demands of the service. The PCC chairs the Strategic Board which governs major programmes of change including the Strategic Change and Transformation Programme.

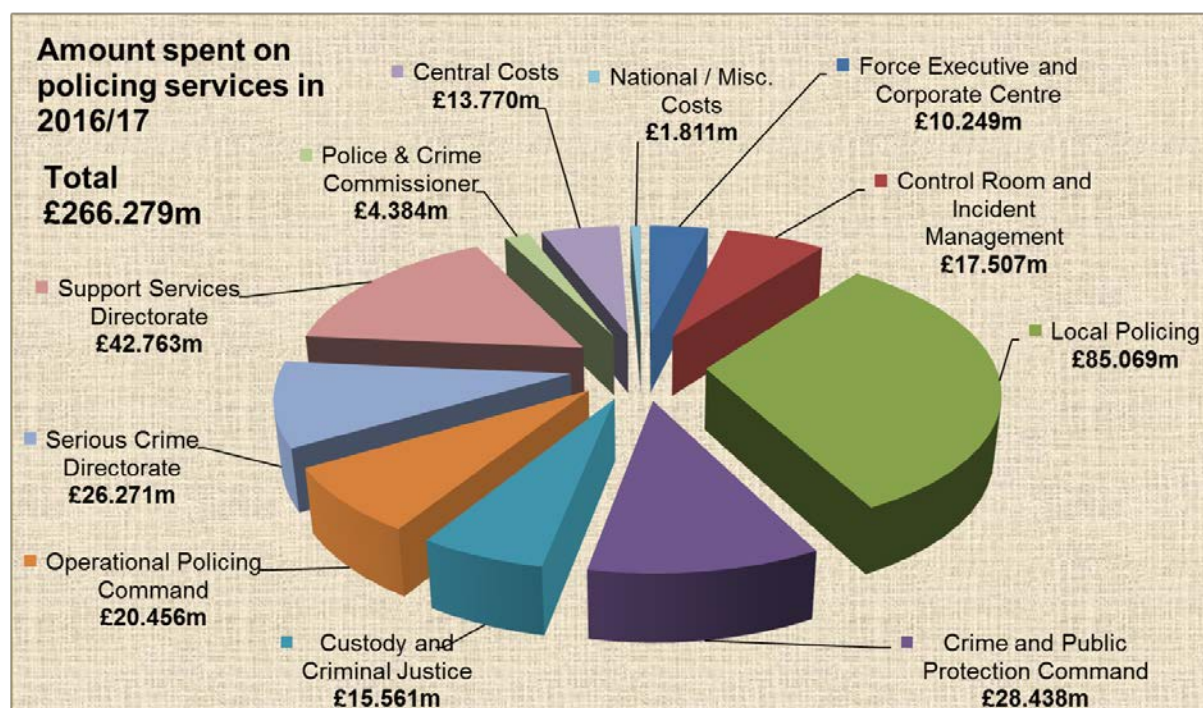
The Strategic Change and Transformation Programme seek to transform the way that policing is delivered in Essex to ensure it is fit for purpose for the 21st century. The programme involves transformation of the police estate, a greater use and deployment of technology to improve policing responses and free up police time, improved public contact and engagement, and a stronger focus on local policing.

In setting the budget and precept for 2016/17 the former 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% 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 Government's 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 for 2017-18 by £4.95 from £152.10 to £157.05, an increase of 3.25% in order to invest an additional £3.1m into front line policing services.

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 for 2016-17. 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 £000	Virements £000	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Police Officer Pay and Allowances	163,809	(3,765)	160,044	159,556	(488)	0	0	0
Police Community Support Officers	3,141	365	3,506	3,431	(75)	0	0	0
Police Staff Pay and Allowances	69,016	1,648	70,664	69,915	(749)	1,789	1,989	200
Police Officer Pensions (Ill Health / Medical)	4,561	0	4,561	4,637	76	0	0	0
Training	811	267	1,078	1,197	119	1,077	1,190	113
Other Employees Expenses	2,003	(1,020)	983	985	2	104	189	85
Premises	10,310	391	10,701	10,817	116	10,701	10,817	116
Transport	4,695	129	4,824	4,366	(458)	3,846	3,385	(461)
Supplies And Services	24,759	2,357	27,116	26,069	(1,047)	26,861	25,742	(1,119)
Third Party Payments	5,966	1,104	7,070	6,750	(320)	7,047	6,615	(432)
Other Expenditure including savings programme	532	(929)	(397)	925	1,322	953	925	(28)
Gross Revenue Expenditure	289,603	547	290,150	288,648	(1,502)	52,378	50,852	(1,526)
Income	(23,324)	(4,359)	(27,683)	(27,920)	(237)	(25,298)	(25,377)	(79)
Net Revenue Expenditure	266,279	(3,812)	262,467	260,728	(1,739)	27,080	25,475	(1,605)
Sources of Funding								
Police Grant	(102,783)	0	(102,783)	(102,783)	0	(102,783)	(102,783)	0
DCLG Grant	(55,933)	0	(55,933)	(55,933)	0	(55,933)	(55,933)	0
Council Tax Precept	(92,644)	0	(92,644)	(92,644)	0	(92,644)	(92,644)	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	(1,794)	0	(1,794)	(1,794)	0	(1,794)	(1,794)	0
Total Sources of Funding	(266,279)	0	(266,279)	(266,279)	0	(266,279)	(266,279)	0
Deficit / (surplus) before transfer to Earmarked Reserves	0	(3,812)	(3,812)	(5,551)	(1,739)	(239,199)	(240,804)	(1,605)
Transfer to/(from) Earmarked Reserves	0	3,812	3,812	5,551	1,739	3,812	5,551	1,739
Transfer from/(to) General Reserve	0	0	0	0	0	(235,387)	(235,253)	134



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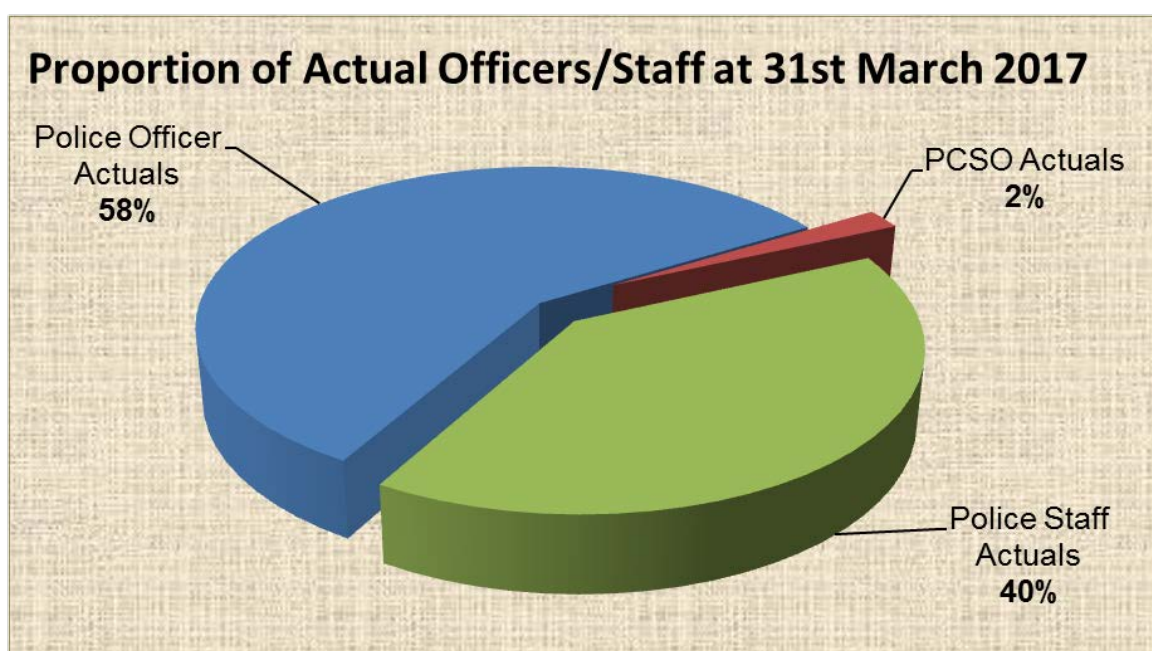
In balancing the 2016/17 budget the savings required amounted to £17.6m. In order to achieve this level of savings a number of operational reviews were undertaken. These included a review of front counter provision, operational policing command and a reduction in PCSOs.

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 2016/17 Budget

	Police Officers		PCSOs		Staff	
	Budget	Actual	Budget	Actual	Budget	Actual
	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs
1 st April 2016	2,865	2,890	250	219	1,941	1,857
Net in year change	(42)	(85)	(150)	(123)	22	84
31st March 2017	2,823	2,805	100	96	1,963	1,941

The above table shows that police officer numbers reduced in the year by 85ftes and this is mainly accounted for by a larger than expected number of officers leaving the Force. The table shows the PCSO numbers changed by 123ftes during the year, due to the reduction in PCSOs, which took effect from May 2016. The number of Police Staff has increased during the year by 84ftes.



At 31st March 2017 there were 368 Specials in post, who had provided over 107,000 duty hours during 2016/17. There is an ongoing recruitment campaign taking place to increase the number of Specials within Essex Police to 700.

During the first half of 2016/17 there were a greater number of officers leaving than anticipated and this enabled budget resources amounting to £3.609m to be re-directed to directly support front line policing.

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Capital Expenditure

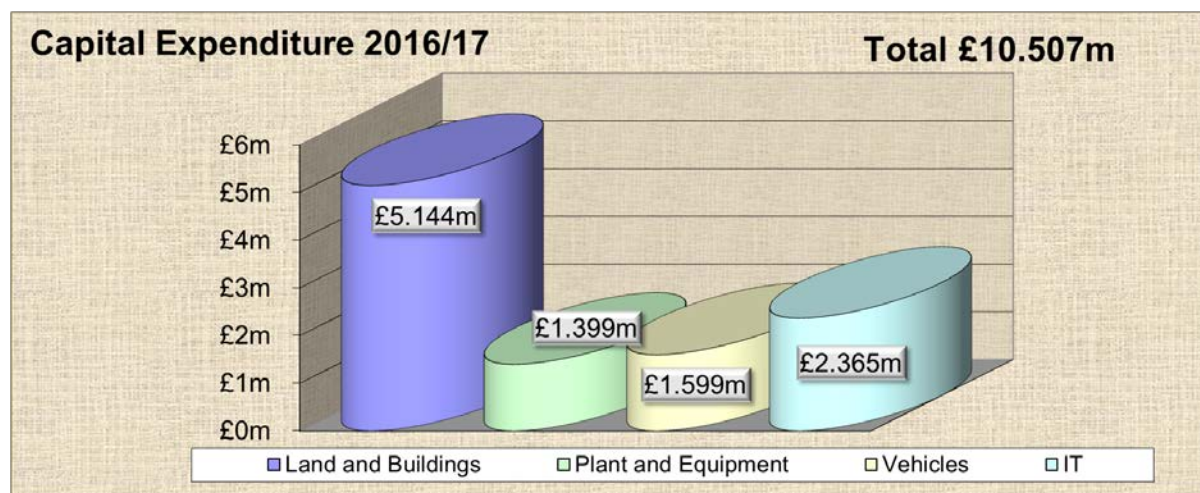
A capital investment programme amounting to £13.35m was approved in January 2016 spent on a range of projects to maintain the infrastructure needed to support effective and efficient front line policing. In the event, £10.507m was invested during 2016/17 and significant projects include:

- i) On the police estate major building works amounting to almost £4.5m at Southend Police Station were completed to provide improved custody facilities and building refurbishment with the building now reopened and in operational use.
- ii) Investment in mobile technology, handsets with technology that allow officers the freedom and agility to provide services to the public at the point of contact without the need to return to the police station in order to update systems and submit paperwork amounted to £0.556m. In addition, the annual programme for replacement servers, printers, docking stations, desktop and laptop computers along with the wider IT infrastructure and telephony network amounted to £1.206m.
- iii) The annual fleet replacement programme where 118 vehicles were purchased at a cost of £1.599m.
- iv) Investment in the Automatic Number Plate Recognition (ANPR) infrastructure facilitating the tracking of criminal offenders amounted to £0.63m.

Funding capital investment is from a range of sources, primarily from capital receipts and government grants as shown in the table below.

Capital Budget and Expenditure 2016-17

Capital Expenditure Projects	Approved Budget Jan 2016 £000	2016-17 Expenditure £000	Variance £000
ANPR	731	630	(101)
Estates	5,846	5,144	(702)
IT	4,349	2,365	(1,984)
Transport	2,245	1,599	(646)
Other	179	769	590
Total	13,350	10,507	(2,843)



Narrative Report

General Reserve

The balance on the General Reserve at 1st April 2016 was £13.2m. The General Reserve balance at 31st March 2017 was £13.2m which represents 5% of the 2016/17 budgeted net expenditure. There was no planned withdrawal or contribution to the General Reserve when the budget was set in January 2016.

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 £9.061m at 31 March 2017. There was a significant movement in Earmarked Reserves which increased by £5.532m as 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 at £3.528m 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 note 33) includes net liabilities of £200.746m (2015/16 £131.396m) for police staff and £2,939.084m (2015/16 £2,331.316m) 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 - £3-£10m limit to principal investment with each institution
- iii) Durational limits: maximum duration 12 months

The PCC had liquid investments totalling £3m and short-term investments totalling £11.5m as at 31 March 2017. During 2016/17 the PCC earned investment income of £0.078m, representing an average return of 0.3%.

The PCC undertook no short term external borrowing during 2016/17. The PCC has, however, inherited internal borrowings from the former Essex Police Authority, the outstanding balance of which equated to £7.565m as at the 31st March 2017. 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 2017 would have been higher, and they would be offset by an equivalent amount of external debt. The remainder of the £9.255m capital financing requirement at year-end related to a shortfall in reserves to fund capital expenditure in 2016/17. This deficit was also met by internal borrowing.

Narrative Report

OPCC Financial Review

The Office of the PCC (OPCC) cost £1.23m during 2016/17 which was £107k under the budgeted level of £1.337m.

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 2015/16, 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 2016/17 the PCC continued to fund Community Safety Partnerships in Essex, £321,827 of funding was allocated through the funding formula. A portion of this year's PCC funding to CSPs was top-sliced to enable the creation of a central Domestic Homicide Review (DHR) fund to remove the unpredictability and difficulty of local DHR funding from CSPs. CSPs were consulted around this decision and unanimously supported the proposal.

From the Community Safety Fund (CSF) the PCC also provided £444k of funding to Youth Offending Services (YOS) and £503k to the Drug and Alcohol Teams (DAAT) across Essex.

Since October 2014 PCCs have been responsible for the commissioning of local services for victims of crime. In Essex this includes a victim' referral and assessment service, restorative justice services, support for victims of hate crime and human trafficking, 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 £2.1m grant received from the Ministry of Justice the PCC supplemented the budget with an additional £250k from the CSF and a further £88k from a previous Force budget.

The PCC allocated £300k from the Community Safety Development Fund which is a small-grants fund that supports projects that can positively influence the priorities within the Police and Crime Plan. Examples include diversionary projects for young people such as Colchester United football in the Community and the new Harwich multi-sport facility. Support was also made available for community safety initiatives such as community Speedwatch, Firebreak, Crimestoppers and knife amnesty bins. The funding supported the training of local hate crime ambassadors to work with the LGBTQ community, support for the J9 domestic abuse scheme, and the development of an online portal for victims of sexual violence and abuse.

The PCC was able to utilise unallocated funding from 2015/16 and carry this forward into 2016/17 which increased the overall grant budget available. The table below shows the amount of grant funding allocated during 2016/17 and the related grant over/underspend.

Narrative Report

	Original Budget £000	Allocated £000	Over / Underspend £000
Community Safety Fund (CSF)	2,094	1,807	(287)
Community Safety Development Fund (CSDF)	407	368	(39)
Victims	2,473	2,334	(139)
Government Grant	(2,095)	(2,095)	0
Total	2,879	2,414	(465)

In summary for 2016/17 the PCC spent £1.23m on the OPCC, £2.4m on Community Safety Grants / Victims and £0.8m on Council Tax sharing agreements with billing authorities.

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
4 September 2017

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 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 2017 and its income and expenditure for the year then ended.

Charles Garbett BA (Hons) CPFA
Treasurer to the PCC for Essex 4
4 September 2017

ANNUAL GOVERNANCE STATEMENT

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.

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- 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 or can be obtained from the OPCC, 3 Hoffmanns Way, Chelmsford, Essex CM1 1GU.

- 1.8 This statement is compliant with regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to the publication of a statement on internal control.

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.

ANNUAL GOVERNANCE STATEMENT

- 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.

ANNUAL GOVERNANCE STATEMENT

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.

During the year the Terms of Reference of the JAC were supplemented to include the functions of the Audit Panel. The prime responsibility of the Audit Panel is to oversee the procurement of external auditor services and recommend a preferred supplier to the PCC and Chief Constable.

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. This has included separate briefings and assurance on the Essex Police estate and the ongoing Police and Fire collaboration programme. It is anticipated that their contribution will not only continue but be enhanced during 2017/18 and beyond.

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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

- 4.1 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
- 4.2 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.
- 4.3 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.
- 4.4 The roles and processes applied in maintaining and reviewing effectiveness of the governance framework are outlined as follows:

ANNUAL GOVERNANCE STATEMENT

OPCC

4.5 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

4.6 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 Director for Strategic Change and Performance 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.

4.7 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

4.8 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

4.9 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 2016/17 the Internal Auditor's opinion is as follows:

PCC

4.10 The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Essex Police

4.11 The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

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

ANNUAL GOVERNANCE STATEMENT

External Audit

4.13 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).

4.14 In July 2017 HMIC became Her Majesty's Inspector of Constabulary and Fire & Rescue Services (HMICFRS).

4.15 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.

4.16 HMIC's review of Police Effectiveness, Efficiency and Legitimacy (PEEL) assessed Essex Police in 2016 as follows:

- How legitimate is the force at keeping people safe and reducing crime? – good
- How efficient is the force at keeping people safe and reducing crime? - good

4.17 HMIC noted that:

“Essex Police is good at treating the people it serves with fairness and respect. It has clear and well-established vision and values, which are in line with the Code of Ethics, and understood across the workforce. The force seeks feedback and challenge, especially from those who have less trust and confidence in the police or who may be less likely to express their views, and works hard to make improvements. It uses a wide variety of methods to communicate with the public, including through its website and meetings with the community, independent advisory groups and the organisation Victim Support, and makes good use of social media.”

4.18 HMIC's review of Police Effectiveness in 2016 saw Essex Police awarded a 'good' rating this is an improvement on last year when Essex Police were judged to require improvement.

4.19 HMIC noted that;

“The force has an effective approach to preventing crime and anti-social behaviour, Investigating crime and tackling serious and organised crime. The force has greatly improved the way it protects vulnerable people, including victims of domestic abuse, but still needs to do more in this area”

4.20 Other HMIC reports issued during 2016 are:

i) Best Use of Stop and Search (revisit)

In 2015 HMIC assessed the compliance of forces in England and Wales with the Home Office 'Best Use of Stop and Search scheme'. Following the inspection in 2015 Essex was one of 19 forces not complying with one or two features of the scheme. A revisit took place in November 2016 and Essex Police were found to be compliant with the scheme

ii) Police Effectiveness (vulnerability) revisit

In 2015 Essex was one of four forces that HMIC graded as inadequate at protecting those who are vulnerable from harm and supporting victims and a number of causes of concern and areas for improvement were identified.

ANNUAL GOVERNANCE STATEMENT

4.21 HMIC noted in their revisit report that:

- Essex Police had made significant progress against two causes of concern and three areas for improvement previously identified.
- The force has improved its response to domestic abuse and now has effective and reliable processes in place to respond to and safeguard victims.
- The force continues to develop its detective capacity, but this will take time to achieve the desired level.
- The force has greatly improved its safeguarding arrangements, with strong partnership working and support.

5. Significant Governance Issues

- 5.1 The 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.
- 5.2 The work of the Strategic Board continues but with an added dimension that formal arrangements are in place to consider collaborative options with Essex Fire and Rescue Service. Targeted 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.
- 5.3 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.
- 5.4 There were no governance breaches or issues in 2016/17. The progress made in addressing the governance matters from the 2015/16 AGS are shown below. The governance matters did not give rise to any issues.

Table 1: Progress made against the 2016 governance matters

Title	Action from 2016	Expected delivery	Position at 31st March 2017
Collaboration with Essex Fire and Rescue Service	Preparation of a Local Business Case (LBC) to determine recommended governance option	October 2016	Completed with revised LBC (delivered to the Essex Fire Authority 15 th February 2017. At the 31 st March the LBC was open to public consultation and at the time of writing consultation had closed and the LBC had been submitted to the Home Secretary for approval.
Refreshment of Strategic Transformation Programme	Preparation of strategic business case for 2020, target operation model and supporting MTFS	September 2016	The strategic business case is being refreshed during 2017/18
Information and knowledge exchange between the JAC and vice-versa	PCC to liaise with the PCP in order to facilitate the exchange of information and knowledge for both parties	December 2016	Chairman of JAC to attend the PCP from October 2017

ANNUAL GOVERNANCE STATEMENT

Significant governance issues that are relevant for 2017/18 are shown in Table 2 below:

Table 2: Governance considerations for 2017/18

Title	Action	Expected delivery
Demand Management	The ability of the Force to manage existing and future demand, with an effective operating model of policing using the efficiency gains enabled by investment in new technology.	Police operating model approved by September 2017 with significant payback in investment demonstrated by March 2018
Government grant formula review	To continue to promote the case for an improved Government police grant allocation through demonstrating the additional cost of responding to rural crime.	Provisional grant settlement for 2018/19 announced in December 2017
Public confidence and victim satisfaction	To ensure that public confidence in Essex Police continues to improve through increasing police performance and effective communication and public engagement.	Public and victims satisfaction to maintain a positive trend throughout 2017/18
Fire collaboration	To prepare thorough transition plans in anticipation of the Home Secretary's approval of the PCC's Local Business Case for joint Police and Fire Governance	Robust transition plans to be prepared by September 2017

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

Independent Audit Report

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 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 Police & Crime Commissioner for Essex and auditor

As explained more fully in the *Statement of Responsibilities* set out on page 17, the Treasurer to the Police & Crime Commissioner 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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 Police & Crime Commissioner 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 2016/17 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.

Independent Audit 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 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the *Statement of Accounts for the PCC for Essex Group and PCC for Essex 2016/17* 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.

Independent Audit Report

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 2016, 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 2017.

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.

Independent Audit Report

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, 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 2017.

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**

September 2017

The maintenance and integrity of the Police and Crime Commissioner for Essex's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Expenditure and Funding Analysis

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

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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

EFA for the Police & Crime Commissioner for Essex Group

	2015/16 Net Expenditure Chargeable to the General Fund	2015/16 Adjustment between Funding & Accounting Basis	2015/16 Net Expenditure in the CIES	2016/17 Net Expenditure Chargeable to the General Fund	2016/17 Adjustment between Funding & Accounting Basis	2016/17 Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000
Provision of Police Services - PCC Group	266,740	39,498	306,238	260,725	31,453	292,178
Income from Council Tax	(89,957)	(194)	(90,151)	(94,439)	(132)	(94,571)
Non-Specific Government Grant Income	(172,750)	(39,762)	(212,512)	(171,838)	(39,269)	(211,107)
Other Income and Expenditure	0	85,035	85,035	0	88,419	88,419
(Surplus)/Deficit on Provision of Police Services - PCC Group	4,033	84,577	88,610	(5,552)	80,471	74,919
Transfers to Other Reserves	(287)			0		
(Surplus)/Deficit to General Reserve and Earmarked Revenue Reserves	3,746			(5,552)		
Opening General Reserve and Earmarked Revenue Reserves at 31st March	(20,414)			(16,668)		
Reallocation to Capital Funding Reserve	0			103		
Less (Surplus)/Deficit on Provision of Police Services	3,746			(5,552)		
Closing General Reserve and Earmarked Revenue Reserves at 31 March	(16,668)			(22,117)		

Expenditure and Funding Analysis
EFA for the Police & Crime Commissioner for Essex

	2015/16 Net Expenditure Chargeable to the General Fund	2015/16 Adjustment between Funding & Accounting Basis	2015/16 Net Expenditure in the CIES	2016/17 Net Expenditure Chargeable to the General Fund	2016/17 Adjustment between Funding & Accounting Basis	2016/17 Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000
Provision of Police Services - PCC (before Intra-Group Funding)	23,461	6,175	29,636	25,474	5,398	30,872
Intra Group adjustment for CC's Net Service Cost	243,279	37,721	281,000	235,253	38,167	273,420
Net Cost of Provision of Police Services - PCC	266,740	43,896	310,636	260,727	43,565	304,292
Income from Council Tax	(89,957)	(194)	(90,151)	(94,439)	(132)	(94,571)
Non-Specific Government Grant Income	(172,750)	(39,762)	(212,512)	(171,841)	(39,269)	(211,110)
Other Income and Expenditure	0	117	117	0	(1,438)	(1,438)
(Surplus)/Deficit on Provision of Police Services - PCC	4,033	4,057	8,090	(5,553)	2,726	(2,827)

For an explanation of the amounts included in the 'Other Income and Expenditure' line, please refer to the 'Other Operating Expenditure' and 'Financing and Investment Income and Expenditure' sections of the Comprehensive Income and Expenditure Statement.

Core Financial Statements

Comprehensive Income & Expenditure Statement for the Police & Crime Commissioner 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.

	Restated 2015/16 Gross Expenditure £000	Restated 2015/16 Gross Income £000	Restated 2015/16 Net Expenditure £000	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000
Employee Expenses	281,536	0	281,536	265,838	0	265,838
Premises	10,161	0	10,161	10,817	0	10,817
Transport	4,430	0	4,430	4,366	0	4,366
Other Service Expenditure	25,358	0	25,358	25,376	0	25,376
Third party payments	5,709	0	5,709	6,750	0	6,750
Depreciation amortisation and impairment	8,192	0	8,192	6,549	0	6,549
Contribution to reserves and provisions	22	0	22	388	0	388
Fees charges and other service income	0	(23,146)	(23,146)	0	(22,649)	(22,649)
Government Grants and Contributions	0	(6,024)	(6,024)	0	(5,255)	(5,255)
Provision of Police Services - PCC Group	335,408	(29,170)	306,238	320,084	(27,904)	292,180
(Gain)/loss on the disposal of non current assets	233	0	233	0	(1,379)	(1,379)
Other Operating Expenditure	233	0	233	0	(1,379)	(1,379)
External Interest payable	1	0	1	0	0	0
Net interest on the defined benefit pensions liability						
- Police Officers	80,199	0	80,199	85,036	0	85,036
- Police Staff	4,737	0	4,737	4,841	0	4,841
Interest receivable and similar income	0	(135)	(135)	0	(78)	(78)
Financing and Investment Income and Expenditure	84,937	(135)	84,802	89,877	(78)	89,799
Taxation and Non Specific Grant Income						
Police grant	0	(103,372)	(103,372)	0	(102,782)	(102,782)
DCLG Grant	0	(56,253)	(56,253)	0	(55,932)	(55,932)
Council tax precept	0	(90,151)	(90,151)	0	(94,571)	(94,571)
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	(37,721)	(37,721)	0	(38,167)	(38,167)
Capital grant	0	(2,041)	(2,041)	0	(1,102)	(1,102)
	0	(302,663)	(302,663)	0	(305,679)	(305,681)
(Surplus)/Deficit on Provision of Police Services - PCC Group	420,578	(331,968)	88,610	409,961	(335,041)	74,919
Other Comprehensive Income and Expenditure						
(Surplus)/deficit on revaluation of fixed assets	(358)	0	(358)	(6,207)	0	(6,207)
Remeasurement of the net defined benefit liability						
- Police Officers	(129,585)	0	(129,585)	539,750	0	539,750
- Police Staff	(22,775)	0	(22,775)	60,504	0	60,504
Other losses	0	0	0	0	0	0
	(152,718)	0	(152,718)	594,047	0	594,047
Total Comprehensive Income and Expenditure	267,860	(331,968)	(64,108)	1,004,008	(335,041)	668,966

Following the 'Telling the Story' review (see note below) of the presentation of local authority financial statements, the 2016/17 Code changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement (as well as introducing the Expenditure Funding Analysis). The Comprehensive Income and Expenditure Statement now includes a segmental analysis which requires local authorities to report performance on the basis of how they operate, monitor and manage financial performance. The 2015/16 figures have also been restated in accordance with this requirement. This restatement solely relates to the reporting segments shown within the 'Provision of Police Services - PCC Group' section. Previously these segments were based upon the statutory Service Reporting Code of Practice (SERCOP) breakdown.

The review referred to above was a CIPFA/LASAAC consultation process entitled 'Telling the Story, Improving the Presentation of Local Authority Financial Statements'. This consultation ran between July and October 2015 and resulted in the above amendments being included in the 2016/17 Code.

Core Financial Statements

Comprehensive Income & Expenditure Statement for the Police & Crime Commissioner 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.

	Restated 2015/16 Gross Expenditure £000	Restated 2015/16 Gross Income £000	Restated 2015/16 Net Expenditure £000	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000
Employee Expenses	3,475	0	3,475	3,431	0	3,431
Premises	10,161	0	10,161	10,817	0	10,817
Transport	3,515	0	3,515	3,385	0	3,385
Other Service Expenditure	24,967	0	24,967	25,048	0	25,048
Third party payments	5,523	0	5,523	6,615	0	6,615
Depreciation amortisation and impairment	8,192	0	8,192	6,549	0	6,549
Contribution to reserves and provisions	1,185	0	1,185	388	0	388
Fees charges and other service Income	0	(21,358)	(21,358)	0	(20,406)	(20,406)
Government Grants and Contributions	0	(6,024)	(6,024)	0	(4,955)	(4,955)
Provision of Police Services - PCC (before Intra-Group Funding)	57,018	(27,382)	29,636	56,233	(25,361)	30,872
Intra Group Funding for Chief Constable's Net Service Cost	280,998	0	280,998	273,420	0	273,420
Net Cost of Provision of Police Services - PCC	338,016	(27,382)	310,636	329,654	(25,361)	304,292
(Gain)/loss on the disposal of non current assets	233	0	233	0	(1,379)	(1,379)
Other Operating Expenditure	233	0	233	0	(1,379)	(1,379)
External Interest Payable	1	0	1	0	0	0
Net interest on the defined benefit pensions liability						
- Police Staff	18	0	18	18	0	18
Interest receivable and similar income	0	(135)	(135)	0	(78)	(78)
Financing and Investment Income and Expenditure	19	(135)	(116)	18	(78)	(60)
Police grant	0	(103,372)	(103,372)	0	(102,782)	(102,782)
DCLG Grant	0	(56,253)	(56,253)	0	(55,932)	(55,932)
Council tax	0	(90,151)	(90,151)	0	(94,571)	(94,571)
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	(37,721)	(37,721)	0	(38,167)	(38,167)
Capital grant	0	(2,041)	(2,041)	0	(1,102)	(1,102)
Taxation and Non Specific Grant Income	0	(302,663)	(302,663)	0	(305,679)	(305,679)
(Surplus)/Deficit on Provision of Police Services - PCC	338,268	(330,180)	8,090	329,671	(332,497)	(2,828)
Other Comprehensive Income and Expenditure						
(Surplus)/deficit on revaluation of fixed assets	(358)	0	(358)	(6,207)	0	(6,207)
Remeasurement of the net defined benefit liability						
- Police Staff	(172)	0	(172)	749	0	749
Other (gains)/losses	0	0	0	0	0	0
	(530)	0	(530)	(5,458)	0	(5,458)
Total Comprehensive Income and Expenditure	337,738	(330,180)	7,560	324,214	(332,498)	(8,284)

For an explanation of the revised segmental format for 2016/17, as well as the 2015/16 restatement, please refer to the comment underneath the Comprehensive Income and Expenditure Statement for the Police & Crime Commissioner for Essex Group.

Core Financial Statements

Balance Sheet for the Police & Crime Commissioner for Essex

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 2016		31 March 2017	
	£000	£000	£000	£000
	PCC	Group	PCC	Group
Long-term assets				
14 Property, Plant & Equipment	88,566	88,566	97,021	97,021
15 Intangible Assets	2,398	2,398	2,251	2,251
18 Long term debtors	51	51	46	46
Long-term assets total	91,015	91,015	99,319	99,319
Current assets				
28 Short term investments	0	0	11,500	11,500
17 Inventories	706	706	675	675
18 Short term debtors	31,939	33,524	31,696	33,212
19 Cash and cash equivalents	16,283	16,283	5,388	5,388
20 Assets held for sale	389	389	771	771
Current assets total	49,317	50,902	50,030	51,546
Current liabilities				
21 Short term creditors	(29,600)	(34,333)	(29,602)	(35,227)
Current liabilities total	(29,600)	(34,333)	(29,602)	(35,227)
Long term liabilities				
22 Provisions	(3,064)	(3,064)	(2,273)	(2,273)
33 Pensions Liabilities - Police Officers	0	(2,331,316)	0	(2,939,083)
33 Pensions Liabilities - Police Staff	(490)	(131,396)	(1,318)	(200,746)
11 Capital Grants-Receipts in Advance	(488)	(488)	(1,181)	(1,181)
Long term liabilities total	(4,043)	(2,466,264)	(4,772)	(3,143,284)
Net liabilities	106,689	(2,358,680)	114,975	(3,027,646)
25 Usable reserves				
General reserve	(13,157)	(13,157)	(13,157)	(13,157)
Earmarked revenue reserves	(3,511)	(3,511)	(8,959)	(8,959)
Future capital funding reserve	(17)	(17)	(103)	(103)
Usable capital receipts	(2,436)	(2,436)	0	0
Capital grants unapplied	(1,615)	(1,615)	0	0
Usable reserves total	(20,736)	(20,736)	(22,219)	(22,219)
27 Unusable reserves				
Revaluation Reserve	(3,729)	(3,729)	(9,680)	(9,680)
Capital Adjustment Account	(79,559)	(79,559)	(81,107)	(81,107)
Deferred Capital Receipts Reserve	(27)	(27)	(27)	(27)
Pensions Reserve - Police Officers	0	2,331,316	0	2,939,084
Pensions Reserve - Police Staff	490	131,396	1,318	200,746
Collection Fund Adjustment Account	(3,138)	(3,138)	(3,271)	(3,271)
Accumulating Compensated Absences Adjustment Account	10	3,157	11	4,120
Unusable reserves total	(85,953)	2,379,416	(92,756)	3,049,865
Total reserves	(106,689)	2,358,680	(114,975)	3,027,646

I certify that the statement of accounts give a true and fair view of the financial position of the PCC/Group at 31 March 2017 and its income and expenditure for the year ended 31 March 2017. These financial statements replace the unaudited financial statements certified by Charles Garbett, Treasurer for the Police and Crime Commissioner for Essex on 31 May 2017.

Charles Garbett BA (Hons) CPFA, Treasurer to the PCC for Essex
4 September 2017

Core Financial Statements

Cash Flow Statement for the PCC for Essex Group

The Cash Flow Statements show the changes in cash and cash equivalents of the PCC and the PCC Group during the reporting period. The statements show how the PCC generates and uses cash and cash equivalents (liquid investments) by classifying cash flows as operating, financing and investing activities. The cashflow statement for the PCC group highlights the continued need for cash to enable investment in non-current assets, that are partly financed from operating activities.

	2015/16		2016/17	
	£000	£000	£000	£000
	Group		Group	
Deficit on the provision of services:-		88,610		74,919
Adjustment for non cash movements:-				
Depreciation/amortisation of non current assets	(6,386)		(6,548)	
Movement in pension liability	(83,172)		(76,864)	
Increase/(decrease) in inventories	(61)		(31)	
Increase/(decrease) in debtors	8,601		(1,159)	
(Increase)/decrease in creditors	(7,252)		(563)	
(Increase)/decrease in provisions	1,071		791	
Other non cash movements	728		2,547	
Total adjustments for non cash movements		(86,471)		(81,827)
Net cash flows from operating activities		2,139		(6,910)
Financing Activities				
Release of capital grants		(31)		
Other payments for financing activities				132
Investing Activities				
Purchase of property, plant and equipment and intangible assets	13,095		10,340	
Proceeds from the sale of property, plant and equipment	(2,969)		(2,329)	
Movement on short term investments	(16,000)		11,500	
Other payments for investing activities	0		(1,838)	
Sub total		(5,874)		17,673
Net (increase)/decrease in cash and cash equivalents		(3,766)		10,895
Cash and cash equivalents at the beginning of the reporting period		12,517		16,283
Cash and cash equivalents at the end of the reporting period		16,283		5,388
Movement in cash equivalents		3,766		(10,895)

Cash Flow Statement for the PCC

	2015/16		2016/17	
	£000	£000	£000	£000
	PCC		PCC	
Deficit on the provision of services:-		8,090		(2,828)
Adjustment for non cash movements:-				
Depreciation/amortisation of non current assets	(6,386)		(6,548)	
Movement in pension liability	(106)		(79)	
Increase/(decrease) in inventories	(61)		(31)	
Increase/(decrease) in debtors	8,601		(1,159)	
(Increase)/decrease in creditors	(7,252)		(563)	
(Increase)/decrease in provisions	1,071		791	
Other non cash movements	(1,818)		3,509	
Total adjustments for non cash movements		(5,951)		(4,080)
Net cash flows from operating activities		2,139		(6,908)
Financing Activities				
Release of capital grants		(31)		
Other payments for financing activities				132
Investing Activities				
Purchase of property, plant and equipment and intangible assets	13,095		10,340	
Proceeds from the sale of property, plant and equipment	(2,969)		(2,329)	
Movement on short term investments	0		11,500	
Other payments for investing activities	(16,000)		(1,838)	
Sub total		(5,874)		17,673
Net (increase)/decrease in cash and cash equivalents		(3,766)		10,895
Cash and cash equivalents at the beginning of the reporting period		12,517		16,283
Cash and cash equivalents at the end of the reporting period		16,283		5,388
Movement in cash equivalents		3,766		(10,895)

Core Financial Statements

Movement in Reserves Statement for the Police & Crime Commissioner 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 Balance Sheet provides a split of what is included within each of these headings.

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

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

Core Financial Statements

Movement in Reserves Statement for the Police & Crime Commissioner for Essex Group

2016/17 Group								
	Usable Reserves						Total Unusable	Total Reserves
	Held for revenue purposes		Held for capital purposes			Total Usable		
	General	Earmarked	Future Capital Funding	Capital Receipts	Capital Grants Unapplied			
£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2016	(13,157)	(3,511)	(17)	(2,436)	(1,615)	(20,736)	2,379,416	2,358,680
(Surplus)/ Deficit on provision of services (accounting basis)	74,919	0	0	0	0	74,919	0	74,919
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	594,047	594,047
Total Comprehensive Income and Expenditure	74,919	0	0	0	0	74,919	594,047	668,966
Adjustments between accounting basis and funding basis under regulations	(80,470)	0	0	2,436	1,632	(76,402)	76,402	0
Net (Increase) /Decrease before Transfers to Earmarked Reserves	(5,551)	0	0	2,436	1,632	(1,483)	670,449	668,966
Transfers (to)/from Earmarked Reserves	5,551	(5,448)	(86)	0	(17)	0	0	0
(Increase) /Decrease in year	0	(5,448)	(86)	2,436	1,615	(1,483)	670,449	668,966
Balance at 31 March 2017 carried forward	(13,157)	(8,959)	(103)	0	0	(22,219)	3,049,865	3,027,646

Core Financial Statements

Movement in Reserves Statement for the Police & Crime Commissioner 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 Balance Sheet provides a split of what is included within each of these headings.

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

2015/16 PCC								
	Usable Reserves						Total Unusable	Total Reserves
	Held for revenue purposes		Held for capital purposes			Total Usable		
	General	Earmarked	Future Capital Funding	Capital Receipts	Capital Grants Unapplied			
£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2015	(15,227)	(5,187)	(304)	(8,534)	(1,752)	(31,004)	(83,245)	(114,249)
(Surplus)/ Deficit on provision of services (accounting basis)	8,090	0	0	0	0	8,090	0	8,090
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(530)	(530)
Total	8,090	0	0	0	0	8,090	(530)	7,560
Adjustments between accounting basis and funding basis under regulations	(4,057)	0	0	6,098	137	2,178	(2,178)	0
Net (Increase) /Decrease before Transfers to Earmarked Reserves	4,033	0	0	6,098	137	10,268	(2,708)	7,560
Transfers (to)/from Earmarked Reserves	(1,963)	1,676	287	0	0	0	0	0
(Increase) /Decrease in year	2,070	1,676	287	6,098	137	10,268	(2,708)	7,560
Balance at 31 March 2016 carried forward	(13,157)	(3,511)	(17)	(2,436)	(1,615)	(20,735)	(85,954)	(106,689)

Core Financial Statements

Movement in Reserves Statement for the Police & Crime Commissioner for Essex

2016/17 PCC								
	Usable Reserves						Total Unusable	Total Reserves
	Held for revenue purposes		Held for capital purposes			Total Usable		
	General	Earmarked	Future Capital Funding	Capital Receipts	Capital Grants Unapplied			
£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2016	(13,157)	(3,511)	(17)	(2,436)	(1,615)	(20,736)	(85,954)	(106,690)
(Surplus)/ Deficit on provision of services (accounting basis)	(2,828)	0	0	0	0	(2,828)	0	(2,828)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(5,458)	(5,458)
Total Comprehensive Income and Expenditure	(2,828)	0	0	0	0	(2,828)	(5,458)	(8,286)
Adjustments between accounting basis and funding basis under regulations	(2,723)	0	0	2,436	1,632	1,345	(1,345)	0
Net (Increase) /Decrease before Transfers to Earmarked Reserves	(5,551)	0	0	2,436	1,632	(1,483)	(6,803)	(8,286)
Transfers (to)/from Earmarked Reserves	5,551	(5,448)	(86)	0	(17)	0	0	0
(Increase) /Decrease in year	0	(5,448)	(86)	2,436	1,615	(1,483)	(6,803)	(8,286)
Balance at 31 March 2017 carried forward	(13,157)	(8,959)	(103)	0	0	(22,219)	(92,757)	(114,976)

Notes Relating to the Accounts: General

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 show the financial positions of the PCC and the PCC Group for the fifth 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 Relating to the Accounts: General

2 Intra group adjustments

Intra group adjustments

The table below shows the movement through an intra group account within the respective accounts during 2015/16 and 2016/17. These adjustments reflect the financial resources consumed by the Chief Constable on behalf of the Police & Crime Commissioner. The corresponding recharge to the PCC accounts includes a further adjustment to ensure the intra-group recharge is calculated on a funding basis rather than accounting regulations. This includes adjustments for IAS 19 pensions costs and movements in respect of compensated absences accruals. 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 the intra-group adjustment (as referred to above) offset the Chief Constable's consumption of resources.

	Intra group balances for 2015/16			Intra group balances for 2016/17		
	PCC £000	Chief Constable £000	Group £000	PCC £000	Chief Constable £000	Group £000
Opening balance as at 1st April	0	0	0	0	0	0
PCC resources consumed at the request of the Chief Constable	(280,998)	280,998	0	(273,420)	273,420	0
PCC Intra group adjustment	280,998	(280,998)	0	273,420	(273,420)	0
Closing balance 31 March	0	0	0	0	0	0

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 14

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.

There were however £4.5m of surplus assets recognised in the Balance Sheet which, had they been approved for disposal at the 31st March 2017, would have otherwise met the criteria to be classified as Assets Held for Sale. These disposals were subsequently approved by the PCC in May 2017.

In August 2017 there was a High Court of Justice decision on the Michael Ciaran Parker (Barrymore) case which resulted in a judgement in favour of the claimant, in relation to R v O'Hara and the knowledge of the arresting officer grounds for arrest. Mr Parker is not restricted to nominal damages only. There is no financial exposure for the PCC as damages are covered by insurance and excess is provided for within the financial statements.

5 Date of Authorisation of the Statement of Accounts for Issue

The Statement of Accounts was authorised for issue on 4 September 2017 by Charles Garbett BA (Hons) CPFA, Treasurer to the PCC for Essex.

Notes Relating to the Accounts: General

6 Note to the Expenditure and Funding Analysis

2015/16 - Group				
	Adjustment for Capital Purposes (see note 1) £000	Net change for Pension Adjustment (see note 2) £000	Other Differences (see note 3) £000	Total Adjustments £000
Provision of Police Services - PCC Group	5,962	35,957	(2,421)	39,498
Other Income and Expenditure	233	45,174	(328)	45,079
(Surplus)/Deficit on Provision of Police Services - PCC Group	6,195	81,131	(2,749)	84,577

2015/16 - PCC				
	Adjustment for Capital Purposes (see note 1) £000	Net change for Pension Adjustment (see note 2) £000	Other Differences (see note 3) £000	Total Adjustments £000
Provision of Police Services - PCC (before intra-group funding)	5,962	88	125	6,175
Intra-group funding adjustment	0	37,721	0	37,721
Other Income and Expenditure	233	(39,744)	(328)	(39,839)
(Surplus)/Deficit on Provision of Police Services - PCC	6,195	(1,935)	(203)	4,057

2016/17 - Group				
	Adjustment for Capital Purposes (see note 1) £000	Net change for Pension Adjustment (see note 2) £000	Other Differences (see note 3) £000	Total Adjustments £000
Provision of Police Services - PCC Group	5,256	25,154	1,043	31,453
Other Income and Expenditure	(2,480)	51,710	(212)	49,018
(Surplus)/Deficit on Provision of Police Services - PCC Group	2,776	76,864	831	80,471

2016/17 - PCC				
	Adjustment for Capital Purposes (see note 1) £000	Net change for Pension Adjustment (see note 2) £000	Other Differences (see note 3) £000	Total Adjustments £000
Provision of Police Services - PCC (before intra-group funding)	5,256	61	81	5,398
Intra-group funding adjustment	0	38,167	0	38,167
Other Income and Expenditure	(2,480)	(38,149)	(210)	(40,839)
(Surplus)/Deficit on Provision of Police Services - PCC	2,776	79	(129)	2,726

Notes

- 1) Includes depreciation, impairment, revaluation gains, disposals, capital financial, capital grants and grant conditions
- 2) Pension contribution paid removed and replaced with current service cost, plus net interest on financing and investment income and expenditure.
- 3) Includes premiums and discounts, and Council Tax adjustments.

Notes Relating to the Accounts: General

7 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
Property, Plant and Equipment	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 £0.035m for every year that useful lives had to be reduced.
Insurance Provision	The PCC has made a provision of £2.273m for the settlement of outstanding insurance claims that fail 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 £0.303m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. 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 £11.314m. An increase of one year on mortality rate assumptions for members of the Police Officer Pension Scheme (covering the 1987, 2006 and 2015 schemes) would result in an increase in the pension liability of £117.580m. It should be noted, however, that the various assumptions interact in complex ways.

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

8 Officers remuneration (including Exit Packages)

The following tables identify the number of police officers and police staff whose remuneration was £50,000 or more during 2016/17. 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	2015/16			2016/17		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£50,000 - £54,999	208	11	219	214	19	233
£55,000 - £59,999	122	9	131	135	7	142
£60,000 - £64,999	29	4	33	32	1	33
£65,000 - £69,999	11	1	12	10	3	13
£70,000 - £74,999	5	2	7	5	2	7
£75,000 - £79,999	3	2	5	2	3	5
£80,000 - £84,999	3	1	4	11	0	11
£85,000 - £89,999	7	1	8	3	1	4
£90,000 - £94,999	0	0	0	1	1	2
£95,999 - £99,999	0	0	0	1	0	1
Total for Group	388	31	419	414	37	451

The Digital Investigating and Intelligence Co-Ordinator is a national role and is included in the above table as 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. For 2016/17 100% costs are being reimbursed from the National Police Chief's Council (NPCC).

PCC for Essex

Remuneration Band	2015/16	2016/17
	Police Staff	Police Staff
£50,000 - £54,999	1	1
£55,000 - £59,999	1	0
Total for PCC	2	1

The numbers in the above two tables exclude the police officers and staff disclosed in the tables overleaf for Chief Officers and Senior Officers.

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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

Group - 2015/16

NPCC rank officers' remuneration

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

PCC - 2015/16

2015/16				
	Salary (including allowances- note 1)	Benefits in kind (note 2)	Employers Pension contributions (note 3)	Total Remuneration
	£	£	£	£
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
Total for PCC	264,046	0	34,590	298,636

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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 are not received by the employee.
- 4) The Chief Constable was paid an uplift of 10% which is awarded at the discretion of the PCC upon appointment. The salary figure contains allowances of £29,730 consists of the Chief Officer Allowance of £22,809 (15% of basic salary) plus a housing allowance of £6,921 but excludes the contributions paid of £4,550 by the Chief Constable for his lease car. For 2016/17 the allowances figure has been split out further. If the 2015/16 allowances had been restated to reflect the 2016/17 presentation, the allowance figure would be £25,180, made up of £18,259 for 12% stipend and £6,921 housing allowance. The total remuneration would have been £199,985.
- 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) 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.
- 7) 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.
- 8) This Assistant Chief Constable was promoted to Deputy Chief Constable on 25th November 2015 (note 5 refers) and the costs shown are the earnings up to that day. If they had remained in post for the whole year, their salary would have been £105,945 plus allowances.
- 9) This Assistant Chief Constable was promoted to Temporary Deputy Chief Constable of the Seven Force Strategic Collaboration Programme on 2nd November 2015 (note 8 refers) and the costs shown are the earnings up to that day. If they had remained in post for the whole year, their salary would have been £102,822 plus allowances.
- 10) The 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.
- 11) During 2015/16 the Chief Finance Officer received back pay of £1,260 relating to 2014/15.
- 12) The Director of Strategic Change and Performance came into post on 21st 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.
- 13) The Deputy Police & Crime Commissioner reduced to 0.6 FTE from 1st 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 Accounts: Comprehensive Income & Expenditure Statements

Group - 2016/17

NPCC rank officers' remuneration

2016/17					
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension Contributions (note 4)	Total Remuneration
	£	£	£	£	£
Chief Constable - S Kavanagh (note 5)	168,934	9,321	25,032	0	203,287
Deputy Chief Constable	126,699	8,076	6,226	30,661	171,662
Temporary Deputy Chief Constable	126,699	6,883	11,025	30,661	175,268
Assistant Chief Constable	106,177	0	22,226	25,695	154,098
Temporary Assistant Chief Constable (note 6)	72,063	0	5,366	17,459	94,888
Temporary Assistant Chief Constable (note 7)	80,948	0	5,549	19,998	106,495
Acting Assistant Chief Constable (note 8)	0	0	0	0	0
Acting Assistant Chief Constable (note 8)	0	0	0	0	0
Chief Finance Officer of the Chief Constable	83,611	673	2,515	10,953	97,752
Director of Strategic Change and Performance (note 9)	100,017	0	3,515	13,102	116,634
Police & Crime Commissioner (note 10)	8,919	0	0	1,168	10,087
Police & Crime Commissioner (note 11)	75,403	0	0	0	75,403
Deputy Police & Crime Commissioner (note 12)	4,028	0	0	528	4,556
Deputy Police & Crime Commissioner (note 13)	35,000	0	0	4,585	39,585
Chief Executive (note 14)	87,835	0	0	11,506	99,341
Treasurer (note 15)	60,199	0	0	7,886	68,085
Total for Group	1,136,532	24,953	81,454	174,202	1,417,141

PCC - 2016/17

2016/17					
	Salary (note 2)	Benefits in Kind (note 3)	Allowances (note 4)	Employers Pension Contributions (note 5)	Total Remuneration
	£	£	£	£	£
Police & Crime Commissioner (note 10)	8,919	0	0	1,168	10,087
Police & Crime Commissioner (note 11)	75,403	0	0	0	75,403
Deputy Police & Crime Commissioner (note 12)	4,028	0	0	528	4,556
Deputy Police & Crime Commissioner (note 13)	35,000	0	0	4,585	39,585
Chief Executive (note 14)	87,835	0	0	11,506	99,341
Treasurer (note 15)	60,199	0	0	7,886	68,085
Total for PCC	271,384	0	0	25,673	297,057

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

Notes

- 1) The salary figures show just salary costs. (i.e. they do not include allowances)
- 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) Allowances, where applicable, include housing allowance, rent allowance, car allowance and Chief Officers' stipend.
- 4) Employer pension contributions are an employer cost and are not received by the employee.
- 5) The Chief Constable was paid an uplift of 10% which is awarded at the discretion of the PCC upon appointment. The Chief Constable is also entitled to a stipend of up to 15% of basic salary. The Chief Constable actually received £18,111 equating to a 12% stipend. The allowances figure of £25,032 includes £18,111 stipend and £6,921 housing allowance.
- 6) The Temporary Assistant Chief Constable was seconded out of their role for a period during 2016/17 to undertake training. During this period they did not fulfil their Temporary Assistant Chief Constable duties. This resulted in a reduction of salary of £14,534. Had they remained in post all year the costs would have been £85,176.
- 7) The Temporary Assistant Chief Constable came into post on the 9th May 2016 and costs shown are the earnings from this date. Had they been in post for the whole year, their salary would have been £91,075 plus allowances.
- 8) The two Acting Assistant Chief Constables came into post on the 20th March 2017. No costs are included in the 2016/17 accounts for these posts. Had they been in post for the whole year, their individual salary cost would have been £97,160 plus allowances.
- 9) The Director of Strategic Change and Performance came into post on the 21st March 2016. The costs shown include the salary and allowances received for this period.
- 10) The Police & Crime Commissioner left their post on the 11th May 2016 and the costs shown are the earnings up to this date. Had they remained in post for the whole year, their salary would have been £78,788 plus allowances.
- 11) The new Police & Crime Commissioner came into post on the 12th May 2016 and costs shown are the earnings from this date. Had they been in post for the whole year, their salary would have been £85,279 plus allowances.
- 12) The previous Deputy Police & Crime Commissioner was 0.6FTE and left their post on the 11th May 2016 and the costs shown are the earnings up until this date. Had they remained in post for the whole year, their salary would have been £30,785 plus allowances.
- 13) The new Deputy Police & Crime Commissioner came into post on the 1st September 2016 and the costs shown are the earnings from that day. Had they been in posts for the whole year, their salary would have been £60,000 plus allowances.
- 14) The post of Executive Director has been renamed to Chief Executive.
- 15) The Treasurer was contracted to work 0.7FTE up until 31st December 2016 when their hours were then increased to full time.

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

The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2016/17. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

b) Temporary Assistant Chief Constable

In reference to note 6 the Temporary Chief Constable role for the duration of secondment was filled by a member of the Kent Police Chief Officer team. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
£0 - £20,000	93	5	10	4	103	9
£20,001 - £40,000	21	2	2	4	23	6
£40,001 - £60,000	11	3	1	0	12	3
£60,001 - £80,000	1	2	0	0	1	2
Total	126	12	13	8	139	20

	Total Cost of Exit Packages in Each Band					
	2015/16			2016/17		
	Severance	Pension Strain	Total	Severance	Pension Strain	Total
£0 - £20,000	£926,572	£13,540	£940,112	£97,861	£13,958	£111,819
£20,001 - £40,000	£350,498	£294,106	£644,604	£158,878	£23,764	£182,642
£40,001 - £60,000	£190,590	£381,755	£572,345	£34,381	£127,883	£162,264
£60,001 - £80,000	£20,995	£46,040	£67,035	£45,626	£77,798	£123,424
Total	£1,488,655	£735,441	£2,224,096	£336,746	£243,403	£580,149

The 2015/16 figures include the effect of the reduction in PCSOs for the force.

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

9 Termination benefits

There were 20 employees contracts terminated in 2016/17 (139 employees in 2015/16), incurring the following liabilities:

- £0.337m severance payments (£1.489m in 2015/16)
- £0.243m enhancement of retirement benefits/pension strain (£0.735m in 2015/16)

In addition to the amounts included in the bandings, an amount of £36,878 was credited to the Comprehensive Income and Expenditure Statement in 2016/17, representing the difference between estimates recognised in the previous year and actual amount paid in the current year.

10 External audit costs

	2015/16 £000 PCC	2015/16 £000 Group	2016/17 £000 PCC	2016/17 £000 Group
Fees payable to Ernst & Young LLP				
- with regard to external audit services carried out by the appointed	41	60	44	63
	41	60	44	63

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

11 Grant Income

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

	2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Police Grant	(103,372)	(102,782)
DCLG Grant	(56,253)	(55,932)
Council Tax Precepts	(90,151)	(94,571)
Council Tax Support Grant	(10,992)	(10,992)
Council Tax Freeze Grant	(2,133)	(2,133)
Pension Top Up Grant	(37,721)	(38,167)
Capital Grants	(2,041)	(1,102)
Total	(302,663)	(305,679)
Credited to services		
Local Partnership Funding	(1,230)	(1,410)
Other Grants	(4,080)	(3,845)
Total	(5,310)	(5,255)

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:

	2015/16 £000	2016/17 £000
Capital Grants Receipts in Advance		
NCTPHQ* (formerly ACPO / TAM) - for various capital projects	433	433
ANPR project 2	3	0
ANPR project 3	2	0
ANPR project 5	33	21
ANPR project 6	17	17
Home Office - IT Mobile Communications upgrade	0	710
Total	488	1,181

*National Counter Terrorism Policing Head Quarters

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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 2016/17 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 2016/17 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 16 and 17 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

13 Leases

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

	2015/16	2016/17
	£000	£000
Not later than one year	1,328	1,275
Later than one year and not later than five years	3,981	2,961
Later than five years (per annum)	284	812
Total	5,593	5,048

Notes Relating to Accounts: Balance Sheet

14 Property, Plant and Equipment

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
Cost or Valuation						
At 1 April 2015	72,626	24,152	14,720	3,411	1,129	116,038
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
At 31 March 2016	73,261	23,270	14,406	3,830	4,735	119,502

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment						
At 1 April 2015	(3,644)	(16,102)	(8,929)	(969)	0	(29,644)
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
At 31 March 2016	(4,552)	(16,700)	(8,292)	(1,392)	0	(30,936)
Net Book Value						
At 31 March 2016	68,709	6,570	6,114	2,438	4,735	88,566
At 31 March 2015	68,983	8,050	5,791	2,442	1,130	86,396

Notes Relating to Accounts: Balance Sheet

The following two tables show the movements for 2016/17. 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
Cost or Valuation						
At 1 April 2016	73,261	23,270	14,406	3,830	4,735	119,502
Additions	0	3,303	1,604	0	5,149	10,056
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,787	0	0	2,169	0	4,956
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	357	0	0	1,902	0	2,259
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(4,208)	0	0	0	0	(4,208)
Derecognition - Disposals	0	(728)	(2,051)	(390)	0	(3,169)
Derecognition - Other	0	(273)	(102)	(5)	0	(380)
Assets reclassified (to)/from						
- Within PPE	6,354	(171)	0	3,562	(9,745)	0
- Held for Sale	(750)	0	0	(746)	0	(1,496)
Other movements	0	0	0	0	0	0
At 31 March 2017	77,801	25,401	13,857	10,322	139	127,520

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment						
At 1 April 2016	(4,552)	(16,700)	(8,292)	(1,392)	0	(30,936)
Depreciation Charge	(1,587)	(2,758)	(1,721)	(67)	0	(6,133)
Depreciation written out to the Revaluation Reserve	1,151	0	0	81	0	1,232
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,126	0	0	14	0	2,140
Derecognition - Disposals	0	721	1,767	390	0	2,878
Derecognition - Other	0	250	62	5	0	317
Other movements in Depreciation	95	171	0	(263)	0	3
At 31 March 2017	(2,767)	(18,316)	(8,184)	(1,232)	0	(30,499)
Net Book Value						
At 31 March 2017	75,034	7,085	5,673	9,090	139	97,021
At 31 March 2016	68,709	6,570	6,114	2,438	4,735	88,566

The surplus assets net book value at 31 March 2017 of £9.090m includes £0.028m for plant & equipment. The balance of £9.062m relates to property surplus assets.

Notes Relating to Accounts: Balance Sheet

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

A total of forty of the PCC's existing land and building assets were revalued as at 31 March 2017 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.

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 2017 and which are included in the above PPE note.

Jointly Controlled Assets with Kent Police	Total value of the Joint Assets as at 31 March 2017	Percentage Contributed by Essex Police
	£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	85	50
SCD - Platform Equipment	242	50
SCD - Fingerprint Cabinet	14	50
Single Desktop Programme	119	50
Storm Gazetter	20	50
Video Conferencing	133	50
Visual Media Evidence	230	50
Total	1,711	

Fair Value Disclosures for Surplus Assets

Details of the PCC's property surplus assets as at 31 March 2017 are as follows:

Recurring Fair Value Measurement Using:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31st March 2017
	£000	£000	£000	£000
Surplus Operational Buildings	0	6,170	0	6,170
Surplus Land	0	2,892	0	2,892
Total	0	9,062	0	9,062

Notes Relating to Accounts: 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 of 5 years are: Athena, Mobile Data, SAP System Licences and 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:

	2015/16	2016/17
	Purchased Software Licences	Purchased Software Licences
	£000	£000
Gross book value at start of year	5,703	7,784
Movement in Year		
Additions	2,109	451
Disposals and deletions	(21)	(159)
Transfers	(7)	0
Gross Book Value at end of year	7,784	8,076
Accumulated depreciation and amortisation from earlier years	(4,995)	(5,386)
Depreciation on disposals and deletions	21	159
Depreciation on transfers	7	0
Amortisation for the year	(419)	(598)
Net Book Value at end of year	2,398	2,251

Carrying Amount (Major Software Suites only)

	31 March 2016	31 March 2017	Remaining Amortisation Period at 31 March 2017
	£000	£000	
Athena	250	171	2 years
Mobile Data	36	24	2 years
SAP Systems Licences	1,091	841	3 years
Single Desktop Programme	66	46	2 years

Notes Relating to Accounts: Balance Sheet

16 Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue 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.

	2015/16 £000	2016/17 £000
Opening Capital Financing Requirement	9,065	8,065
Capital Investment		
Property, Plant and Equipment	10,334	10,056
Intangible Assets	2,109	451
Total Capital Investment	12,443	10,507
Sources of Finance		
Capital Receipts	(9,067)	(5,293)
Government Grants and Contributions	(2,894)	(2,797)
Revenue funding (incl. use of internal funds)	(482)	(727)
Minimum revenue provision	(1,000)	(500)
Total Sources of Finance	(13,443)	(9,317)
Closing Capital Financing Requirement	8,065	9,255
Explanation of movements in year		
Net increase in underlying need to borrow (unsupported by government financial assistance)	(1,000)	1,190
Increase/(Decrease) in Capital Financing Requirement	(1,000)	1,190

At 31 March 2017 there was an in-year shortfall in capital reserves of £1.690m, to be carried forward to 17/18. This was offset by £0.500m of minimum revenue provision being offset against the historical capital financing requirement brought forward.

The estimated value of significant commitments under capital contracts totalled £0.577m at 31 March 2017 (£4.148m at 31 March 2016). Works are now complete on the major refurbishment and custody facilities building contract at Southend Police Station, subject to the defects period.

17 Inventories

	Vehicle Parts		Uniform		CS Spray Prisoner Supplies General Stock		Total	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance outstanding at start of year	131	130	517	528	119	48	767	706
Purchases	1,061	963	226	311	81	6	1,368	1,280
Recognised as an expense in the year	(1,062)	(968)	(215)	(320)	(152)	(23)	(1,429)	(1,311)
Balance outstanding at Year End	130	125	528	519	48	31	706	675

Notes Relating to Accounts: Balance Sheet

18 Debtors

Long term debtors

The long-term debtors' figure of £0.046m (2015/16 £0.051m) 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:-

	2015/16	2015/16	2016/17	2016/17
	£000	£000	£000	£000
	PCC	Group	PCC	Group
Central Government Bodies	12,138	12,138	12,587	12,587
Other Local Authorities	11,746	13,331	12,499	12,499
Public Corporations and Trading Funds	0	0	3	3
NHS Bodies	0	0	1	1
Other Entities & Individuals	8,055	8,055	6,606	8,122
Balance at Year End	31,939	33,524	31,696	33,212

19 Cash and Cash equivalents

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

	2015/16	2016/17
	£000	£000
<u>Current Assets</u>		
Liquid Investments	18,159	3,000
Operational Bank Accounts	(2,126)	2,138
Petty Cash Advances	250	250
Total as per Balance Sheet	16,283	5,388
Less Accrued Interest on Net Short Term deposits	0	0
Total Excluding Accrued Interest	16,283	5,388
Balance at Year End	16,283	5,388

20 Assets Held for Sale

	2015/16	2016/17
	£000	£000
Balance outstanding at start of year	2,811	389
Assets newly classified as held for sale:		
Property, Plant and Equipment	141	1,493
Revaluation losses / gains	(74)	10
Assets sold	(2,489)	(1,121)
Balance outstanding at Year End	389	771

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.

Two assets met the above criteria at 31 March 2016.

At 31 March 2017 four properties met the above criteria.

Notes Relating to Accounts: Balance Sheet

21 Creditors

	2015/16	2015/16	2016/17	2016/17
	£000	£000	£000	£000
	PCC	Group	PCC	Group
Central Government Bodies	(6,066)	(6,066)	(5,983)	(5,983)
Other Local Authorities	(7,359)	(7,359)	(10,018)	(10,018)
NHS Bodies	(17)	(17)	(337)	(337)
Other Entities & Individuals	(16,158)	(20,891)	(13,264)	(18,890)
Balance at year-end	(29,600)	(34,333)	(29,602)	(35,227)

22 Provisions

The PCC maintains two provisions as follows:

a) Insurance Provision (see note 7 for further details):-

	2015/16	2016/17
	£000	£000
Balance outstanding at start of year	2,668	2,759
Additional provisions made in-year	1,204	693
Amounts used in-year	(1,113)	(1,179)
Balance outstanding at year-end	2,759	2,273

b) Severance Payments Provision

	2015/16	2016/17
	£000	£000
Balance outstanding at start of year	1,468	305
Additional provisions made in-year	1,065	0
Amounts used in-year	(2,228)	(305)
Balance outstanding at year-end	305	0

Notes Relating to the Account: 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 - 2015/16	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	IAS19 Pensions Reserve-Police Officers	IAS19 Pensions Reserve-Police Staff	Collection Fund Adjust Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account												
<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
Adjustments involving the Capital Grants Unapplied Account												
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
Adjustments involving the Capital Receipts Reserve												
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
Adjustments involving the IAS19 Pensions Reserve												
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
Adjustments involving the Collection Fund Adjustment Account												
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
Adjustments involving the Accumulating Absences Account												
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
Total	(84,577)	6,098	137	(78,342)	440	(2,521)	72,981	10,191	(194)	(2,555)	78,342	0

Notes Relating to the Account: Movement in Reserves Statement

PCC - 2015/16	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjust Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account												
<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
Adjustments involving the Capital Grants Unapplied Account												
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
Adjustments involving the Capital Receipts Reserve												
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
Adjustments involving the IAS19 Pensions Reserve												
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
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
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
Total	(4,057)	6,098	137	2,178	440	(2,521)	0	106	(194)	(9)	(2,178)	0

Notes Relating to the Account: Movement in Reserves Statement

PCC Group - 2016/17	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjust Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account												
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>												
Charges for depreciation and impairment of non current assets	(6,845)			(6,845)		6,845					6,845	0
Amortisation of intangible assets	(598)			(598)		598					598	0
Revaluation losses on Property, Plant & Equipment	894			894		(894)					(894)	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,474)			(1,474)		1,474					1,474	0
Adjusting amounts written out of the Revaluation Reserve				0	255	(255)					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	500			500		(500)					(500)	0
Capital Expenditure charged against the General Reserve	727			727		(727)					(727)	0
Adjustments involving the Capital Grants Unapplied Account												
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	1,164			1,164		(1,164)					(1,164)	0
Prior year income removed from reserve and transferred to Capital Grant Creditor				0							0	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure			1,632	1,632		(1,632)					(1,632)	0
Adjustments involving the Capital Receipts Reserve												
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,857	(2,857)		0							0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		5,293		5,293		(5,293)					(5,293)	0
Adjustments involving the IAS19 Pensions Reserve												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(153,525)			(153,525)			134,733	18,792			153,525	0
Employers' pension contributions and direct payments to pensioners payable in the year	76,661			76,661			(66,715)	(9,946)			(76,661)	0
Adjustments involving the Collection Fund Adjustment Account												
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	132			132					(132)		(132)	0
Adjustments involving the Accumulating Absences Account												
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	(963)			(963)						963	963	0
Total	(80,470)	2,436	1,632	(76,402)	255	(1,548)	68,018	8,846	(132)	963	76,402	0

Notes Relating to the Account: Movement in Reserves Statement

PCC - 2016/17	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjust Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account												
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>												
Charges for depreciation and impairment of non current assets	(6,845)			(6,845)		6,845					6,845	0
Amortisation of intangible assets	(598)			(598)		598					598	0
Revaluation losses on Property, Plant & Equipment	894			894		(894)					(894)	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,474)			(1,474)		1,474					1,474	0
Adjusting amounts written out of the Revaluation Reserve				0	255	(255)					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	500			500		(500)					(500)	0
Capital Expenditure charged against the General Reserve	727			727		(727)					(727)	0
Adjustments involving the Capital Grants Unapplied Account												
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	1,164			1,164		(1,164)					(1,164)	0
Prior year income removed from reserve and transferred to Capital Grant Creditor				0							0	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure			1,632	1,632		(1,632)					(1,632)	0
Adjustments involving the Capital Receipts Reserve												
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,857	(2,857)		0							0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		5,293		5,293		(5,293)					(5,293)	0
Adjustments involving the IAS19 Pensions Reserve												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(157)			(157)				157			157	0
Employers' pension contributions and direct payments to pensioners payable in the year	78			78				(78)			(78)	0
Adjustments involving the Collection Fund Adjustment Account												
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	132			132					(132)		(132)	0
Adjustments involving the Accumulating Absences Account												
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	(1)			(1)						1	1	0
Total	(2,723)	2,436	1,632	1,345	255	(1,548)	0	79	(132)	1	(1,345)	0

Notes Relating to the Account: 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 2016/17:-

- 1) The Athena Reserve was created in 2013/14. It held funds set aside for the implementation of the Athena system. Athena has now been implemented and the reserve has a nil balance at the end of 2016/17. 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 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 2016/17 are as follows:-
 - PCC Grants £464,587
 - Operational Activities £610,771
- 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 Transformation Reserve (formerly referred to as Investment in Estates and IT Strategies) 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 Major Operational Reserve was created in 2016/17 to fund in-year shortfalls on major incidents that are not be reimbursed by the Home Office. Generally additional expenditure above 1% of the Force's annual budget is reimbursed by the Home Office.
- 12) The Recruitment Uplift Contingency Reserve was created in 2016/17 to help fund additional one-off costs in recruitment activity to increase the strength of Police Officers to 2850ftes.
- 13) The Legal Claims Contingency Reserve was created in 2016/17 to fund one-off costs of future legal claims.
- 14) The Seven Forces Collaboration Reserve was created in 2016/17 to fund collaborative set-up costs required for implementing future savings plan.
- 15) The Future Capital Funding Reserve funds future capital programmes.

Notes Relating to the Account: Movement in Reserves Statement

25 Transfer 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 2016/17.

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

	Balance at 31-Mar-15	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31- Mar 16	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31-Mar 17
	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserves							
Held for revenue purposes							
Athena Reserve	744	(744)	22	22	(22)	0	0
Estates Programme	1,259	(1,042)	0	217	0	0	217
Carry Forward Reserve	1,247	(1,247)	247	247	(247)	1,075	1,075
Forfeiture Monies Reserve	75	0	23	98	(10)	66	154
Transformation Reserve (formerly Investment in Estates and IT Strategies)	241	(1,062)	1,990	1,169	(1,008)	2,247	2,408
Leased Property Dilapidations Reserve	175	0	0	175	0	0	175
Leased Property Maintenance Pay Equalisation Reserve	535	0	0	535	0	0	535
Proceeds of Crime Act (POCA) Reserve	262	0	0	262	0	0	262
Redundancy & Relocation Reserve	611	(289)	464	786	(511)	56	331
Major Operational Reserve	38	(38)	0	0	0	1,387	1,387
Recruitment Uplift Reserve	0	0	0	0	0	486	486
Legal Claims Reserve	0	0	0	0	0	883	883
Seven Forces Collaboration Reserve	0	0	0	0	0	900	900
Sub total	5,187	(4,422)	2,746	3,511	(1,798)	7,244	8,957
Held for capital purposes							
Future Capital Funding Reserve	304	(482)	195	17	0	86	103
Sub total	5,491	(4,904)	2,941	3,528	(1,798)	7,330	9,060
General Reserve	15,227	(2,070)	0	13,157	0	0	13,157
Total Specific & General	20,718	(6,974)	2,941	16,685	(1,798)	7,330	22,217

Please note that the closing balance of General Fund reserves included in the Expenditure Funding Analysis excludes the £103k included in the above table in respect of the 'Future Capital Funding Reserve'.

26 Usable reserves

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

Notes Relating to the Account: 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.

	2015/16 £000	2016/17 £000
Balance at 1 April	(3,811)	(3,729)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		
Upward revaluation of assets	(4,408)	(13,083)
Downward revaluation of assets and impairment losses	4,050	6,877
Amount written off to the Capital Adjustment Account		
Depreciation of revaluation gains	147	153
Accumulated gains on assets sold or scrapped	293	102
Balance at 31 March	(3,729)	(9,680)

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.

	2015/16 £000	2016/17 £000
Balance at 1 April	(77,038)	(79,559)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	7,787	5,951
Revaluation (gains)/losses on Property, Plant and Equipment	0	0
Amortisation of Intangible Assets	405	598
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	3,169	1,474
Capital contributions written out	0	0
Adjusting amounts written out of the Revaluation Reserve	(440)	(255)
Net written out amount of the cost of non current assets consumed in the year	(66,117)	(71,791)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(9,067)	(5,293)
Capital Grants and Other Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(2,785)	(1,164)
Application of Grants to Capital Financing from the Capital Grants Unapplied account	(108)	(1,632)
Statutory provision for the financing of Capital Investment charged against the General Reserve	(1,000)	(500)
Capital Expenditure charged against the General Reserve	(482)	(727)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at 31 March	(79,559)	(81,107)

Notes Relating to the Account: Movement in Reserves Statement

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.

	2015/16 £000	2016/17 £000
Balance at 1 April	(27)	(27)
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Balance at 31 March	(27)	(27)

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 2017 by NPAS is £0.684m and the final instalment of £0.027m will be paid in 2017/18.

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.

	2015/16 Group			2016/17 Group		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
Balance at 1 April	2,387,920	143,980	2,531,900	2,331,316	131,396	2,462,712
Actuarial (gains)/losses on pensions assets and liabilities	(129,585)	(22,775)	(152,360)	539,749	60,504	600,253
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	139,587	19,818	159,405	134,733	18,792	153,525
Employer's pensions contributions and direct payments to pensioners payable in the year	(66,606)	(9,627)	(76,233)	(66,715)	(9,946)	(76,661)
Balance at 31 March	2,331,316	131,396	2,462,712	2,939,083	200,746	3,139,829

Notes Relating to the Account: Movement in Reserves Statement

	2015/16			2016/17		
	PCC			PCC		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
Balance at 1 April	0	556	556	0	490	490
Actuarial (gains)/losses on pensions assets and liabilities	0	(172)	(172)	0	749	749
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	191	191	0	157	157
Employer's pensions contributions and direct payments to pensioners payable in the year	0	(85)	(85)	0	(78)	(78)
Balance at 31 March	0	490	490	0	1,318	1,318

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.

	2015/16 £000	2016/17 £000
Balance at 1 April	(2,944)	(3,138)
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)	(133)
Balance at 31 March	(3,138)	(3,271)

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.

	2015/16 PCC £000	2015/16 Group £000	2016/17 PCC £000	2016/17 Group £000
Balance at 1 April	19	5,711	10	3,157
Settlement or cancellation of accrual made at the end of the preceding year	(19)	(5,711)	(10)	(3,157)
Amounts accrued at the end of the current year	10	3,157	11	4,120
Balance at 31 March	10	3,157	11	4,120

Notes Relating to the Accounts: Supplementary Notes

28 Financial Instruments

Categories of Financial Instruments

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

	Short Term	
	2015/16 £000	2016/17 £000
Investments		
Loans and receivables	18,159	14,500
Total investments	18,159	14,500
Debtors		
Financial assets carried at contract amounts	18,490	12,818
Total debtors	18,490	12,818
Creditors		
Financial liabilities carried at contract amounts	(21,512)	(20,194)
Total creditors	(21,512)	(20,194)

Investments

The investments can be analysed as follows:-

	2015/16 £000	2016/17 £000
Current assets		
Short term investments	0	11,500
Liquid investments	18,159	3,000
Total Current assets	18,159	14,500

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.

The short term investments were for periods of up to one year. All of these will be maturing during 2017/18. There were two short term investments at 31 March 2017.

The values shown in the above table are carrying values, i.e. principal outstanding plus accrued interest at 31 March 2017. 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 2017 but has an internal borrowing requirement of £9.255m (as per note 16). This comprises £7.565m of historic internal borrowing as well as the 2016/17 shortfall in capital reserves, totalling £1.690m.

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:

	Financial Assets - loans	
	2015/16 £000	2016/17 £000
Interest expense	0	0
Interest receivable	(135)	(78)
Net gain for the year	(135)	(78)

Notes Relating to the Accounts: Supplementary Notes

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

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 2017. Should there be a need for the PCC to raise borrowings in future years, it would have ready access to funds from other local authorities, 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. This approach to borrowing would be in accordance with the detail set out in the force Treasury Management Strategy.

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.

Notes Relating to the Accounts: Supplementary Notes

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 2016/17 are shown in the following table:

Counterparty	Cash limit	Duration
UK financial institution whose lowest published long-term credit rating is A- (or equivalent)	£3m each	1 year
Lloyds Bank (£3m limit applies with the exception where planned cash outflows for salaries and creditor payments necessitate a maximum up to £10m provided that Lloyds remains a UK bank and has a credit rating of A- or better).	£10m	1 year
UK Central Government including Debt Management Office (irrespective of credit rating)	Unlimited	50 years
UK Local Authorities (irrespective of credit rating)	£3m 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 2017	Historical experience of default	Historical experience market conditions at 31 March	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	14,500	0.00	0.00	0
Sundry debtors	5,349	0.05	0.00	1
Total	19,849			1

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 £0.874m of the £5.349m balance is past its due date for payment. The past due amount can be analysed by age as follows:

- between 31 and 60 days £0.520m
- between 61 and 90 days £0.026m
- over 90 days £0.328m

Notes Relating to the Accounts: Supplementary Notes

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) Coroner Service

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 2016/17 was £0.670m

b) Kent Collaborative Agreement

Essex Police has collaborative agreements with Kent Police covering Serious Crime Directorate and Support Services Directorate which includes Business Services, ICT 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 2016/17 in respect of contributions to joint departments was £8.893m (2015/16 £4.663m). The amount paid to Kent Police for the year 2016/17 in respect of contributions to joint departments was £9.866m (2015/16 £6.303m).

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:

	2015/16 £000	2016/17 £000
Collaborative Activity		
Joint Serious Crime Directorate	26,629	26,739
Joint Support Services Directorate:		
Business Services	8,499	8,112
Head of Directorate and Team	137	224
Human Resources	6,950	7,343
IT Services	11,467	13,759
Payroll Services	113	117
Procurement Services	437	517
Property Services	7,673	7,823
Transport Services	2,918	2,651
Total	64,823	67,285

Notes Relating to the Accounts: Supplementary Notes

c) The Eastern Region Special Operations Unit (ERSOU)

ERSOU was established 1 April 2010 as a joint arrangement originally between 6 forces, but from 2016/17 it comprises 7 forces– Hertfordshire, Cambridgeshire, Essex, Suffolk, Norfolk, Bedfordshire and Kent, to provide one serious and organised crime unit for the eastern region. ERSOU is run by a management board where all forces are equally represented and decisions are made with the unanimous consent of all forces. Therefore each forces share of costs are consolidated into their own financial statements. In 2016/17 the net expenditure for Essex was £0.989m

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 during 2016/17 and 2017/18. A joint team between the two forces has been set up to manage the local implementation of the system but this arrangement has now ceased and each Force has their own team.

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

Notes Relating to the Accounts: Supplementary Notes

The cost of the AMO for the financial year ending 31 March 2017 amounted to £1.05m and is subject to review as originally envisaged.

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

	2015/16		2016/17	
	Share of Athena system costs £	Recharge of AMO Management costs £	Share of Athena system costs £	Recharge of AMO Management costs £
Bedfordshire	345,210	111,436	208,383	72,696
Cambridgeshire	414,976	141,014	263,684	91,990
Hertfordshire	568,301	206,022	385,244	134,391
Kent	816,015	311,045	723,951	202,901
Norfolk	461,207	160,614	299,355	104,775
Suffolk	374,524	123,871	230,859	80,803
Essex	729,122	290,665	542,571	189,605
Warwickshire	479,542	84,750	77,992	122,919
West Mercia	455,405	37,500	62,939	54,403
Total	4,644,302	1,466,917	2,794,978	1,054,483

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 2017/18.

	2016/17 Development Fund £
Balance brought forward	731,651
Contributions	227,500
Less expenditure	(141,683)
Carried forward	817,468

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'.

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 six other forces and costs shared based on NRB. The programme is currently planned to run up to March 2019 to review new collaborative workings possibilities.

	2016/17 Share of Seven Forces Strategic Collaboration costs £
Bedfordshire	95,843
Cambridgeshire	122,328
Hertfordshire	172,015
Kent	262,925
Norfolk	140,651
Suffolk	106,810
Essex	251,480
Total	1,152,052

Notes Relating to the Accounts: Supplementary Notes

31 Contingent Liabilities

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. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

The Allard & Ors v Devon and Cornwall Constabulary claim relates to an appeal against a ruling that police handlers who were required to respond to communications outside their normal working hours had been 'recalled to duty' and were therefore entitled to overtime payments. The appeal was dismissed but the claimants' cross appeal against the amount of overtime was allowed. There are currently around 30 claims lodged in respect of this case and the force is currently engaging legal advice in respect of potential financial liabilities which may subsequently arise. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

The Independent Police Complaints Commission has been managing over 50 cases into alleged failings in child abuse investigations carried out by Essex Police officers. The Force is currently engaging legal advice in respect of potential financial liabilities which may subsequently arise. For this reason a provision has not yet been provided for in the 2016/17 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. It is proposed that Saffron Walden police station will be disposed of in 2017/18, and this is held as a surplus asset in the year-end accounts (see note 14).

Notes Relating to the Accounts: Supplementary Notes

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	
	2015/16 £000	2016/17 £000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services:		
Service cost	59,388	49,697
Financing and Investment Income & Expenditure:		
Net interest on the defined liability	80,199	85,036
Total Post Employment Benefit charged to the Deficit on the Provision of Services	139,587	134,733
<u>Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement</u>		
Remeasurement of the net defined benefit liability comprising:		
Change in financial assumptions	(137,471)	578,564
Change in demographic assumptions	0	(38,814)
Experience (gain)/loss on defined benefit obligation	7,886	0
Remeasurements	(129,585)	539,750
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	10,002	674,483
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits	(139,587)	(134,733)
<u>Actual amount charged against the General Reserve for pensions in the year</u>		
Retirement benefits payable to retired police officers	66,606	66,715

Actuarial gains and losses

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £539.750m (gains of £129.585 in 2015/16) have been included in the Comprehensive Income & Expenditure Statement.

Notes Relating to the Accounts: Supplementary Notes

Local Government Pension Scheme

	Local Government Pension Scheme			
	2015/16	2015/16	2016/17	2016/17
	£000	£000	£000	£000
Comprehensive Income & Expenditure Statement	PCC	Group	PCC	Group
Service cost	172	14,960	138	13,842
Financing and Investment Income & Expenditure:				
Net interest on the defined liability	18	4,737	18	4,841
Administration expenses	1	121	1	109
	19	4,858	19	4,950
Total Post Employment Benefit charged to the Deficit on the Provision of Services	191	19,818	157	18,792
Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets in excess of interest	13	2,493	(205)	(40,809)
Other actuarial (gains)/losses on assets	0	0	196	1,046
Change in financial assumptions	(185)	(25,255)	627	108,778
Change in demographic assumptions	0	0	17	(592)
Experience (gain)/loss on defined benefit obligation	0	(13)	114	(7,919)
Total Remeasurements	(172)	(22,775)	749	60,504
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	19	(2,957)	906	79,296
Movement in Reserves Statement				
Reversal of net charges made to the Deficit on the Provision of Services for post employment benefits	(191)	(19,818)	(157)	(18,792)
Actual amount charged against the General Reserve for pensions in the year				
Employer's contribution payable to scheme	85	9,627	78	9,946

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 deficit of £60.504m for the Group and £0.749m for the PCC (£22.775m gains for the Group, and £0.172m gains for the PCC in 2015/16) have been included in the Comprehensive Income & Expenditure Statement.

Total actuarial gains and losses

The total actuarial losses recognised in the Comprehensive Income & Expenditure Statement for Police Officer and Police Staff schemes are £600.254m (£152.360m gains in 2015/16).

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	
	2015/16	2016/17
	£000	£000
Present value of the defined benefit obligation	(2,331,316)	(2,939,083)
Defined Benefit Obligation at start of year	(2,331,316)	(2,939,083)
Unrecognised past service cost	0	0
Net liability in balance sheet	(2,331,316)	(2,939,083)

	Local Government Pension Scheme			
	2015/16	2015/16	2016/17	2016/17
	£000	£000	£000	£000
	PCC	Group	PCC	Group
Present value of funded obligation	(1,755)	(387,133)	(2,738)	(509,745)
Fair value of scheme assets (bid value)	1,265	257,311	1,420	310,626
Net liability	(490)	(129,822)	(1,318)	(199,119)
Present value of unfunded obligation	0	(1,574)	0	(1,628)
Net liability in balance sheet	(490)	(131,396)	(1,318)	(200,747)

Notes Relating to the Accounts: Supplementary Notes

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	
	2015/16	2016/17
	£000	£000
Defined Benefit Obligation at start of year	(2,387,920)	(2,331,316)
Current Service Cost	(59,388)	(49,697)
Interest Cost	(80,199)	(85,036)
Change in Financial Assumptions	137,471	(578,564)
Change in Demographic Assumptions	0	38,814
Experience gain/loss on defined benefit obligation	(7,886)	0
Estimated benefits paid net of transfers in	80,742	80,170
Contributions by Scheme Participants	(14,136)	(13,455)
Defined Benefit Obligation at end of year	(2,331,316)	(2,939,083)

	Police Officer Pension Scheme	
	2015/16	2016/17
	£000	£000
Contributions by Employer	66,606	66,715
Contributions by Participants	14,136	13,455
Net Benefits Paid in/(out)	(80,742)	(80,170)
Closing Fair Value of Assets	0	0

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

<u>Liabilities</u>	Local Government Pension Scheme			
	2015/16	2015/16	2016/17	2016/17
	£000 PCC	£000 Group	£000 PCC	£000 Group
Balance at start of year	(1,656)	(390,535)	(1,755)	(388,707)
Current Service Cost	(172)	(14,789)	(138)	(12,738)
Interest Cost	(59)	(13,204)	(69)	(14,692)
Change in financial assumptions	185	25,255	(627)	(108,778)
Change in demographic assumptions	0	0	(17)	592
Experience loss/(gain) on defined benefit obligation	0	13	(114)	7,919
Contributions by scheme participants	(53)	(3,665)	(43)	(3,481)
Benefits/transfers paid	0	8,301	25	9,528
Unfunded pension payments	0	88	0	88
Past service costs/(gains)	0	(171)	0	(1,104)
Balance at end of year	(1,755)	(388,707)	(2,738)	(511,373)

<u>Assets</u>	Local Government Pension Scheme			
	2015/16	2015/16	2016/17	2016/17
	£000 PCC	£000 Group	£000 PCC	£000 Group
Balance at start of year	1,100	246,555	1,265	257,311
Interest on assets	41	8,467	51	9,851
Return on assets less interest	(13)	(2,493)	205	40,809
Other actuarial gains/(losses)	0	0	(196)	(1,046)
Administration expenses	(1)	(121)	(1)	(109)
Employer contributions including unfunded	85	9,627	78	9,946
Contributions by scheme participants	53	3,665	43	3,481
Benefits paid	0	(8,389)	(25)	(9,616)
Balance at end of year	1,265	257,311	1,420	310,626
Net liability at start of year	(556)	(143,980)	(490)	(131,396)
Net liability at end of year	(490)	(131,396)	(1,318)	(200,747)

Notes Relating to the Accounts: Supplementary Notes

Expected return on scheme assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed assets investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

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

	2015/16 PCC		2015/16 Group		2016/17 PCC		2016/17 Group	
	£000	%	£000	%	£000	%	£000	%
Equities	856	68.0%	174,149	68.0%	969	68.0%	212,162	68.3%
Government bonds	37	3.0%	7,586	3.0%	54	4.0%	11,753	3.8%
Other bonds	61	5.0%	12,351	5.0%	58	4.0%	12,625	4.1%
Property	151	12.0%	30,643	12.0%	138	10.0%	30,220	9.7%
Cash/Liquidity	41	3.0%	8,359	3.0%	43	3.0%	9,350	3.0%
Alternative assets	56	4.0%	11,440	4.0%	95	7.0%	20,717	6.7%
Other managed funds	63	5.0%	12,782	5.0%	63	4.0%	13,799	4.4%
Total	1,265	100.0%	257,310	100%	1,420	100.0%	310,626	100.0%

The liabilities show the underlying commitments that the PCC has in the long term to pay retirement benefits. The total liability of £3,139.8m 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 2018 is £0.106m for the PCC and £9.386m for the Group. The expected contributions for the Police Officer Pension Schemes in the year to 31 March 2018 by the employer is £25.710m.

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 2016
- 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.

Notes Relating to the Accounts: Supplementary Notes

The principal assumptions used by the actuaries are as follows:

	Police Officer Pension Schemes			
	2015/16 PCC	2015/16 Group	2016/17 PCC	2016/17 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	n/a	30.0	n/a	24.4
Female	n/a	32.4	n/a	27.1
Retiring today:				
Male	n/a	27.5	n/a	22.2
Female	n/a	29.9	n/a	24.7
Rate of Inflation (RPI)	n/a	3.3%	n/a	3.6%
Rate of Inflation (CPI)	n/a	2.4%	n/a	2.7%
Rate of Increase in Salaries	n/a	4.1%	n/a	4.4%
Rate of Increase in Pensions	n/a	2.4%	n/a	2.7%
Discount Rate	n/a	3.7%	n/a	2.8%

	Local Government Pension Scheme			
	2015/16 PCC	2015/16 Group	2016/17 PCC	2016/17 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	25.2	25.2	24.3	24.3
Female	27.7	27.7	26.9	26.9
Retiring today:				
Male	22.9	22.9	22.1	22.1
Female	25.3	25.3	24.6	24.6
Rate of Inflation (RPI)	3.4%	3.4%	3.6%	3.6%
Rate of Inflation (CPI)	2.5%	2.5%	2.7%	2.7%
Rate of Increase in Salaries	4.3%	4.3%	4.2%	4.2%
Rate of Increase in Pensions	2.5%	2.5%	2.7%	2.7%
Discount Rate	3.9%	3.9%	2.8%	2.8%

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 Relating to the Accounts: Supplementary Notes

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table on the previous page.

The following table identifies the impact of a variance of +0.1% and -0.1% in the assumptions:-

Police Staff	£000	£000	£000	£000	£000	£000
		PCC			Group	
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,673	2,738	2,805	500,059	511,373	522,955
Projected service cost	236	242	248	19,928	20,470	21,027
<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	2,754	2,738	2,722	513,405	511,373	509,361
Projected service cost	242	242	242	20,470	20,470	20,470
<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	2,789	2,738	2,688	520,924	511,373	502,048
Projected service cost	248	242	236	21,027	20,470	19,927
<u>Adjustment to mortality age rating assumption</u>	+1 year	None	-1 Year	+1 year	None	-1 Year
Present value of total obligation	2,827	2,738	2,652	529,748	511,373	493,654
Projected service cost	250	242	235	21,123	20,470	19,838

Police Officers	Police Officer Pension Scheme		
	£000	£000	£000
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,881,206	2,939,083	2,998,261
Projected service cost	73,524	75,889	78,335
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,945,469	2,939,083	2,932,739
Projected service cost	76,167	75,889	75,613
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,991,875	2,939,083	2,887,438
Projected service cost	78,057	75,889	73,796
<u>Adjustment to mortality age rating assumption</u>	+ 1 Year	None	-1 Year
Present value of total obligation	3,056,663	2,939,083	2,826,153
Projected service cost	78,309	75,889	73,543

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 2016/17 (the Code) has introduced changes in accounting policy which will be required from 1st April 2017. If these had been adopted for the financial year 2016/17 there would be no known material changes. Once further information becomes available, any 2016/17 changes will be restated in the 2017/18 financial statements.

These standards are:-

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration (as per paragraph 6.5.5.1 (m) of the 2017/18 code)

Policies applying to the PCC for Essex Group and the PCC for Essex

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 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17, 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

35.3 Overhead and Support Services

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

Policies applying to the PCC for Essex Group and the PCC for Essex

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.

Policies applying to the PCC for Essex Group and the PCC for Essex

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. Current bid price).
 - 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.
 - c) Interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - d) Remeasurings comprising the expected return on plan assets: the annual investment return on the fund assets based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
 - e) Gains/losses on settlement and curtailments: the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to the Comprehensive Income and Expenditure Statement.
 - f) Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
 - g) Contributions paid to the Essex Council Pension Fund: cash paid as employer's contributions to the pension fund.

Policies applying to the PCC for Essex Group and the PCC for Essex

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
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- 35.24 Revenue expenditure funded from capital
- 35.25 Leases
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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 its 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.

Policies applying to the PCC for Essex Group and the PCC for Essex

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.

Policies applying to the PCC for Essex Group and the PCC for Essex

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.
- 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.

Policies applying to the PCC for Essex Group and the PCC for Essex

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.

Policies applying to the PCC for Essex Group and the PCC for Essex

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

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

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

Equipment assets

The 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.

Policies applying to the PCC for Essex Group and the PCC for Essex

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.

Policies applying to the PCC for Essex Group and the PCC for Essex

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.

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.

Policies applying to the PCC for Essex Group and the PCC for Essex

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.

37.26 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.

Notes relating to the PCC Accounts

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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.

	2015/16		2016/17	
	£000	£000	£000	£000
Contributions receivable				
Employer (21.3% of Pensionable Pay from 2015/16)	(22,051)		(20,649)	
Serving police officers	(14,136)		(13,414)	
Capital equivalent payment for ill health	(388)		(1,121)	
Transfers in				
Individual transfers in from other schemes	(784)		(886)	
Total Receipts		(37,359)		(36,070)
Benefits payable				
Pensions	56,328		58,246	
Commutations and lump sum payments	13,577		18,561	
Lump sum death benefits	76		101	
NIC on pension funds	10		30	
Payments to and on account of leavers				
Refund of contributions	25		86	
Individual transfers out to other schemes	182		25	
Payments in respect of 2015/16 benefits		70,198		77,049
Benefits payable - backdated in respect of Milne v GAD				
Pensions	97		0	
Commutations and lump sum payments	6,360		0	
Interest on commutations and lump sum payments	1,428		0	
Payments in respect of Milne v GAD		7,885		0
Total Payments		78,083		77,049
Sub total for the year before transfer from the PCC of amount equal to the deficit		40,724		40,979
Transfer of amount from the PCC of amount equal to the deficit - annual benefits (21.3%)	(29,837)		(38,167)	
Transfer of amount from the PCC of amount equal to the deficit - additional funding payable (2.9%)	(3,002)		(2,812)	
Transfer of amount from the PCC of amount equal to the deficit - Milne v GAD	(7,885)		0	
Transfer of amount from the PCC of amount equal		(40,724)		(40,979)
Net Amount Payable for the year		0		0

Police Officer Pension Fund

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. There were no further transactions arising applicable to the 2016/17 Police Officer Pension Fund account. There are however some minor liabilities remaining in the force balance sheet in respect of the 2015/16 benefits payable.

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

	2015/16 £000	2016/17 £000
Unpaid pension benefits	0	0
Amounts owing from the General Reserve	0	0
Total Net Assets	0	0

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.

ANPR – Automatic Number Plate Recognition

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.

Glossary of Terms

COMPONENTISATION – The separate recognition, depreciation and derecognition of parts (components) of assets. This is based on the concept that various components of an asset are identified and depreciated separately if they have differing patterns of benefits, useful lives and are significant relative to the total cost of the asset.

COUNCIL TAX – The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

CREDITORS – Individuals or organisations to whom the 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.

ECFRS – Essex County Fire and Rescue Service

EXPECTED RATE OF RETURN ON PENSION ASSETS – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

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.

FAIR VALUE - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCE AND OPERATING LEASE – A Finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee. If these leases are used, the assets acquired have to be included within the fixed assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the Income & Expenditure Account.

Glossary of Terms

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.

FINANCIAL YEAR - The period of twelve months for the accounts commencing 1st April.

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.

GROUP (ACCOUNTS) – The consolidated position of both the Chief Constable of Essex and the Police & Crime Commissioner for Essex.

IAS19 RETIREMENT BENEFITS – An accounting standard that requires the recognition of long term commitments made to employees in respect of retirement benefits in the year in which they are earned.

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.

JAC – Joint Audit Committee

LONG-TERM ASSETS – Tangible assets that yield benefits to the PCC for a period of more than one year.

Glossary of Terms

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.

NCTPHQ – National Counter Terrorism Policing Head Quarters

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.

NPCC – National Police Chief's Council.

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 PCC requires the District Councils to raise from Council Tax on its behalf.

PROJECTED UNIT METHOD – An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. The scheme liabilities at the valuation date relate to:

- a) The benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases.
- b) the accrued benefits for members in service at the valuation date.

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).

Glossary of Terms

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.

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

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

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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 27 - 29.

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