

The 2017-18 Statement of Accounts for the Police, Fire & Crime Commissioner for Essex



**ESSEX
POLICE**

Protecting and serving Essex

Contents

Narrative Report to the Accounts for the Police, Fire & Crime Commissioner (PFCC) for Essex and the PFCC for Essex Group	
• PFCC's Report	2
• Chief Constable's Report	4
• Police and Crime Plan	5
• Performance Framework	19
• Role of PFCC	22
• Preparation of the Narrative Report	22
• Statutory Framework	22
• Financial Review	24
• Explanation of Accounting Statements	36
Statement of Responsibilities for the Statement of Accounts for the PFCC for Essex and the PFCC for Essex Group	38
Combined Annual Governance Statement for the PFCC for Essex and the Chief Constable of Essex	39
Independent Auditor's Report to the PFCC for Essex	49
Expenditure and Funding Analysis	53
<u>Core Financial Statements</u>	
1) Comprehensive Income and Expenditure Statement for the PFCC for Essex and the PFCC for Essex Group	55
2) Balance Sheet for the PFCC for Essex and the PFCC for Essex Group	57
3) Cash Flow statement for the PFCC for Essex and the PFCC for Essex Group	58
4) Movement in Reserves Statements for the PFCC for Essex Group and the PFCC for Essex	59
Notes to the Accounts	63
Index of Notes	114
Police Officer Pension Fund Account	115
Glossary of Terms	117
Further Information	121

Narrative Report

Police, Fire and Crime Commissioner's Report

Essex is a great county with strong vibrant communities, beautiful countryside and a number of large urban areas. As the Police, Fire and Crime Commissioner I spend a considerable amount of time meeting those of you who live and work in the county to find out what matters to you so I can work with Essex Police to ensure that you get the efficient, effective and responsive police service that you deserve.

For me, and many of you that I meet, safe and secure communities are the bedrock on which we build wellbeing and prosperity for all. This vision was at the heart of my election manifesto when I was elected Police and Crime Commissioner back in May 2016, and this formed the basis of our Police and Crime Plan which was published in October 2016 that year.

This report covers the first full year since the publication of the Police and Crime Plan 2016-2020 and as such is the first to show our progress against this vision over a full financial year. To achieve this vision I set seven clear priorities within the Police and Crime Plan. These were developed following active engagement with partners and members of the public.

My priorities are:

- More local, visible and accessible policing
- Crack down on anti-social behaviour
- Breaking the cycle of domestic violence
- Reversing the trend in serious violence
- Tackling gangs and organised crime
- Protecting children and vulnerable people from harm
- Improving safety on our roads

This report looks at the performance of Essex Police. However, it is important to recognise some of the significant changes happening across the country that are having an impact on policing in Essex. As I highlighted in the 2016/17 Annual Report, the demands on policing and the nature of crime continues to change. Increasing levels of online crime present new challenges and demand. There has been a rise in the reporting of crimes such as domestic abuse and non-recent sexual abuse. These are complex crimes to investigate and resource intensive. The last 12 months have also seen some of the worst terrorist attacks in the UK for decades in Manchester and London.

These attacks have a very real impact on policing in this county. Essex Police provided support to those forces where the incidents took place and delivered extra activity in Essex following the increased national terrorist threat level. It is reassuring at these times to know that measures and plans are in place to protect us all and I would like to thank the officers and staff across the force who have stepped up to this challenge.

Overall crime has increased by 11.2 per cent in Essex during 2017/18 compared to 15.3 per cent (to December 2017) nationally and 8.7 per cent increase in 2016/17.

Narrative Report

These ongoing pressures have grown as funding in real terms has continued to be restrained. Due to a number of challenges including a historically low precept and the current funding formula, Essex Police remains the tightest funded police force in the country while continuing, as shown in regular HMICFRS Inspections, to deliver very good value for money. By making tough decisions early Essex Police has been able to achieve significant savings and is now more efficient than many other forces. This has involved increased collaboration with a wide range of partners including the sharing of services with Kent Police and a much closer working relationship with local councils to tackle local problems efficiently and effectively.

This ongoing tight control of resources is reflected in this year's financial statements. Spending has been controlled and there is only a small variance to the £268.946m budget of £0.015m (0.01%). It is also reflected in the comparatively lean general reserve of 4.5 per cent of the 2017/18 budgeted net expenditure. In terms of revenue earmarked reserves, these are £7.822m at 31st March 2018 - a reduction of £1.137m and one of the lowest of any non-metropolitan area in England.

While Essex Police continues to be well managed and efficient, the recent increases in demand and the changing nature of crime have had an impact. This has been felt most significantly by the Community Policing Teams. Against this tight financial position the force carried out a detailed demand analysis during the year that showed a significant shortfall in the number of frontline officers needed to meet future demand, especially those allocated to Local Policing Teams and Community Policing Teams.

Having assured myself that Essex Police was using public funds efficiently and there was a genuine need for additional funding, I have worked hard to make the case to Government for extra resources. Firstly this was on behalf of Essex and, once I was appointed as the national lead, on behalf of the Association of Police and Crime Commissioner's across the country. Following extensive, detailed discussion the Government announced in December 2017 that for the first time in seven years police funding nationally would be increased with up to £450m of funding in the 2018/19 financial year. Further funding will also be available in 2019/20 although this will be dependent on forces throughout the country meeting efficiency saving targets.

As part of this funding settlement, Police and Crime Commissioners were given the opportunity to increase the police precept of the council tax by up to £12 per year for an average (Band D) property. In Essex this resulted in an extra £7.5m in revenue. This additional revenue and £3.5m identified in further efficiency savings for the 2018/19 year has allowed the Chief Constable to increase the number of front line officers by 150 and continue to modernise Essex Police through ongoing investment in technology and mobile policing. This is a significant step forward in securing additional funding to invest back into community policing and strengthens Essex Police's ability to prevent crime from happening in the first place. However, further funding will be required if, as I believe you want, we are to get ahead of crime and disorder and turn back the recent increases in demand.

Another important strategic development was the approval by the Government, for our Local Business Case on joint governance of Essex Police and Essex County Fire and Rescue Service. Following this decision, I became the country's first Police, Fire and Crime Commissioner on 1st October. This is an important development in a number of respects. Firstly, as identified in the Local Business Case, there is £30m in potential savings which could be realised by better collaboration between Essex County Fire and Rescue Service and Essex Police. This money will be directly invested back into both organisations, allowing more resources to be used for frontline services.

Narrative Report

Secondly, and perhaps even more importantly, closer collaboration between the two services will allow greater coordination at an operational response level, allowing them to do more together to prevent incidents happening in the first place and protect the public. This is still in the early stages but we are already seeing some positive signs. One recent example has been the introduction of jointly badged education teams which are funded by both services and have been providing fire and community safety sessions in schools across the county. Since their introduction in September 2016 these teams have already reached 299,000 children.

Significant progress has been made over the last year against my priorities in the Police and Crime Plan 2016-2020 and this is highlighted later in this report. Essex Police have been consistently judged by HMICFRS as a good force that offers good value for money for the public. The force is also growing with extra officers being recruited and more work being undertaken in partnership. This is helping the force make a bigger difference within the county.

Essex Police has more Specials Constables, more Active Citizens and more Police Cadets. It is working closer than ever before with local councils, the voluntary sector and communities. It is listening to its communities more and finding new ways to deliver. These efforts are directly linked to the vision and priorities within the Police and Crime Plan 2016-2020 and for this ongoing focus I would like to thank the Chief Constable and his team for their continued efforts and the difference they are making.

Chief Constable's Report

Over the past year Essex Police has worked hard to make sure that Essex remains a safe county and understand and improve public confidence and victim satisfaction in the help we provide.

I am proud of the way the force has responded to the challenges in the past decade that have been brought about by financial necessity, changing patterns of both crime types and demand and how we have grasped the opportunities presented by new technology.

That work is manifested over the past year in such diverse areas as the highly effective roll-out of mobile devices for front-line officers, an informed and intelligent approach which has meant the force has a better understanding of current and predicted future demand than ever before, the development of a forward-looking operating model for policing the county and, of course, multiple examples of dedicated work every day from front line to back office.

Our success has been recognised nationally: Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services has graded Essex Police as 'good' in its PEEL inspections of efficiency, effectiveness and legitimacy. Those reports bear testimony to the work of people across the force in making sure that every penny we spend and every decision we take to deploy is done with best information and evidence. I am confident that Essex Police is a force that is ambitious and driven to achieve 'outstanding' gradings in the near future.

Essex, like the rest of England and Wales, is experiencing increase in crime after more than a decade of crime reduction. Pleasingly, dwelling burglary and reported anti-social behaviour incidents in Essex both fell last year, but the crimes that have increased the most are among those which cause the most harm, including sexual assault and violence with injury. That has not only meant incidents which have caused immense loss and pain for residents of the county; it has meant increasing demands on the teams which investigate and solve such complex crimes.

Narrative Report

The challenges of policing a large and diverse county on the lowest level of funding per head in the country are never far from my mind. Yet I am proud of our work to attract new recruits – both police constables and Special constables – to Essex Police. They have seen our approach to growing trends bear fruit: our work, for example in tackling the menace of the ‘county lines’ problem of drug and gang crime saw in 2017 Operation Raptor teams’ work secure sentences of a total of 336 years in prison for offenders as well as the recovery of over £1,000,000 in cash or Class A drugs.

I have seen Essex Police embrace the opportunities afforded to policing and public safety of new technology, with Project Crystallise in the North of the county developing a nationwide blueprint for best use of digital investigation and intelligence tools and techniques. With ‘online’ crimes as diverse as fraud, online grooming of children and hate crime on the internet increasing, that improved and increased capacity is vital.

And yet to counter that new technology we have also broadened and deepened our response to rural crime, with more resource allocated to tackle issues like hare coursing and unauthorised encampments.

Internal to the force, I am extremely proud of the services we provide to officers and staff who are affected by the nature of the work they do, particularly important in a climate where assaults on police officers have increased. Our investment in occupational health services, mindfulness sessions and events reflecting on how past mistakes inspire future success such as the force’s first Maria Stubbings Memorial Lecture provide help to our helpers.

My focus is on providing a force which has clarity on what demand looks like, is resourced and skilled to respond appropriately to that demand and is positive ambitious about its role in partnerships across the county aimed at making us all safer.

With a focus on doing our very best to be as efficient as possible, making sure we provide the local and visible policing communities need and being prepared for the gamut of incidents from national counter terrorism incidents to local problems, Essex Police is a force that pound-for-pound is in a good place and getting better.

Police and Crime Plan

The Police and Crime Plan 2016-2020 sets out the vision and strategic priorities for the PFCC 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.pfcc.police.uk/what-we-are-doing/police-and-crime-plan/>

Priority 1 - More local, visible and accessible policing

This is the first priority in the Police and Crime Plan and a vital element in building the safe and secure communities that are the bedrock on which we build success and wellbeing for all.

Narrative Report

Over the next six months, people will start to see more officers out and about as Essex Police recruits, trains and deploys 150 additional officers across the county. They will also start to see the impact of our increased number of Special Constables and the many Active Citizens and Police Cadets who are volunteering to work with Essex Police and make a difference in their communities. Ongoing investment in new technology will continue to extend the amount of time that police officers can spend out and about in their local areas rather than at their desks making them more visible and accessible more of the time.

The work carried out over the last year has started to increase the number of police officers and the capacity within Essex Police and this growth will continued in the coming years. Increasingly, these changes in police numbers, volunteering and investment in technology will reshape Essex Police and offer a better service to the public. This year, significant progress has been made to achieve a more local, visible, and accessible police force.

Police Precept

Financially, for the first time in seven years, Essex Police and the police nationally will be getting a significant increase in their funding. Following the successful negotiation with central Government and the decision to increase the police precept by £12 per year for an average (Band D) property there will be an additional 150 officers in Essex by the end of March 2019. This builds on the 41 additional officers recruited following the 2017/18 precept increase and will be followed by a further increase in police numbers for the 2019/20 financial year.

Growth in Special Constabulary and volunteering

In terms of volunteering, Essex Police launched the #myotherlife recruitment campaign in May 2017 featuring real Special Constables. Between April 2017 and April 2018 the number of Special Constables has grown from 360 to 427 and is now at the largest number since January 2014. An additional 110 candidates were in pre-employment checks in March 2018 and a further 121 applications were received.

This strong growth in the Special Constabulary is a significant step towards achieving our aim set out in the Police and Crime Plan 2016-2020 to double the number of Specials. This growth is significant especially given that this has been achieved at a time where we are also recruiting heavily for regular officers and many of our Special Constables have taken the opportunity to apply for these positions.

As well as the number of Specials increasing it is also worth noting that the number of hours each Special Constable is working is also increasing. Over the year, Special Constables worked 128,726 hrs, the majority in high visibility, operational duties, and the equivalent to an additional 67 full time officers.

A further development in 2017/18 has been the introduction of Community Special Constables and a growth in the Employer Supported Policing Programme. The Community Special Scheme creates a partnership between town or parish councils and the police, where the council contributes towards the operational costs of Special Constables who, once trained, are allocated to their community. Eight councils have already signed up for the scheme with many agreeing to support more than one Special. A further 18 councils are in active discussions.

Narrative Report

This Community Special Programme has been developed in parallel with an increased focus on Business Supported Policing. This scheme works with businesses to make it easier for their staff to train and volunteer as a Special Constable. This has been received positively with five businesses signed up and a further eight looking to join. The scheme currently supports 51 Specials and is being publicised by Essex Chamber of Commerce.

Building on the success of the Special Constable Programme is the continued growth in Active Citizens and Police Cadets. By the end of the reporting period there are 129 Active Citizens across the county and a further 287 Volunteer Police Cadets. These groups get involved in a number of reassurance and operational activities. They support officers at public engagement events, provide high visibility patrols in local communities and work with Neighbourhood Watch and other volunteer partners to support vulnerable victims.

One example of this successful partnership has been the recent #besafeessex campaign which ran in October 2017 and where Neighbourhood Watch, Street Pastors and Active Citizens worked together in town centres across the county to spread the message about the risk of burglary.

Making it easier to contact the police

At the beginning of this reporting period it is fair to acknowledge that the 101 and public contact service was not as good as it should be. Following the small increase in police precept in the 2016/17 financial year, Essex Police were able to invest more resources into this area with an additional 15 police staff members recruited for the Force Control Room to improve the service. Over the first half of the year additional demand meant that these new resources did not make an immediate difference on the service people received. Over the second half of the year progress has been made by introducing new technology and business practices, however, further progress is needed.

Listening to and working with the public

Effective policing in Essex, like in the rest of the country, is done with the active participation of the wider community. This is why building and strengthening the relationships between Essex Police and the communities within Essex is so important. Over the period of this report the Police, Fire and Crime Commissioner and Deputy Police, Fire and Crime Commissioner have undertaken more than 120 public engagements across the county ranging from online chats and community meetings to organised debates with local media. These events offer a valuable opportunity for the people of Essex to hear directly from them, their elected representatives, their local district police commander, a senior fire officer as well as representatives from their Community Safety Partnerships. People going along can give their views on policing in the local area and discuss the ways that community safety issues can be solved together.

Over this reporting period Essex Police also agreed its Public Engagement Strategy. This commits each policing district to devise, with their communities, their own specific programme of public engagement. These plans have developed over the reporting period and have resulted in a significant increase in the level and scope of public engagement activity. From "Coffee with Cops", to rural policing sessions, these flexible plans allow activity to be tailored to suit the communities in each district. Improvements will be measured through a recently commissioned independent survey into public perceptions of Essex Police and Policing in Essex.

Narrative Report

Rural Crime Strategy

The Rural Crime Strategy was launched in November 2017 and is a great example of Essex Police working in partnership with local communities and other partners. This Strategy sets a clear direction for Essex Police in tackling rural crime, working with the community to build effective participation through Rural Watch and Farm Watch and helping rural communities to keep themselves safe.

This Strategy will be supported by Essex Police's Gypsy, Traveller and Rural Engagement Team (GTRET) which was established in October 2017. This team are focused on reducing crime and anti-social behaviour in rural communities across the county and providing a link between the rural community and local policing teams. They provide extra patrols in rural areas and work with other organisations to tackle issues such as unauthorised traveller encampments, hare coursing and fly-tipping.

The team have taken a lead in Operation Buzzard, a countywide operation which provides a coordinated proactive response to rural crime by bringing together specialist teams, new technology such as the use of drones, and intelligence from our rural communities.

In January 2018 the Essex County Fire and Rescue Service Rural Community Builders pilot was launched. This team work on referrals from partners include Essex Police to identify and visit people and businesses in rural areas of Braintree and Uttlesford to provide direct advice on how to be safe in their homes and businesses.

Supporting local solutions for local priorities – Community Safety Partnerships

Community Safety Partnerships (CSPs) exist in all districts of the county. These Partnerships were established as statutory bodies at district and unitary local authority level under the Crime and Disorder Act 1998. Originally known as Crime and Disorder Reduction Partnerships (CDRPs) they were defined as “an alliance of organisations which generate strategies and policies, implement actions and interventions concerning crime and disorder within their partnership area”. CSPs were assigned the role of developing local approaches to deal with issues including anti-social behaviour, substance misuse and re-offending. CSPs were designed to bring together statutory, voluntary and private sector partners to tackle community safety issues.

Local and Community Policing Teams from around the county form a vital element of these CSPs and undertake joint tasking groups to provide coordinated and effective responses to local issues. Essex Police also take local level direction from the priorities identified through the CSP whether that is to focus on tackling anti-social behaviour, rural crime or a different local priority area.

The Police Fire and Crime Commissioner supports the network of CSPs across Essex with approximately £270,000 of funding annually. These grants support local partnerships to undertake activity to support their own priorities and those within the Police and Crime Plan. In addition the Police, Fire and Crime Commissioner also contributes to a central Domestic Homicide Review Fund which covers the costs of Domestic Homicide Reviews and provides resources to support the administration and management of these reviews, providing vital extra capacity for what can be a complex and resource-intensive process.

Narrative Report

There are also a number of district-level physical Community Safety Hubs with co-location of community safety workers from different organisations improving joint-working. Some of these Hubs offer a limited public counter service, whilst others focus on the benefits of police, local authorities and other agencies sharing office space, leading to better information sharing and a co-ordinated approach to addressing local issues. Good examples of local Hubs include Tendring, where Police Officers regularly work from council buildings, and Southend where some local authority staff are based with the Police Station.

Community Safety Hubs help to achieve Priority 1 in the Police and Crime Plan 2016-2020, which commits to More Local, Visible and Accessible Policing, particularly with regard to improving communications and enabling CSPs to work with Community Policing Teams and others to set local priorities. The Community Safety Hub Steering Group is a strategic group that meets on a regular basis to review the successes of Hubs and to examine how barriers to their creation and effectiveness can be overcome. Plans are underway to expand two existing co-working arrangements, and to introduce two new ones. Moving forward we will continue to work with CSPs and their organisational members to assist the establishment of more Hubs across the county, to expand the involvement of partners at existing Hubs and to promote their benefits to partner organisations.

Priority 2 - Crack down on anti-social behaviour

We want to reduce the disruption and distress anti-social behaviour causes people and have been working hard with our Community Safety Partnerships to achieve this. It is positive that this year we have again seen a reduction in the number of Anti-Social Behaviour incidents reported to the police. Across the county during this reporting period anti-social behaviour has reduced by 5.4 per cent or 2,841 offences. While this is a positive result and is the second year that we have seen a reduction, any level of anti-social behaviour can have a significant impact on the quality of people's lives and it is important that we maintain our focus on reducing this further.

Working in partnership to find local solutions

Across the county Essex Police is working closely with partners to identify and target persistent anti-social behaviour. In the Chelmsford district the city council and local police team have established an operation to tackle persistent street drinkers. While the operation is still ongoing it has already had a positive effect with Community Protection Warnings and Notices being issued, one offender referred to drug counselling and a prosecution which is currently going through the court system.

In Colchester, there is now a bespoke Policing, Crime and Harm Reduction Plan which is a partnership approach to tackling Anti-Social Behaviour and issues around the Night Time Economy. Building on the success of Taxi-Watch, Pub-Watch and Face-Watch schemes this plan brings together all of the relevant groups to run specific high visibility activities such as "Street-Weeks" and supports the appropriate use of Dispersal Orders and Public Space Protection Orders.

Narrative Report

In the south of the county, joint enforcement teams have been developed with partners who are undertaking joint patrols. These are being supported by the effective use of targeted Civil Orders. In July 2017, a Criminal Behaviour Order was granted following breaches of a Community Protection Notice to an adult who was frequently causing ASB by begging and drinking in Southend town centre. This case was the first in Essex to include a positive condition to engage in counselling sessions for treatment and recovery.

In West Essex there has been a re-organisation of the team to move more officers into the Community Policing Teams.

An operation in Harlow involved responding to concerns from the community, and providing extra support to areas of high Anti-Social Behaviour. This has led to a reduction in the number of incidents.

These examples highlight the positive impact that targeted local solutions carried out in partnership can have within communities and the benefit of targeting activity at some of the most prolific offenders within these communities.

Repeat, high harm anti-social behaviour

A new approach is being trialled to review and manage difficult to resolve cases. This brings together the Local Policing Support Unit, Anti-Social Behaviour officers and the Officer in the Case to fully review persistent cases, ensuring all issues and avenues have been explored and to work with partners to look for ways to engage and resolve issues. The two cases currently being reviewed via this new approach involve highway and housing related Anti-Social Behaviour.

Essex Restorative and Mediation Service

The Police, Fire and Crime Commissioner directly funds the Essex Restorative and Mediation Service through the use of a grant from the Ministry of Justice. The service receives referrals from a range of organisations including Essex Police, housing organisations and self-referrals, and works with incidents ranging from community Anti-Social Behaviour issues to out of court disposals to serious offences. During 2017/18, 371 cases were sent as referrals to the Restorative and Mediation Service, resulting in 915 people being offered a restorative or mediation approach. More than 100 victims had an opportunity to communicate with the person who had caused them harm.

Satisfaction amongst participants following a restorative approach is high, with an overall rating of 4.9 out of 5 and 86 per cent of respondents saying they felt better as a result of the restorative approach. Of those cases in which facilitators were unable to arrange communication between parties (i.e. one or both parties declined), 63 per cent still reported feeling better after having spoken with one of the facilitators.

The service continues to expand and this year has improved training to enable facilitators to work with more serious post-sentence cases including sexual and domestic harm. This has been in response to an increase in referrals from prisons. There is also an improved service to communities in the introduction of community justice panels which address big issues such as street drinking and Anti-Social Behaviour in public areas.

Narrative Report

Unlawful encampments

In October 2017, the Police, Fire and Crime Commissioner published a joint protocol on how to manage unlawful encampments following a series of round table discussions with Essex Police and representatives from district, county and unitary councils.

The shared process and protocol was the first of its kind in the country and provides a fair, robust and clear mechanism for managing unlawful encampments. The group recognised the distress caused to local residents and aimed to set out a procedure that provides greater understanding of how relevant laws will be applied, what factors will be taken into account and who can be contacted for help. This work has been supported by the creation of Essex Police's Gypsy, Traveller and Rural Engagement Team.

Priority 3 - Breaking the cycle of domestic abuse

Domestic abuse, while often hidden from society, has profound and damaging effect on victims and their families. Essex Police and the Police, Fire and Crime Commissioner work with local councils, other statutory bodies and voluntary organisations through the Southend, Essex and Thurrock Domestic Abuse Strategic Partnership. The Partnership works to support victims and their families affected by domestic abuse to feel safe, cope and recover through targeted help and jointly commissioned services; and tackle offending behaviour through robust behaviour change programmes.

The Southend, Essex and Thurrock Domestic Abuse Strategic Partnership commissioning strategy has five outcomes:

1. Young people enjoy healthy relationships:

To help young people develop a good understanding of healthy relationships and reduce the number of young people who become repeat victims or perpetrators of crime, the Partnership supports the Risk Avert Programme which is being rolled-out across Essex Schools. This Programme delivers targeted activities related to young people's emotional well-being, resilience and self-efficacy. It identifies at risk young people and provides teachers with strategies to build better relationships with their students and tackle risk-taking behaviours.

2. Victims (Adults and Children) and those at risk of experiencing domestic abuse feel and are safe:

The PFCC commission's SaferPlaces to deliver Independent Domestic Violence Advisors (IDVAs) across the county. The purpose of this service is to address the safety of victims at high risk of harm from intimate partners, ex-partners or family members to secure their safety and that of their children. The national SafeLives survey showed that Essex has enough IDVAs to cover 100 per cent of the required service to all high risk victims.

Narrative Report

3. Victims (Adults and Children) are able to recover and move on to live independently:

Through the IDVAs the Partnership aims to improve the number of victims who report quality of life improvements, report changes to feelings of safety, have a reduced risk of further harm and stop experiencing all types of abuse. These measures are recorded according to the number of victims who report these changes out of the total number seen by the IDVA service. The national SafeLives benchmark for these indicators is 50 per cent while in Essex all four indicators have consistently achieved 70 per cent or more during the reporting period.

4. Perpetrators are prevented from causing physical and emotional harm:

The Partnership, supported by Essex County Council, Social Finance and Office of PFCC has secured Essex as one of three national Drive Perpetrator Programme pilot sites.

The Drive Perpetrator Programme is an innovative approach to tackling offender behaviour, now in the final year of its three year pilot programme. The programme engages with high risk perpetrators to disrupt their offending behaviour. Cases are selected from the Multi Agency Risk Assessment Conference (MARAC) and then caseworkers work with the perpetrators to change their behaviour. The Programme is showing promising signs of improving the safety of victims by addressing offending behaviour and is due to be independently evaluated in July 2018.

5. Communities have a greater awareness of what an abusive relationship is and how to report it and as a consequence feel safe:

To achieve this objective the Partnership launched the Domestic Abuse and Older Person (55+) campaign in December 2017. The campaign used real case studies to raise awareness of Domestic Abuse and promote increased reporting. The campaign used a range of media to reach over 1 million Essex residents and resulted in an increase of 33.5% in the number of over 55s reporting Domestic Abuse and an increase of 18.7% in general reporting of Domestic Abuse.

To compliment this work Essex Police also ran the "Reflect Campaign" in late 2017. The campaign was aimed at getting domestic abusers to reflect on and then change their dangerous behaviour. This award winning, multi-agency campaign had a reach of more than 700,000 people, with 30 people seeking direct support to address their behaviours as a result of viewing the campaign.

Working in partnership, the Domestic Abuse Strategic Board was successful, during this reporting period, in a three year, £450,000 partnership bid to the Home Office Violence against Women and Girls Transformation Fund. The funding will improve pathways for responding to perpetrators of domestic and sexual violence and abuse through developing a joint working approach to improve information sharing and targeted service delivery.

The partnership approach to Breaking the Cycle of Domestic Violence is supported by a significant ongoing operational focus on supporting victims and tackling perpetrators within Essex Police and in particular through its specialist Juno teams. These teams are based across the county as part of the district Local Policing Teams and work alongside the Domestic Abuse Investigation Team focussing on protecting vulnerable people at risk of Domestic Abuse.

Narrative Report

Both the partnership work and the increased operational effectiveness of the Essex Police teams has supported an increase in awareness of how to report offences of domestic abuse and confidence that when offences are reported, they will be dealt with appropriately. This has been seen in recent levels of reporting. As such it is positive that we are still seeing strong reporting in this area. In 2017/18, 34,992 cases of domestic abuse were reported a 9.3 per cent increase on the previous year.

Domestic abuse cases are classified into three risk levels with appropriate support provided depending on the level of risk and vulnerability involved. While we can be confident that high risk cases are managed effectively there is still more to do to ensure that those cases classified as lower risk are still managed as well as possible. In January 2018, a review of the current classification system and how these domestic abuse allegations are then managed in terms of the approach to victims and perpetrators was started. This will look at what contact is made and when, what level of response is provided, through to investigation and safeguarding.

Priority 4 - Reversing the trend in serious violence

Serious violence remains an area of concern with the number of violence with injury offences increasing during this reporting year nationally and in Essex. While this is partially driven by a new definition of the offence, which was introduced in November 2017, and the national rise is significantly higher than the increase in Essex, this is still a concerning trend.

During the year, Essex Police has been developing a Violence Prevention Strategy that will provide a coordinated and focused approach to preventing crime. This will be cognisant of, and reflect the priorities outlined in the Home Office's Serious Violence Strategy which was published in April 2018. It is anticipated that the Violence Prevention Strategy will be released during the 2018/19 reporting year.

A significant volume of violent crime is driven by gang activity and the fight against this is led by the Operation Raptor Teams. These teams are embedded within local policing teams across the county and work with local partners to focus on specific types of local gang activity. This can vary according to what is happening in the area and allows activity to be directed to where it will make the most difference.

One example of this type of local activity was an operation in Colchester District aimed at tackling a recent increase in Robbery. Working with partners the team were able to identify that this increase was related to specific groups stealing property such as mobile phones, bags and personal items from victims across the district. The operation was carried out in conjunction with the Community Safety Partnership which brought together Social Care, Youth Offending Teams and Housing. Through this approach the operation led to the identification and arrest of the two ring leaders who were later found guilty and sentenced to nine months in prison.

Narrative Report

In Chelmsford, a team was formed including officers from Operation Raptor, CID and the Community Policing Team, working with Metropolitan Police teams to tackle knife crime. This resulted in twenty eight people being arrested, nine knives being seized on arrest, and applications for nine Criminal Behaviour Orders being made.

In the south of the county a recent joint operation between Essex Police and the Metropolitan Police led to the successful arrest of a person for supplying Class A drugs. The suspect had originally claimed he was simply holding a phone for somebody else, however, after research between the two forces evidence was found identifying them as a known gang member and ultimately to their position within the gang hierarchy.

Reducing the number of weapons on our streets

A number of local Community Safety Partnerships have used their annual grant funding from the Police, Fire and Crime Commissioner to deliver knife and weapon awareness sessions through the charity, Only Cowards Carry. These often form part of Crucial Crew sessions held in schools. The Police, Fire and Crime Commissioner has also funded Only Cowards Carry in 2016/17 to install a number of knife amnesty bins throughout Essex. These bins led to the surrender of a significant number of knives and other weapons.

Serious sexual offences

A revised Rape Improvement Plan was developed in December 2017. This highlights the quality of investigations, increasing the focus on proportionate investigations being conducted and examines alternative models for delivering a better quality of service to victims of non-recent offences. The plan includes the development of a closer working arrangement between Essex Police's Crime and Public Protection Command and Crown Prosecution Service and aims to achieve the faster development and submission of case files and improved case quality. The plan also sets out the introduction of regular debriefing sessions to identify best practice and opportunities for improvement and regular recording of suspect interviews to support effective prosecutions.

The existing analytical process for rape offences is being reviewed to provide clearer detail on offences. The option to allow rape suspects access to the new perpetrator psychological course (currently offered to domestic abuse suspects) is also being explored.

A new risk assessment is being devised for rape victims to ensure that better support is provided, and to assist with the prevention of offences. Feedback from Independent Sexual Violence Advisers (ISVAs) is also now being received across Essex Police and incorporated into officers Continuous Professional Development.

The Police, Fire and Crime Commissioner hosted a multi-agency roundtable event in February 2018, which brought together key stakeholders and included testimony from a survivor of sexual abuse about their experiences and the harm they endured. The event aimed to improve understanding of the key issues in tackling sexual abuse across Essex, find out the needs of those experiencing sexual abuse, and considers a partnership approach to combatting sexual abuse. In particular the session identified that partners wanted a clear referral pathway that was consistent across Essex and that awareness of sexual abuse should be promoted amongst all stakeholders, including opportunities for training to professionals.

Narrative Report

Following on from this roundtable the refreshed Essex Sexual Abuse Support Partnership (SASP) Board, which includes the Police, Fire and Crime Commissioner, Essex Police, local authorities, criminal justice and health partners, have committed to work collaboratively to develop a partnership sexual abuse strategy. This will set out and monitor key shared outcomes in relation to sexual abuse, including working towards a jointly commissioned sexual abuse support pathway that provides a holistic, countywide service for victims to enable them to cope and recover from harm.

The Independent Sexual Violence Advisor (ISVA) and community based support service that is commissioned by the Police, Fire and Crime Commissioner has been highlighted as an example of good practice in the 2016 Home Office Violence Against Women and Girls commissioning toolkit.

Priority 5 - Tackle gangs and organised crime

Gangs and organised crime groups are involved in a large number of criminal activities including the exploitation of vulnerable people, drugs and violent crime. At a strategic level the Police, Fire and Crime Commissioner has been leading a sub-group on behalf of Safer Essex to develop a Violence and Vulnerability Framework. This will bring together activity being undertaken to disrupt, tackle and target gangs at both a county level filtering all the way to local neighbourhood actions. This framework, which is currently under development, is due to be published in 2018/19 and will provide greater opportunities to coordinate activities between partners and deliver an even more coordinated approach across the county.

Drug and Alcohol Action Teams

Drugs, drug addiction and crime resulting from drug addiction are all closely related to gangs and organised crime. As a preventative measure the Police, Fire and Crime Commissioner makes an annual contribution of more than £500,000 to local drug and alcohol action teams to provide substance misuse services that address issues in relation to community safety, crime reduction and reducing re-offending. This includes tackling reoffending, supporting recovery, drug testing on arrest, and young people's substance misuse services.

Examples of local operations

At an operational level, the fight against gangs is led through Essex Police's Operation Raptor Team - a well-established team that provides a robust and proactive approach to tackling gangs. In the 2017/18 financial year, Essex Police disrupted 86 organised gangs in Essex and made 1167 arrests for the trafficking of drugs. In terms of trafficking arrests this is about the same as last year whilst the number of disruptions is a relatively new measure so comparative data isn't available.

During a three month period in North Essex the Operation Raptor Team executed 12 warrants, stopped and searched 20 people, made 86 arrests, charged 14 people and got 26 convictions. Nine of those convicted are serving 24 years in prison between them. Other results include, five people referred to the National Referral Mechanism (a framework for identifying victims of human trafficking or modern slavery), 1,278 wraps of crack cocaine and heroin, 15 grams of uncut heroin (valued between £15,000 - £20,000), £260 worth of cannabis, nine weapons and £4,465 cash being seized as a result of the Raptor teams work during this three month period alone.

Narrative Report

At the start of October 2017, Essex Police launched an Operation as part of their fight against those involved in gang crime and the illegal drugs trade. Teams from across the force, including Operation Raptor, the Operational Support Group (OSG), Roads Policing, and Public Protection, and the community and local policing teams were involved. They used a variety of tactics including: automated number plate recognition (ANPR) operations to target known criminals using the roads; working with neighbouring forces to target criminals crossing county borders to commit crime; and covert and high visibility patrols in key areas. The operation resulted in more than 53 people being arrested; 1,000 wraps of Class A drugs – including heroin, cocaine and crack cocaine – being seized, as well as nearly £4,000 in cash. During a warrant in Chadwell St Mary, officers seized 272 cannabis plants and following a warrant in Colchester, four people were arrested and two later charged with possessing with intent to supply Class A drugs.

In December 2017, Essex Police, working with partners, secured a conviction against members of the Jay Boys Gang, a county line drugs gang operating from London who earned between £2,000 and £3,000 per day. The gang were sentenced to a collective total over more than 41 years.

As well as cracking down on those who are committing offences a significant amount of effort is also invested in preventative measures to help stop vulnerable people being coerced into a life of crime by becoming a member of a gang.

Supporting the victims of human trafficking and modern day slavery

197 offences of human trafficking and modern day slavery were recorded in Essex over this reporting period, compared to 62 the year before. This large increase is a result of both new legislation (The Modern Slavery Act 2015) and significant work to increase awareness amongst partners and communities. 1,000 frontline professionals have received awareness training to help them spot the signs of modern day slavery, including people from healthcare, education, faith groups and the homeless sector. A further 19 people have also been trained to deliver further training in the future.

The Modern Slavery Police Transformation Unit recently issued a position summary for Kent and Essex that states that both forces have well established modern slavery structures in place with regards to governance arrangements, multi-agency partnerships, strategic and tactical modern slavery response and training programmes.

A recent example of the success of this programme is the Modern Slavery/Human Trafficking investigation in Waltham Abbey, where a woman was recovered from a lorry. The victim would not engage in the criminal justice process but was safeguarded into the National Referral Mechanism process. However, after consultation with the Crown Prosecution Service, the lorry driver was charged with assault.

Priority 6 - Protecting children and vulnerable people

Protecting children and those most vulnerable people in our society is an important focus for Essex Police and the Police, Fire and Crime Commissioner. Working with partners and the Southend, Thurrock and Essex Safeguarding Boards we help to hold to account the statutory bodies involved and are held to account by the other members. These boards have independent chairs and add an important element of scrutiny to the way safeguarding is managed in the three areas providing opportunities to share best practice and coordinate activity.

Narrative Report

Essex Police, Fire and Crime Commissioner is responsible for the provision of victims support services and manages a grant from the Ministry of Justice of £2.8million to support victims to cope and recover from the impact of crime. The Police, Fire and Crime Commissioner also directly funds the Community Safety Fund of £2.4m and the Community Safety Development Fund of £0.3m, both of these funds support the delivery of the Police and Crime Plan, including a focus on protecting children and vulnerable people.

As part of the range of victims support services provided, The Police, Fire and Crime Commissioner went out to market to procure the countywide victim referral and assessment service in 2017/18. This service offers support to victims of crime to help them cope and recover from their experience in line with the Ministry of Justice's Code of Practice for victims of crime. Victim Support was successful in the procurement exercise. The service has the primary aim of ensuring that people are supported to cope and recover after being victims of crime and increase levels of victim satisfaction. The service provides practical and emotional support which can be delivered face-to-face, over the phone or using web-chat facilities. It also works with local specialist services to ensure victims that require additional support are referred or signposted to appropriate organisations.

The Police Fire and Crime Commissioner also commissions the Essex Rape Crisis Partnership (ERCP) a specialist service which provides a countywide Independent Sexual Violence Advisors (ISVAs) service as referred to under priority three. Independent Sexual Violence Advisors, or ISVAs, play an important role in supporting victims of sexual violence. They are victim-focused advocates who work with people who have experienced rape and sexual abuse to help them to navigate the criminal justice system and access the services they need. This service represents an important step in providing consistency and predictability to a vital victim service which has historically struggled to access sustainable funding.

The Police, Fire and Crime Commissioner also uses the Ministry of Justice funding to provide additional support to vulnerable victims of child sexual abuse, including those at risk of, or experiencing, child sexual exploitation. Working with the Children's Society and the Centre for Action on Rape and Abuse (CARA), the fund is used to promote awareness of the signs of abuse and provide direct support to those that have been victims of abuse or exploitation.

Mental Health Act

A significant change during 2017/18 was the introduction of Section 136 of the Mental Health Act which removed a police station from the definition of a recognised 'place of safety' for 136 arrests. Only in special very cases where the threat would be unmanageable at a hospital can a detainee now be taken to a police station. This has had an important impact on how people experiencing a mental health crisis are supported. In Essex a collaborative approach with representatives from local councils, the health sector and Essex Police established a coordinated approach to managing this legislative change. This has led to a drastic reduction in the number of people experiencing a mental health crisis being placed in police custody as a place of safety. Instead a number of more appropriate places of safety have been identified around the county to support these people and help them recover and access support services. During the reporting period only 14 people were detained in custody compared to 150 during the previous reporting period.

Narrative Report

The introduction of the Street Triage Team in 2016/17 has also led to significant improvements to the service provided. This is a joint team made up of officers from Essex Police and mental health workers from local NHS providers. It gives advice and support to officers encountering people in crisis and directs intervention where appropriate. The team delivers a much more appropriate service whilst also reducing pressure on the resources of Essex Police and partners.

The Police, Fire and Crime Commissioner working with Essex Police, Essex County Council, local Clinical Commissioning Groups and NHS England has recently commissioned a new Integrated Health and Justice Service. This five year contract has been awarded to Essex Partnership University NHS Foundation Trust (EPUT) who will deliver healthcare to vulnerable people who may find themselves inadvertently coming into contact with criminal justice agencies.

Improving reporting of hate crime

Over the last year Hate Incident Reporting Centres (HIRCs) have been available across Essex and there are now 43 reporting centres active within the county. This is part of an initiative to make third party reporting facilities available to the whole of Essex by 2018. To support these centres training has been provided to over 450 Hate Crime Ambassadors (HCA's) countywide, including 48 youth council ambassadors in the West of Essex.

As part of the Strategic Hate Crime Prevention Partnership (SHCPP) Essex Police is working with partners including Essex County Council, Essex County Fire and Rescue Service, Education, Community Safety Partnerships, & Victim Support and other third parties to develop and launch a hate crime strategy for the county to run from 2018-2021. This strategy will adopt a multi-agency approach to understand and prevent hate crime while promoting the reporting of hate crime along with improving support for victims.

To build awareness of how to report hate crime Essex Police launched an awareness campaign for National Hate Crime awareness Week (NHCAW) which ran from 14th-20th October 2017. This campaign used infographics on social media to help develop people's understanding of hate crime; it also held 20 face-to-face events countywide, and these were supported by HIRCs to recruit organisations and individuals to the HIRC networks.

Priority 7 - Improve safety on our roads

Policing our roads is an important element of both crime reduction and community safety. It is important to remember that driving related offences such as speeding, drink and drug driving, and using a phone whilst driving cause more serious injuries and deaths than all other forms of crime in our county.

The road network also plays a vital part in wider criminality, providing access to the county to criminals for a range of activities. This includes a number of high priority offences such as drug dealing, gang activity, modern day slavery, burglary, child sexual exploitation and vehicle crime.

The network also provides easy access for crime groups that operate within London and may wish to extend their activities to communities within our county. Beyond these larger conurbations the road network also provides access to rural communities where incidents of fly-tipping, hare coursing and the theft of agricultural machines can cause significant harm to communities and rural businesses.

Narrative Report

Making our roads safer

Effective policing of our road network will make our county safer and in 2017/18 we have seen a continuation in the ongoing reduction in the number of people killed or seriously injured on our roads. During the reporting period, 923 people have been killed or seriously injured on our roads compared to 977 in the previous year. This is a 5.5 per cent reduction.

Working through the Safer Essex Roads Partnership, the last year has seen real progress in how, together, the Partnership can make the roads of Essex safer. The introduction of the Extra Eyes scheme has provided a successful mechanism for motorists to share footage from their dash cams. This allows access to more intelligence and better evidence but also reaffirming, in a modern context, the importance of communities and the police working together to keep our county safe.

Within the first few months of the scheme being launched in December 2017, 79 reports had been received by Essex Police with 39 identifying enough supporting evidence highlighting risk to support a prosecution.

The re-launch of Community Speed Watch Volunteers, supported by Essex County Fire and Rescue Service has reinvigorated this important scheme. During the 2017 calendar year, a total of 15,050 warning letters have been sent to drivers as a result of Community Speed Watch Volunteer activity with 217 members of the public trained bringing the number of registered groups to 90 and the number of volunteers to 504.

In November 2017, Essex Police and the Police, Fire and Crime Commissioner in partnership with Maldon District Council, started a trial of Community Protection Officers employed by Maldon District Council enforcing speed limits across the district. This pilot has taken advantage of new technology and legislation to provide an innovative response to local concerns. Fifty four enforcement sites across the Maldon District have been selected based upon road traffic collision casualty data or in response to local community consultation.

Through the Safer Essex Roads Partnership, significant work has continued throughout the year to raise awareness of the dangers of driving unsafely, focusing on changing the behaviours of high risk and vulnerable groups. This has included campaigns focused at specific road users such as those aged between 16-25 year of age and those aged over 76.

Performance Framework

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

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

Narrative Report

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

Crime, including violent crime, has risen. This is in line with the national trend for crime increase (Essex is not an outlier when compared to other UK police forces). Some of this increase will be due to changes in crime recording.

The increase in crime has led to heightened demand on officers, which in turn has contributed to a decreasing solved rate. Solved rates are declining nationally (Essex is not an outlier when compared to other UK police forces).

The number of incidents of domestic abuse is also increasing. However, there is no national comparison data available. There is nothing further to indicate whether – or how much of – the increase in incidents of domestic abuse may be attributed to media campaigns or initiatives that encourage reporting.

Police and Crime Plan Priorities	Police Priority Indicators	12 months to March 2017	12 months to March 2018	Number Difference	% Difference	Direction of Travel
Priority 1 - More local, visible and accessible policing	Percentage of people who have confidence in policing in Essex ¹	-	82.6	-	-	-
	<i>Confidence Interval</i>	-	1.2			
	Confidence in the local police (CSEW) ²	59.8	47.9	-11.9	-	Deteriorating
	<i>Confidence Interval</i>	4.2	5.6			
	Number of all crime offences	120,665	134,185	13,520	11.2	Deteriorating
Priority 2 - Crack down on anti-social behaviour	Number of anti-social behaviour incidents	52,170	49,329	-2,841	-5.4	Improving
	Percentage of people who have confidence that the policing response to ASB is improving ¹	-	69.1	-	-	-
	<i>Confidence Interval</i>	-	1.5			
Priority 3 - Breaking the cycle of domestic abuse	Number of incidents of domestic abuse	32,009	34,992	2,983	9.3	Deteriorating
	Number of repeat incidents of domestic abuse ³	-	15,026	-	-	-
	Percentage of domestic abuse offences solved	26.2	17.7	-8.4	-	Deteriorating
Priority 4 - Reverse the trend in serious violence	Number of homicides	15	24	9	60.0	Deteriorating
	Number of violence with injury offences (new definition from Nov 2017)	12,542	13,704	1,162	9.3	Deteriorating
Priority 5 - Tackle gangs and organised crime	Number of Organised Criminal Group disruptions ⁴	26	17	-9	-34.6	Deteriorating
	Trafficking of drugs arrests	1,238	1,196	-42	-3.4	Deteriorating
Priority 6 - Protecting children & vulnerable people	Number of child abuse outcomes ⁵	332	278	-54	-16.3	Deteriorating
	Child abuse solved rate	13.5	9.8	-3.7	-	Deteriorating
Priority 7 - Improve safety on our roads	Number of driving related mobile phone crime on Essex roads	4,424	2,557	-1,867	-42.2	Improving
	Number of driving under the influence of drink and/or drugs on Essex roads	1,718	2,221	503	29.3	Deteriorating
	All people killed or seriously injured (KSI) in road collisions ⁶	977	923	-54	-5.5	Improving

¹ These questions are from the recently commissioned confidence and perception survey, which began in June 2017 and are for the period April 2017 to September 2017.

² Crime Survey for England and Wales (CSEW) - 12 months to September 2017 vs. 12 months to September 2016.

³ The number of repeat incidents of domestic abuse is for the 12 months to March 2018. The previous period cannot be produced due to a change in how this measure is captured.

⁴ The number of Organised Criminal Group disruptions are for the period January 2018 to March 2018 vs. October 2017 to December 2017.

⁵ All solved outcomes (outcomes 1,2,3,4,6,7 & 8).

⁶ 'Killed or Seriously Injured' refers to all people killed or seriously injured on Essex's roads, regardless of whether any criminal offences were committed.

Narrative Report

Role of the Police, Fire & Crime Commissioner

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

From 1st October 2017, the PCC also took on the governance of Essex County Fire and Rescue Service, becoming the country's first Police, Fire and Crime Commissioner (PFCC), after receiving approval from the Home Secretary to take on the governance of the fire and rescue service in addition to his existing role with the police service. This change was approved after submitting a detailed business case to the Home Office after a period of local consultation.

Mr Hirst replaces the members of the former Essex Fire Authority and will be responsible for having oversight of the fire and rescue service in Essex, setting its strategy and budget and holding the Chief Fire Officer to account. Mr Hirst carried out a full public consultation exercise involving members of the public, staff and officers from both services, local councils and MPs in the Spring of 2017. The consultation feedback was in favour of the PCC taking on governance of the fire service. A business case was submitted to the Home Secretary in May 2017 and the Home Office announced in July that it had approved the decision.

The governance arrangements of the PFCC and Chief Constable are included in the joint Annual Governance Statement.

Preparation of Narrative Report

This Narrative Report is prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and must include a commentary by the Police, Fire and Crime Commissioner (PFCC) on financial performance, economy, efficiency and effectiveness in its use of resources over the 2017/18 financial year.

The Narrative report sets out the financial position of the PFCC for the Essex Group. The Group consists of the single entity financial statements of the PFCC for Essex and the consolidated position incorporating the financial statements for the Chief Constable.

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

Statutory Framework

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 Bulletin 01.

Narrative Report

The PFCC is responsible for the totality of policing in Essex. The public accountability for the delivery and performance of the police service is placed into the hands of the PFCC on behalf of the electorate of Essex. 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
- 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 PFCCs, 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 PFCC considers necessary to enable the people who live in the force area to assess the performance of the PFCC 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 PFCC'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 PFCC has wider responsibilities that 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 PFCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. The Chief Constable is responsible to the public and accountable to the PFCC for:

- 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 PFCC, in the case of officers above the rank of Chief Superintendent and police officer equivalents)
- iii) Supporting the PFCC in the delivery of the strategy and objectives set out in the Plan
- iv) Assisting the PFCC in planning the force's budget
- v) Providing the PFCC with access to information, officers and staff as required
- vi) Having regard to the Strategic Policing Requirement

Narrative Report

- vii) Notifying and briefing the PFCC on any matter or investigation on which the PFCC 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 PFCC
- x) Remaining politically independent of the PFCC
- xi) Managing all complaints against the force, its officers and staff, except in relation to the Chief Constable, and ensuring that the PFCC is kept informed in such a way as to enable the PFCC 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 PFCC 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 PFCC

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

Financial Review

In recognising the respective responsibilities of the PFCC and Chief Constable all assets, liabilities and contracts remained in the name and ownership of the PFCC 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 16 permanent staff supplemented by additional contract staff recruited to deliver short term pieces of work in response to the demands of the service. The PFCC chairs the Strategic Board which governs major programmes of change including the Strategic Change Programme.

The Strategic Change 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. The programme includes investment in mobile policing and reviewing and managing demand across the county.

In setting the budget and precept for 2017/18 the PFCC 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 2017 the PFCC set a precept increase of 3.25% resulting in a band D council tax of £157.05. For each year in office the PFCC has increased the precept up to, but not exceeding, the level determined by the Government to be excessive. This policy was to help address the historic low precept base in Essex in the light of substantial budget savings necessary to support the Governments fiscal plan and also to support local investment in services. After several years of increasing the precept the level of the precept in Essex was still one of the lowest of the shire forces. Following the increase in the Governments limit for precept increases to £12 for 2018/19, the PFCC has increased the precept for 2018/19 by £11.97 from £157.05 to £169.02, an increase of 7.62% in order to invest an additional £5.0m into front line policing services.

Narrative Report

Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) addresses future challenges. The MTFS was approved by the PFCC in January 2018. The MTFS is continually reviewed during the financial year as future challenges are reviewed.

Over the next five years £35.5m savings are to be found based on the latest MTFS.

Medium Term Financial Strategy 2018/19 - 2022/23 - Precept increase 0% from 2019/20							
	2017/18 Budget	2018/19 Budget	2019/20	2020/21	2021/22	2022/23	5 Year Total
	£m	£m	£m	£m	£m	£m	£m
Original Budget - Budget Book Net Expenditure (prior year)	266.3	268.9	277.4	278.4	277.2	276.4	
Adjustment from prior year activity agreed at Budget Setting	(1.8)	0.6	0.0	0.0	0.0	0.0	
Opening Budget Requirement	264.5	269.5	277.4	278.4	277.2	276.4	
Unavoidable Cost Pressure	4.9	1.5	5.5	7.2	6.0	5.8	26.0
New Investment	3.1	9.6	3.2	1.5	0.4	0.6	15.3
Short Term one-off costs	3.5	2.3	1.1	2.0	1.7	1.5	8.6
Transfer to / (from) Reserves - one off costs	0.0	0.8	0.0	0.0	0.0	0.0	0.8
Short Term one-off costs - to be allocated	0.0	0.0	1.7	0.8	1.1	1.3	4.9
Short Term one-off costs budget	(3.5)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(14.0)
Budget Requirement - before Savings & Efficiencies	272.5	280.9	286.1	287.1	283.6	282.8	
Government Funding	(169.6)	(169.6)	(169.6)	(167.4)	(165.2)	(163.0)	
Council Tax	(97.4)	(106.2)	(107.5)	(108.8)	(110.2)	(111.6)	
Council Tax - surplus on Collection Fund	(1.9)	(1.6)	(1.3)	(1.0)	(1.0)	(1.0)	
Total Funding	(268.9)	(277.4)	(278.4)	(277.2)	(276.4)	(275.6)	
Annual (Shortfall) / Surplus before cashable Savings & Efficiencies Plans	(3.6)	(3.5)	(7.7)	(9.9)	(7.2)	(7.2)	(35.5)
Funded by:							
Strategic Change Savings & Efficiencies Plan (S&EP) - cashable	(3.6)	(3.5)	(4.0)	(1.4)	0.0	0.0	(8.9)
Annual (Shortfall)/Surplus after cashable S&EP - to be (found) / invested	0.0	0.0	(3.7)	(8.5)	(7.2)	(7.2)	(26.6)

A. Key % Assumptions						
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Overall Reduction in Home Office grants	(1.3%)	0.0%	0.0%	(1.3%)	(1.3%)	(1.3%)
Increase in Council Tax	3.25%	7.62%	0.00%	0.00%	0.00%	0.00%
Change in Taxbase	1.85%	1.33%	1.25%	1.25%	1.25%	1.25%
Inflation Recurring - Officers Pay	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Inflation Recurring - Staff/PSCOs Pay	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Principal Risks and Uncertainties

A risk management strategy is in place to identify and evaluate risk. The PFCC and the Chief Constable have risk registers.

Narrative Report

Below are the main risks from the PFCC's Risk Register:

- There is insufficient cash to fund all the forces commitments.
- The benefits from initiatives are not realised
- The Community Safety funding is not being effectively used to support the delivery of the Police and Crime Plan.
- The priority to have more local, visible and accessible policing is not realised
- The Essex Police Transformation programme does not deliver the planned improvements

The PFCC's risks are mitigated by having a Treasury Management Strategy in place setting out how cash is managed; regular Performance & Resources Boards and Strategic Boards are held that track the progress of key initiatives; the appointment of a Community Safety and Reducing Reoffending Manager; additional funding has been approved for additional police officers in 2018/19 assigned to local policing and the Strategic Board has oversight of the delivery of the capital and revenue transformation projects.

Below are the main risks from the Chief Constable's Risk Register:

- If the force is unable to manage existing and future demand through the use of technology and more efficient business processes it may not be able to provide an effective service that protects people from harm.
- Historical lack of investment in the IT infrastructure creates a risk that critical IT systems may fail periodically, causing lack of access to operationally important data/information during the repair process, or in the worst case scenario, permanent loss of data.

The Chief Constable's risks are mitigated by additional resources in place to manage demand within Contact Management, the introduction of mobile devices for police officer and investment in the Infrastructure Modernisation programme.

The strategic risks are reviewed and challenged by the Joint Audit Committee on a regular basis.

2017/18 Financial Performance

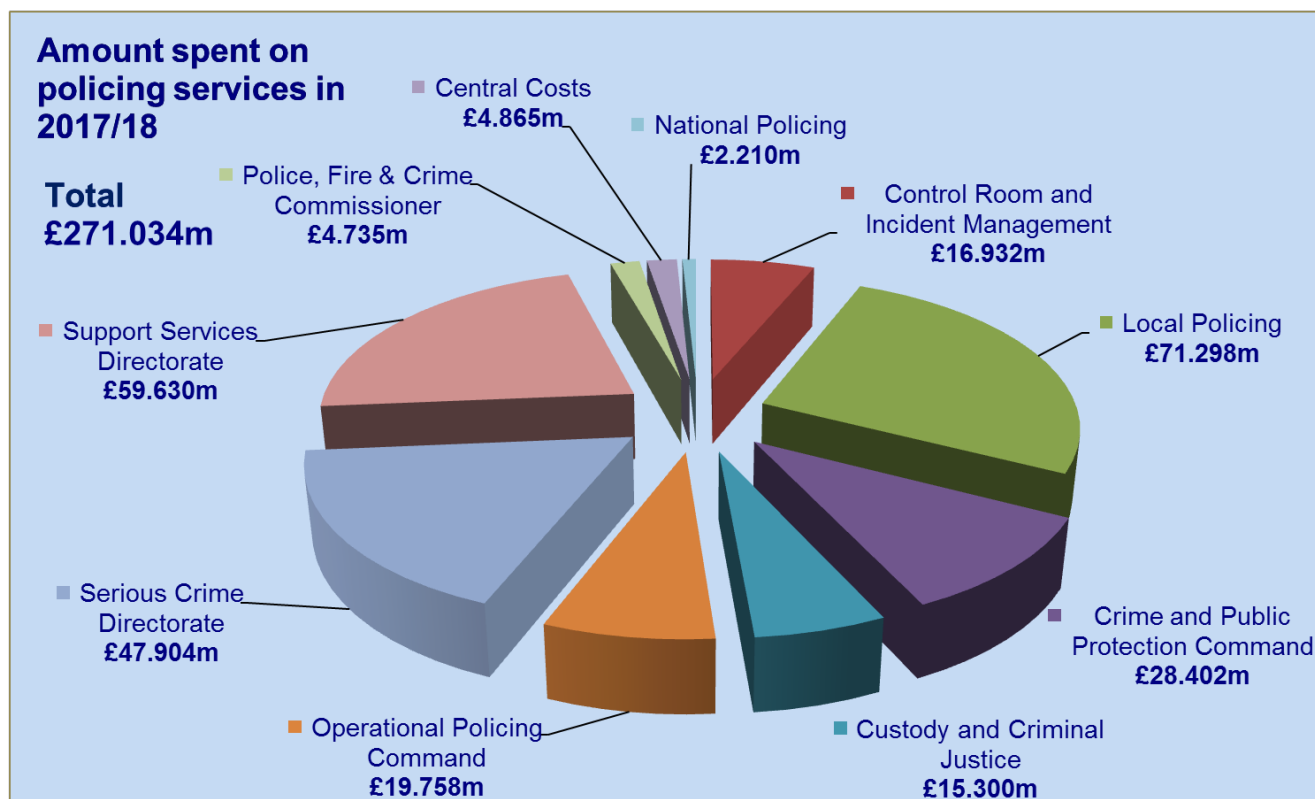
The table overleaf shows budgeted and actual net revenue expenditure, the sources of funding and the transfers from earmarked reserves and the General Reserve in a form representing the management accounting balance for the Group. The management accounting balance is the form recognised in setting the PFCC budget and Council Tax precept for 2017/18. The Net Revenue Expenditure excludes depreciation, pension liabilities, accumulated absences and other items which do not have an impact on the transfer to or from the General Reserve. These charges are included and accounted for in the Comprehensive Income and Expenditure Statement (CIES) within the Core Financial Statements in accordance with proper practice.

The original budget of £268.946m was overspent by £0.015m after planned withdrawals from the General Reserve of £0.832m for the additional 1% payrise and £0.089m for an adjustment notified by a local council to the council tax income after the 2017/18 budget had been set. The total withdrawal from the General Reserve was £0.936m.

The Expenditure and Funding Analysis reconciles the difference between the management accounting balance and the accounting balance in the CIES.

Narrative Report

	2017/18							
	Group					PFCC		
	Original Budget	Virements	Current Budget	Actual	Variance over / (under)	Current Budget	Actual	Variance over / (under)
	£000	£000	£000	£000	£000	£000	£000	£000
Police Officer pay and allowances	163,868	(1,975)	161,893	163,779	1,886	0	0	0
Police Community Support Officers	2,878	327	3,205	2,917	(288)	0	0	0
Police Staff pay and allowances	70,386	8,361	78,747	75,073	(3,674)	1,600	1,574	(26)
Police Officer pensions (ill health / medical)	4,288	0	4,288	4,332	44	0	0	0
Training	953	446	1,399	1,554	155	1,399	1,548	149
Other employees expenses	182	423	605	605	0	192	210	18
Premises	10,630	161	10,791	11,237	446	10,791	11,237	446
Transport	4,624	54	4,678	4,588	(90)	3,709	3,605	(104)
Supplies and services	27,434	3,079	30,513	30,621	108	30,210	30,239	29
Third party payments	5,981	(937)	5,044	5,357	313	5,044	5,355	311
Other expenditure including savings programme	532	(449)	83	633	550	635	633	(2)
Gross Revenue Expenditure	291,756	9,490	301,246	300,696	(550)	53,580	54,401	821
Income	(22,810)	(7,417)	(30,227)	(29,662)	565	(27,480)	(26,851)	629
Net Revenue Expenditure	268,946	2,073	271,019	271,034	15	26,100	27,550	1,450
Sources of Funding								
Police grant	(101,346)	0	(101,346)	(101,346)	0	(101,346)	(101,346)	0
Formula Funding grant	(55,149)	0	(55,149)	(55,149)	0	(55,149)	(55,149)	0
Council tax precept	(97,424)	89	(97,335)	(97,335)	0	(97,335)	(97,335)	0
Council tax freeze scheme grant	(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	(1,902)	0	(1,902)	(1,902)	0	(1,902)	(1,902)	0
Total Sources of Funding	(268,946)	89	(268,857)	(268,857)	0	(268,857)	(268,857)	0
Deficit / (surplus) before transfer to Earmarked Reserves	0	2,162	2,162	2,177	15	(242,757)	(241,307)	1,450
Transfer to/(from) Earmarked Reserves	0	(1,241)	(1,241)	(1,241)	0	(1,241)	(1,241)	0
Transfer from/(to) General Reserve	0	921	921	936	15	(243,998)	(242,548)	1,450



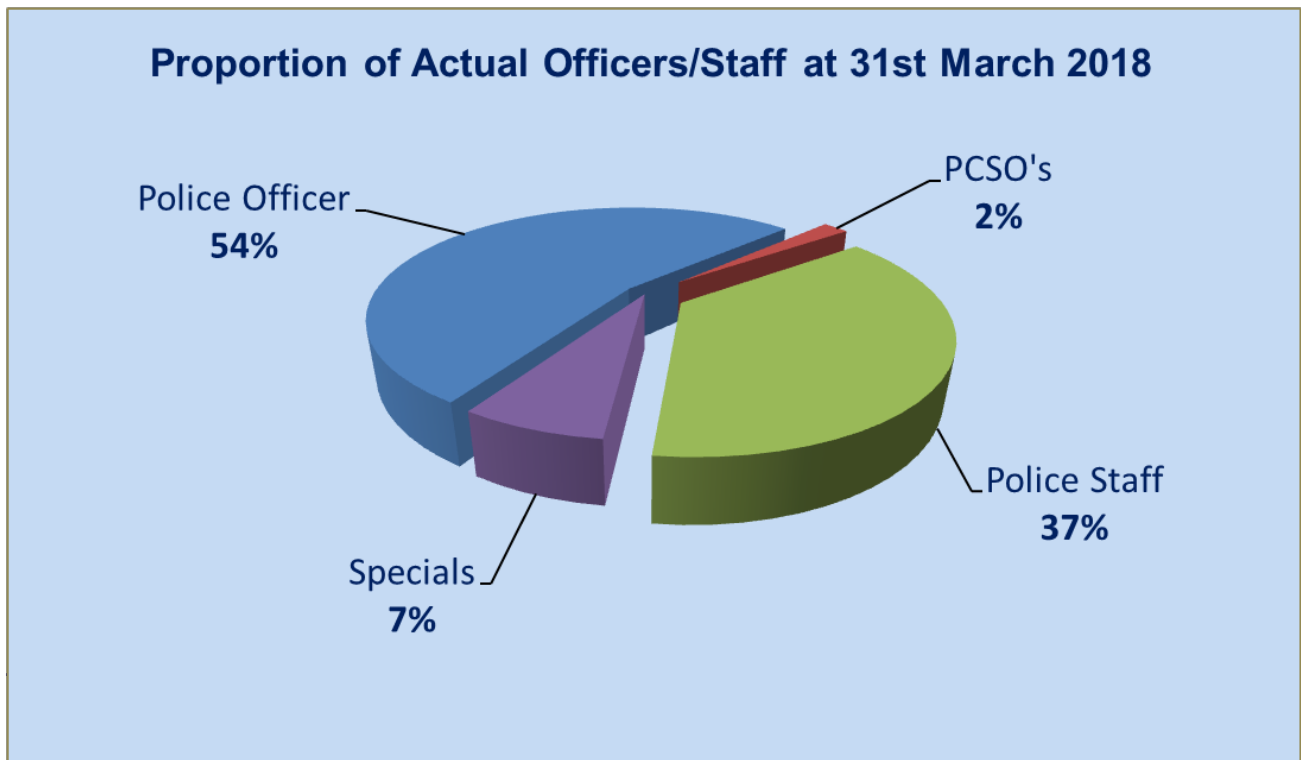
Narrative Report

In balancing the 2017/18 budget the savings required amounted to £3.564m. The majority of the savings were from non-pay savings and other efficiencies.

Officer and Staff Numbers compared with 2017/18 Budget

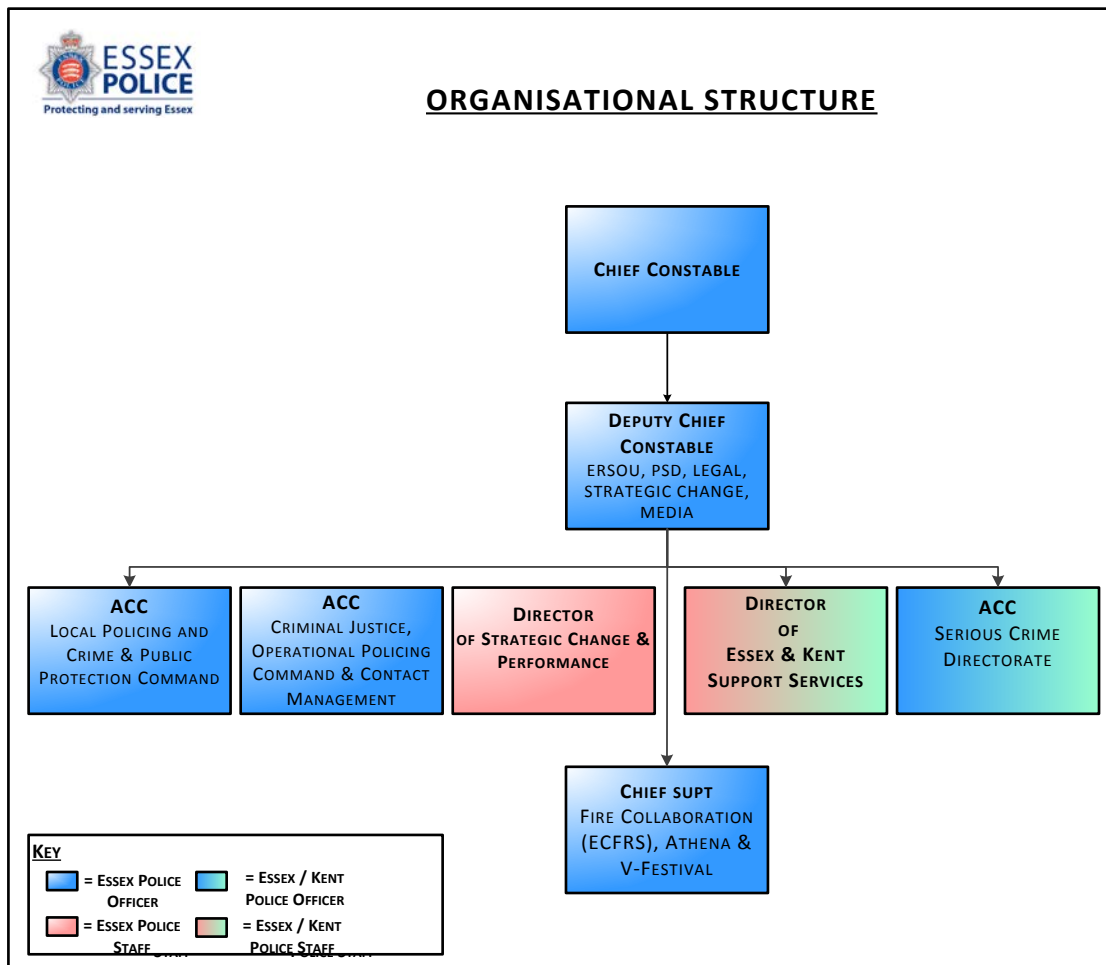
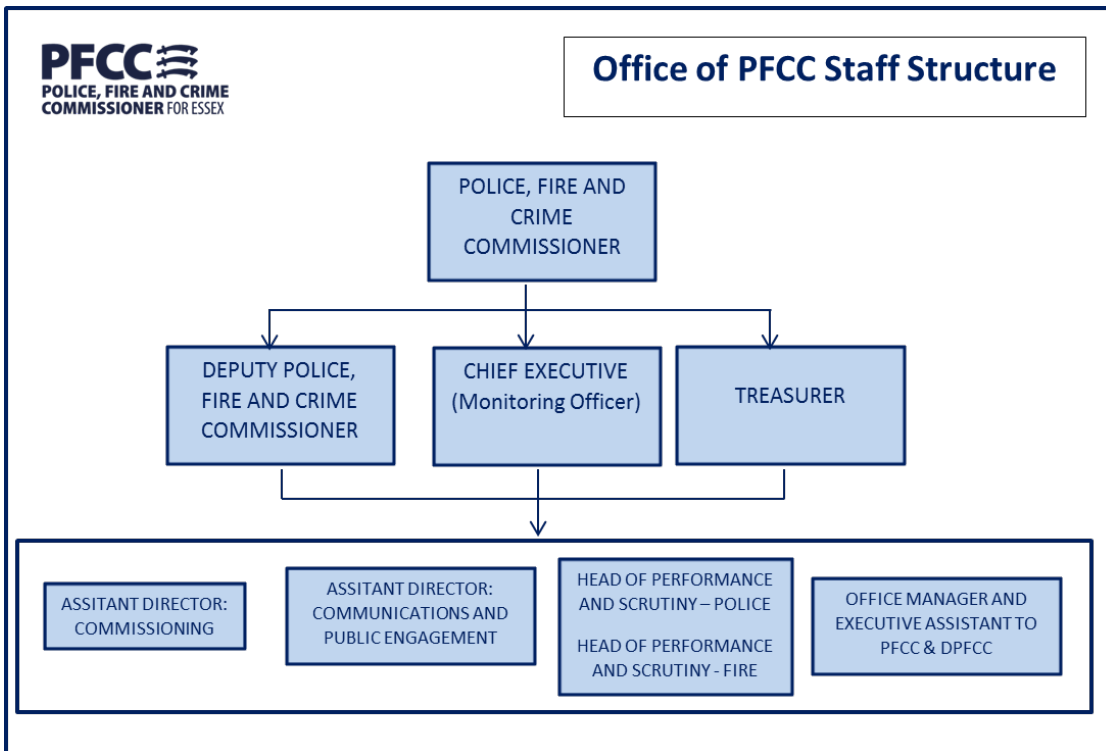
	Police Officers		PCSOs		Staff		Specials	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs
1 st April 2017	2,850	2,800	100	96	2,004	1,938	345	360
Net in-year change	0	150	2	(4)	41	64	187	67
31st March 2018	2,850	2,950	102	92	2,045	2,002	532	427

The above table shows that police officer numbers increased in the year by 150 FTE's, exceeding the budget by 100 FTE's. The budgeted FTE's in 2018/19 is 3,000, an increase of 150, and the 2017/18 increase has assisted in meeting the 2018/19 target. The table shows the PCSO numbers reduced by 4 FTE's during the year, the number of police staff has increased during the year by 64 FTE's and the Specials increased by 67 FTE's.



Narrative Report

The organisational staff structures for the OPFCC and Essex Police are shown below.



Narrative Report

Capital Expenditure

A capital investment programme amounting to £6.101m was approved in January 2017 with an additional investment of £11.314m for projects subject to final approval to commence during 2017/18 to be spent on a range of projects to maintain the infrastructure needed to support effective and efficient front line policing. In the event, £7.432m was invested during 2017/18 and significant projects include:

- i) On the police estate building refurbishment works amounting to £1.8m.
- ii) Investment IT of £3.3m including expenditure on 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. In addition, the annual programme included replacement of servers, printers, docking stations, desktop and laptop computers along with the wider IT infrastructure and telephony network.
- iii) The annual fleet replacement programme where 146 vehicles were purchased at a cost of £1.8m.
- iv) Investment in the Automatic Number Plate Recognition (ANPR) infrastructure facilitating the tracking of criminal offenders amounted to £0.2m.

Funding capital investment is from a range of sources, primarily from capital receipts and government grants. Capital income during 2017/18, totalling £9.8m, was from the following sources:

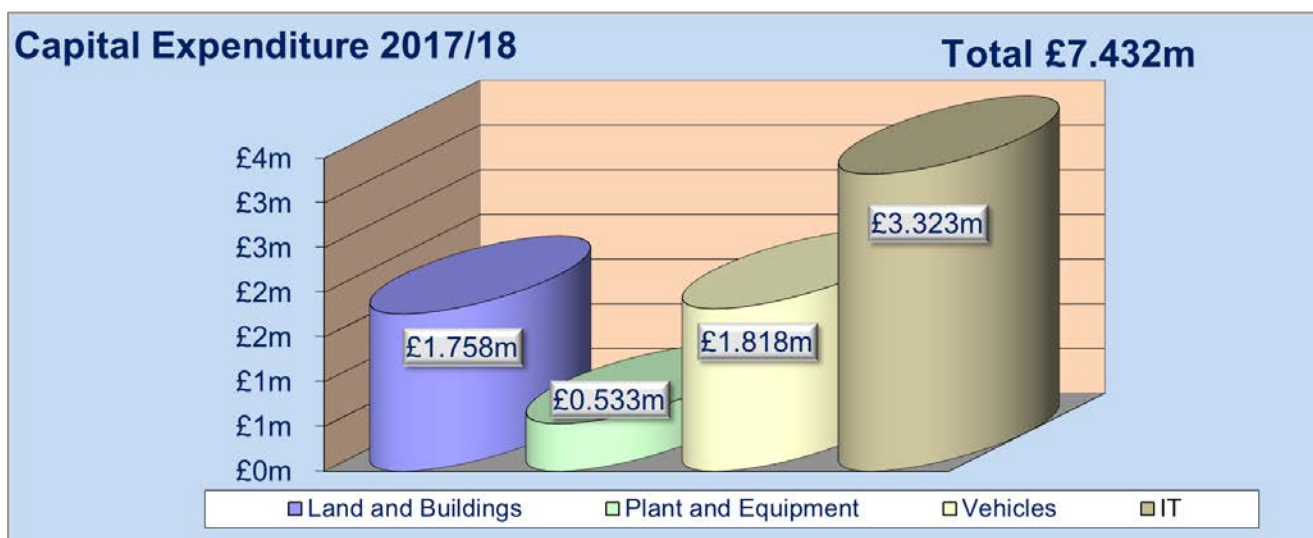
- Core government grant - £0.9m
- Receipts from the sale of nine properties - £7.1m
- Specific capital grants from external organisations for 2017/18 projects - £1.3m
- Specific capital grants from external organisations for future projects - £0.5m

The year started with a deficit in the capital reserve of £1.7m and at March 2018 the capital reserve was in surplus by £0.7m. The balance of the capital income of £7.4m was invested as shown in the table below.

Capital Budget and Expenditure 2017/18

Capital Expenditure Projects	Approved Budget Jan 2017 £000	Actuals 31st March 2018 £000	Variance £000
ANPR	305	200	(105)
Land & Buildings	1,113	1,758	645
IT	2,607	3,323	716
Vehicles	1,900	1,818	(82)
Other	176	333	157
Total	6,101	7,432	1,331

Narrative Report



Future capital expenditure is planned to increase over the coming years as investment in the Estate and IT takes place. Investment of over £60m in the next three years is being reviewed which will be partly offset with capital receipts from property disposals as the estate is restructured to meet the changing demands of the future. A strategy is in place to borrow external funds for investment in the capital programme as required over the coming years.

General Reserve

The balance on the General Reserve at 1st April 2017 was £13.157m. The General Reserve balance at 31st March 2018 was £12.221m which represents 4.5% of the 2017/18 budgeted net expenditure. There was no planned withdrawal or contribution to the General Reserve when the budget was set in January 2017. During 2017/18 withdrawals from the General Reserve were made for the following:

- £0.832m for the additional 1% payrise.
- £0.089m for an adjustment to the council tax income, notified by a local council, after the 2017/18 budget had been set.
- £0.015m general overspend

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 PFCC's earmarked reserves total £7.822m at 31st March 2018. The movement in earmarked reserves which decreased by £1.135m is shown in note 26. The levels of all reserves are reviewed on a regular basis.

Narrative Report

Pension Liabilities

Accounting standards require that the total future liabilities for the cost of pension payments to past and present police officers and police staff are fully reflected in the Balance Sheet. Accordingly, the Balance Sheet figures included within the accounts (see note 34) includes net liabilities of £179.994m (2016/17 £200.746m) for police staff and £2,830.260m (2016/17 £2,939.084m) for police officers. The statutory arrangements for funding the police officer deficit and the PFCC's arrangements for funding the police staff deficit, however, mean that the financial position of the PFCC remains sound.

Balance Sheet

A summary of the balance sheet is shown below. The main movement relates to the long term pension liabilities.

	31st March 2017	31st March 2018	Movement
	£000	£000	£000
Long term assets	99,319	88,888	(10,431)
Current assets	51,546	52,048	502
Current liabilities	(35,227)	(33,229)	1,998
Long term liabilities	(3,143,284)	(3,013,129)	130,155
Net Assets	(3,027,646)	(2,905,422)	122,224
Usable reserves	(22,219)	(21,895)	324
Unusable reserves	3,049,865	2,927,317	(122,548)
Total Reserves	3,027,646	2,905,422	(122,224)

Treasury Management

The PFCC invests surplus funds in accordance with the Treasury Management Strategy, which is agreed each year. The 2017/18 strategy set out a clear set of investment parameters in order to minimise the risk of financial loss. In summary these parameters were:

- i) Country Limits: 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. UK local authorities – up to £5m per authority
 - c. Lloyds Bank – up to £5m limit (nominated banker)
 - d. All other financial institutions – higher of £1m or 5% of total investment portfolio

Narrative Report

- iii) Durational limits: maximum duration 12 months if a fixed term deal (no time limit if cash is instantly accessible)

The PFCC had liquid investments totalling £2.0m and short-term investments totalling £8.0m as at 31st March 2018. During 2017/18 the PFCC earned investment income of £0.064m, representing an average return of 0.23% (weighted by counterparty).

The PFCC undertook five instances of short term external borrowing during 2017/18. The PFCC has, however, inherited internal borrowings from the former Essex Police Authority, the outstanding balance of which equated to £7.065m as at the 31st March 2018. 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 31st March 2018 would have been higher, and they would be offset by an equivalent amount of external debt. The remainder of the £8.755m capital financing requirement at year-end related to a shortfall in reserves to fund capital expenditure in 2017/18. This deficit was also met by internal borrowing.

Cash Flow

	31st March 2017 £000	31st March 2018 £000	Movement £000
Cash and cash equivalents	5,388	6,130	742
Short term investments	11,500	8,000	(3,500)
Total	16,888	14,130	(2,758)

The main factors affecting cash in the future are:

- i. Acquisitions and disposals relating to the capital programme
- ii. The value of reserve balances
- iii. Grants and contributions unapplied
- iv. The value of loans raised

Narrative Report

OPFCC Grant Expenditure

The PFCC deploys a mix of funding approaches for commissioned activity; from formal, multi-year contracts to small, one-off grants. This recognises the benefits that each approach can deliver; formal contracts give long-term certainty to providers to enable services to plan and invest in delivery, while grants provide flexibility and enable small groups to undertake activity or try new approaches that may not immediately be able to robustly demonstrate outcomes. The PFCC will continue to use a mixed-method approach to funding, judging each project on its own merits and seeking the most appropriate and proportionate mix of funding mechanisms. Whilst recognising the value of local knowledge, the PFCC will always strive for contracting processes that are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building, where appropriate.

The PFCC'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 PFCC has maintained funding levels for core grants in 2017/18, recognising the importance of local partnerships and organisations to the effective delivery of the areas of focus within the Police and Crime Plan.

In 2017/18 the PFCC allocated £0.310m to Community Safety Partnerships in Essex using a funding formula based on population, crime level and deprivation. As in previous years, a portion of this funding to CSPs was top-sliced for the central Domestic Homicide Review (DHR) fund to remove the unpredictability and significant financial pressures associated with DHRs. The PFCC has received universally positive feedback about this approach and is therefore continuing to support and invest in this system.

From the Community Safety Fund (CSF) the PFCC also provided £0.444m of funding to Youth Offending Services (YOS) and £0.503m to the Drug and Alcohol Teams (DAAT) across Essex.

The PFCC has invested in a pilot mentoring programme that seeks to engage at risk young people who are vulnerable to exploitation by criminal gangs. As part of this 2-year project Gangsline have also been commissioned to deliver awareness raising sessions for frontline practitioners and young people to promote a consistent level of understanding around the complex areas of violence and vulnerability linked to county lines.

The PFCC attracted £0.450m of Home Office Violence Against Women and Girls (VAWG) funding over three years to pilot a new approach to working with perpetrators of domestic abuse to prevent re-offending or an escalation of offending behaviour. The PFCC also continued to invest in the DRIVE perpetrator pilot which engages with high-risk perpetrators of domestic abuse to change their behaviour and is jointly funded by Essex County Council, the PFCC and Social Finance.

With responsibility for the majority of local support services for victims of crime, the PFCC continues to invest in specialist and non-specialist services to enable victims to cope and recover from their experiences. 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 provides an annual grant to the PFCC to commission or deliver these services across Essex. In addition to the £2.1m grant received from the Ministry of Justice the PFCC supplemented the budget with an additional £0.1m from the CSF. Through this funding the PFCC ensures that victims have access to the entitlements as laid out in the Code of Practice for Victims of Crime, and EU Directive 2012/29/EU establishing minimum standards on the rights, support and protection of victims of crime.

Narrative Report

In 2017/18 the PFCC recommissioned Victim Support to deliver a non-specialist victim referral and assessment service. From April 2018, Victim Support will be delivering a new victim-led service which will:

- Allocate a caseworker to every victim of crime that they support who will take ownership of cases from initial contact all the way to case closure,
- Enable caseworkers to work from a number of community locations to raise awareness and develop better collaborative support,
- Work more closely with policing and support training opportunities, and
- Improve the insight from victims about their experiences with police services.

Through this recommissioning process the PFCC was able to achieve savings of £0.1m per annum which will be re-invested into other victim services.

The PFCC worked with other local commissioners to develop a new combined health and justice service. The new model, delivered by the Essex Partnership University NHS Foundation Trust (EPUT) to provide health, engagement and social support services within the criminal justice system which includes working with the police and street triage teams from 1st April 2018. This ground-breaking new service incorporates Street Triage, Liaison and Diversion, and Police custody healthcare services and has been jointly commissioned by Essex Clinical Commissioning Groups, NHS England, Essex County Council and the PFCC. The new service is a 5-year contract which goes live from April 1st 2018.

The PFCC relaunched the Community Safety Development Fund (CSDF) in 2017/18. The CSDF is a £0.300m small-grants fund that supports projects that can positively impact on the priorities within the Police and Crime Plan. In 2017/18 the CSDF supported 30 projects including the Street Pastors project, Springfield Youth Group and the Butterfly project.

The PFCC was able to utilise £0.465m unallocated funding from 2016/17 and carry this forward into 2017/18 which increased the overall grant budget available. The table overleaf shows the amount of grant funding allocated during 2017/18 and the related grant over/underspend. The £0.385m has been carried forward to be utilised during 2018/19.

	Budget £000	Allocated £000	Over / (Underspend) £000
Community Safety Fund (CSF)	2,427	2,099	(328)
Community Safety Development Fund (CSDF)	339	348	9
Victims	2,796	2,730	(66)
Government Grant	(2,174)	(2,174)	0
Total	3,388	3,003	(385)

In summary for 2017/18 the PFCC spent £1.281m on the Office of the PFCC, £3.003m on Community Safety Grants / Victims and £0.857m on council tax sharing agreements with billing authorities.

Narrative Report

Explanation of Accounting Statements

The Statement of Accounts consists of the following sections:

i) Annual Governance Statement

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

ii) Statement of Responsibilities for the Statement of Accounts

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

iii) Independent Auditor's Report

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 PFCC and the Group.

iv) Expenditure and Funding Analysis

The 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 PFCC and the Group of providing services rather than the amount to be funded from taxation. This distinction is very important in interpreting the accounts. The PFCC sets a precept (i.e. the police share of council tax) to cover expenditure classified in accordance with regulations and this will be very different to the accounting cost.

- **Balance Sheet** - this sets out the assets and liabilities of the PFCC and the Group as at 31st March 2018. Net assets of the PFCC (assets less liabilities) are matched by reserves held by him. Reserves are reported in two categories:
 - **Useable reserves** – these are reserves that the PFCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For example capital reserves can only be applied to fund capital expenditure or to repay debt and not to fund revenue expenditure.

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

Narrative Report

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

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 PFCC, which explain the basis on which the PFCC's financial transactions are presented.

vii) **Glossary of Terms**

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

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

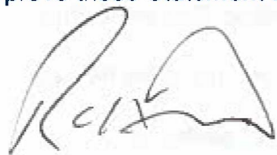
The Commissioner's responsibilities

The Commissioner is required:

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

Completion of the Approval Process by the PFCC for Essex

I approve these Statement of Accounts.



Roger Hirst
Police, Fire and Crime Commissioner for Essex
27th July 2018

The Treasurer to the PFCC'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 2018 and its income and expenditure for the year then ended.



Abbey Gough (ACCA)
Acting Treasurer to the PFCC for Essex
27th July 2018

Annual Governance Statement

Introduction

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

1. Focussing on the purpose of the PFCC and Chief Constable 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 PFCC and Chief Constable perform effectively in clearly defined roles, responsibilities and functions in order to support the aims and objectives of the PFCC, whilst achieving a common purpose.
3. Promoting the values for the PFCC and Chief Constable 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, independent Joint Audit Committee and the Police, Fire and Crime Panel (PFCCP).
5. Developing the capacity and capability of the PFCCP to ensure the PFCC 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 PFCC and Chief Constable, 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 PFCC, Chief Constable, Chief Executive, Treasurer for the PFCC and Chief Finance Officer for the Chief Constable (CFO).

1. Scope of Responsibility

- 1.1 The PFCC 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 PFCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 The Chief Constable 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 Chief Constable is responsible to the public and accountable to the PFCC for supporting the PFCC in the delivery of the Police and Crime Plan.
- 1.3 In discharging this overall responsibility, the PFCC 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 PFCC places reliance on the Chief Constable of Essex Police to support the governance and risk management processes.

Annual Governance Statement

- 1.4 During the year there was regular contact on a two weekly basis between the PFCC and Chief Constable 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 PFCC and Chief Constable.
- 1.5 There were formal governance meetings between senior OPFCC and force officers and staff each month dealing separately with financial and performance monitoring. The minutes of these meetings are publicised on the PFCC's website.
- 1.6 The PFCC'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 (PFCC/Chief Constable) 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, Fire 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.pfcc.police.co.uk or can be obtained from the OPFCC, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB.

- 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 OPFCC is directed and controlled and its activities through which it accounts to and engages with the community. It enables the OPFCC 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 PFCC's and Chief Constable'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 PFCC's scheme of Governance incorporates a framework of arrangements that ensures value for money is achieved for the people in Essex. One of the ways this is delivered is through the Essex and Kent 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 PFCC and how they adhere to them is set out as follows:

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

The PFCC 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 PFCC 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 Chief Constable, provides the mechanism for monitoring the implementation of the PFCC'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 PFCC.

The PFCC has clear contact details 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 PFCC 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 PFCC performs effectively in clearly defined roles, responsibilities and functions in order to support the aims and objectives of the PFCC, whilst achieving a common purpose*

The governance arrangements for the PFCC 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 OPFCC and Essex Police. There was a decision making framework that ensures all PFCC decisions are published and available for public scrutiny.

There are agreed terms of reference for the PFCC and Chief Constable and Joint Audit Committee.

Annual Governance Statement

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

The PFCC has signed up to a Code of Conduct incorporating the 7 Nolan principles relating to Public Life. Moreover, the PFCC 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 PFCC policy on reporting wrongdoing (Handling of Qualifying Disclosures) for the OPFCC. The Chief Constable has several policies which cover discipline, standards, use of social media and an anonymous e-mail for confidential reporting to the 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, Fire and Crime Panel (PFCP) and the Joint Audit Committee (JAC)*

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

The OPFCC 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 OPFCC and Force understood their responsibilities. Compliance with them was and will continue to be reviewed.

The PFCC complied with a clear decision making policy that requires the oversight of both statutory officers within the OPFCC, 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 PFCC are formally recorded and made available on the website for public information and scrutiny.

In addition, the PFCC's performance against the Plan is regularly reported to the PFCP for their challenge and support as appropriate.

The independent JAC have responsibility for monitoring and reviewing the effectiveness of risk management arrangements, processes and the system of internal controls. The PFCC and Chief Constable 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 support the PFCC and Chief Constable's responsibility for enhancing public trust and confidence in the governance of the OPFCC 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 PFCC and Chief Constable.

Annual Governance Statement

The JAC have made a significant contribution in providing a first class level of independent assurance to the PFCC and Chief Constable 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 2018/19 and beyond.

5) *Developing the capacity and capability of the PFCC to ensure the PFCC 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 OPFCC. 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 OPFCC and Chief Constable 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 PFCC has held public meetings in each of the fourteen districts, where the people of Essex were able to challenge the PFCC 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.

The PFCC meets 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 PFCC's priorities.

Between the 6th November and 24th November 2017 the PFCC undertook an online survey to understand the views of Essex residents about raising the level of council tax in Essex. There were 5,044 responses to the survey. 66% of respondents said that in general, they would be prepared to invest more in policing to help improve the service provided. The full 'Report on Survey Findings' can be found on the PFCC website.

4. Value for Money Arrangements

4.1 The PFCC 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 PFCC'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 PFCC, DPFCC, Chief Constable and senior staff whereby the Chief Constable is held to account for ensuring value for money for the provision of policing services.

Annual Governance Statement

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

OPFCC

4.4 The PFCC 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 OPFCC in a close working relationship with the Chief Constable and his senior staff including the Chief Financial Officer. The PFCC's and Chief Constable's JAC has responsibility for overseeing these arrangements and will continue to discuss governance issues, referring reports to the PFCC and Chief Constable when appropriate.

Essex Police

4.5 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 PFCC and Chief Constable.

4.6 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

4.7 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

4.8 In maintaining and reviewing the governance framework the PFCC's Treasurer and Chief Constable'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 2017/18 the Internal Auditor's opinion is as follows:

PFCC

4.9 "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."

Annual Governance Statement

Essex Police

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

External Audit

- 4.12 External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the OPFCC'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 Constabulary and Fire & Rescue Services (HMICFRS).

- 4.13 In July 2017 HMIC became Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).
- 4.14 Review and assurance mechanisms that are charged with promoting the effectiveness and efficiencies of policing, improving performance and sharing good practise nationally (such as the Health and Safety Inspectorate) are also relied upon.
- 4.15 HMICFRS's review of Police Effectiveness, Efficiency and Legitimacy (PEEL) assessed Essex Police in 2017 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
 - How effective is the force at keeping people safe and reducing crime? - good

- 4.16 HMICFRS noted that:

“Essex Police has clear values that emphasise the importance of treating people with fairness and respect and these values are reflected in the force's policies. The workforce receives extensive training on unconscious bias, effective communication skills and the use of coercive powers. The force is good at scrutinising its activities and independent advisory groups provide effective external scrutiny. The force ensures its workforce behaves ethically and lawfully. Leaders understand the importance of an ethical approach and act as good role models. Officers and staff receive continuing training and advice on ethical decision -making”

“Essex Police has a good understanding of current and likely future demand for its services, and assesses continually its ability to respond effectively. The force understands the skills and capabilities it needs, and how these will change in the future”

- 4.17 HMICFRS review of Police Effectiveness in 2017 saw Essex Police awarded a 'Good' across the board, which included a vulnerability grading of Good, which was an improvement from 2016.

Annual Governance Statement

4.18 HMICFRS noted that;

“Essex Police is good at keeping people safe and reducing crime. It has made considerable improvements across a number of areas since 2015, and its overall direction of travel is positive”.

“The force has an effective approach to preventing crime and tackling anti-social behaviour. Officers have a good understanding of their communities and what is important to those communities, and they work hard to respond to their needs”.

“Essex Police has made considerable efforts to improve its ability to protect vulnerable people. It is generally good at responding to victims who are vulnerable and at investigating crimes committed against them. The force has worked hard to develop constructive relationships with partner organisations to enable it to better support vulnerable people and address the needs of victims”.

4.19 Other HMICFRS reports issued during 2017 are:

- i) Joint Inspection of policy Custody February to March 2017, the report was part of a programme of unannounced inspections of police custody carried out. The force was last inspected in January 2013, when it was found that detainees were treated well, but that much of the estate needed refurbishment and staff shortages were affecting the treatment of detainees. Since the last inspection, the custody estate had reduced and four suites had closed permanently. Conditions at the newer suites were good but the environment at some older suites remained poor. Management of the use of force in custody was good. The force was identified as being very open to and prepared to learn from scrutiny. The report identified three recommendations to the force with 30 areas for improvement.

5. Significant Governance Issues

- 5.1 Following the new governance arrangements with Essex County Fire and Rescue Service the PFCC 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 PFCC and Chief Constable is fully recognised. The PFCC plans to bring the work of the JAC to the attention of the PFCP and vice versa in order to facilitate the work of each party.
- 5.4 There were no governance breaches or issues in 2017/18. The progress made in addressing the governance matters from the 2017/18 AGS are shown below. The governance matters did not give rise to any issues.
- 5.5 From the 1st October 2017, the PFCC took on the governance of Essex County Fire and Rescue Service, becoming the country's first Police, Fire and Crime Commissioner. The PFCC is responsible for ensuring that arrangements are in place to deliver an efficient and effective fire and rescue service.

Annual Governance Statement

Table 1: Progress made against the 2017/18 governance matters

Title	Action from 2017/18	Expected delivery	Position at 31st March 2018
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.	Target operating model approved in 2017/18 with impact evident on the Community Policing Teams.
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.	The formulae review was set aside in favour of a more generous settlement. PFCC was provided the freedom to increase the precept up to £12; in Essex the precept was increased by 7.6% to £169.02 for Band D property.
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.	Work has taken place in 2017/18 including a commissioned survey of public confidence and user satisfaction. The first tranche of results have been received. Working is ongoing to better evaluate the data.
Fire collaboration	To prepare thorough transition plans in anticipation of the Home Secretary's approval of the PFCC's Local Business Case for joint Police and Fire Governance	Robust transition plans to be prepared by September 2017.	OPFCC took over the governance of Essex County Fire and Rescue Service on 1 st October 2017 and completed a successful transition.

Annual Governance Statement

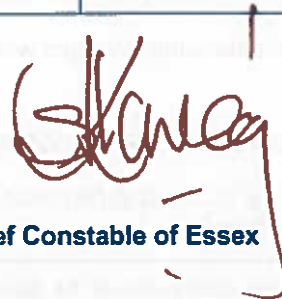
Significant governance issues that are relevant for 2018/19 are shown in Table 2 below:

Table 2: Governance considerations for 2018/19

Title	Action	Expected delivery
Overall demand on policing	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.	Additional 150 officers to be recruited. Improvements in demand management, particularly in local policing to be demonstrated by March 2019 following precept increase to fund the recruitment of 150 new officers.
Government grant formula review	To continue to promote the case for an improved Government police grant allocation and longer term settlement.	Provisional grant settlement for 2019/20 announced in December 2018.
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.	Full year comparison of commissioned survey of public confidence and user satisfaction data available March 2019.
Fire collaboration	To continue to promote collaboration work streams between Essex Police and Essex County Fire and Rescue achieving greater efficiencies across both services.	Detailed collaboration plans and savings to be in place by March 2019.



The Police, Fire & Crime Commissioner for Essex



Chief Constable of Essex



Acting Treasurer to the PFCC for Essex



Chief Finance Officer of the Chief Constable of Essex

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE POLICE, FIRE AND CRIME COMMISSIONER FOR ESSEX

Opinion

We have audited the financial statements of the Police, Fire and Crime Commissioner for Essex for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Police, Fire and Crime Commissioner for Essex and Group Movement in Reserves Statement, Police, Fire and Crime Commissioner for Essex and Group Comprehensive Income and Expenditure Statement, Police, Fire and Crime Commissioner for Essex and Group Balance Sheet, Police, Fire and Crime Commissioner for Essex and Group Cash Flow Statement, Police, Fire and Crime Commissioner for Essex Pension Fund Account Statements, the related notes 1 to 36 and the Expenditure and Funding Analysis to the Police, Fire and Crime Commissioner 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police, Fire and Crime Commissioner for Essex and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFNLASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Police, Fire and Crime Commissioner for Essex and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report

Other information

The other information comprises the information included in the "*Statement of Accounts for the Police, Fire and Crime, Commissioner for Essex Group and Police, Fire and Crime Commissioner 2017/18 FINANCIAL YEAR*", other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014 Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Police, Fire 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 2018.

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 entity;
- 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.

Responsibility of the Treasurer to the Police, Fire and Crime Commissioner

As explained more fully in the "*Statement of Responsibilities for the Statement of Accounts*" set out on page 38, the Treasurer to the Police, Fire and Crime Commissioner 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 2017/18, and for being satisfied that they give a true and fair view.

Independent Auditor's Report

In preparing the financial statements, the Treasurer to the Police, Fire and Crime Commissioner is responsible for assessing the Police, Fire and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Police, Fire and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 2017, as to whether the Police, Fire 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, Fire 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 2018.

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, Fire and Commissioner for Essex had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police, Fire and Crime Commissioner for Essex 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, Fire and Crime Commissioner for Essex 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 Police, Fire and Crime Commissioner for Essex's arrangements for

Independent Auditor's Report

Certificate

We certify that we have completed the audit of the accounts of the Police, Fire and Crime Commissioner for Essex in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to Police, Fire 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, Fire and Crime Commissioner for Essex, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON
ERNST & YOUNG LLP

Date: 27 July 2018

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

The maintenance and integrity of the Police, Fire and 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 PFCC and PFCC Group (i.e. government grants, and council tax) for the year has been used in providing services in comparison with those resources consumed or earned by forces in accordance with generally accepted accounting practices. This analysis brings together performance reported on the basis of expenditure measured under proper accounting practices, with statutorily defined charges to the General Fund.

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

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

EFA for the Police, Fire & Crime Commissioner for Essex Group

	2016/17 Net Expenditure Chargeable to the General Fund	2016/17 Adjustment between Funding & Accounting Basis	2016/17 Net Expenditure in the CIES	2017/18 Net Expenditure Chargeable to the General Fund	2017/18 Adjustment between Funding & Accounting Basis	2017/18 Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000
Provision of Police Services - PFCC Group	260,725	31,453	292,178	271,034	65,425	336,459
Income from Council Tax	(94,439)	(132)	(94,571)	(99,237)	225	(99,012)
Non-Specific Government Grant Income	(171,838)	(39,269)	(211,107)	(169,620)	(42,120)	(211,740)
Other Income and Expenditure	0	88,419	88,419	0	84,868	84,868
(Surplus)/Deficit on Provision of Police Services - PFCC Group	(5,552)	80,471	74,919	2,177	108,398	110,575
Opening General Reserve and Earmarked Revenue Reserves at 1st April	(16,668)			(22,117)		
Reallocation to/(from) Capital Funding Reserves	103			(103)		
Less (Surplus)/Deficit on Provision of Police Services	(5,552)			2,177		
Closing General Reserve and Earmarked Revenue Reserves at 31 March	(22,117)			(20,043)		

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

	2016/17 Net Expenditure Chargeable to the General Fund	2016/17 Adjustment between Funding & Accounting Basis	2016/17 Net Expenditure in the CIES	2017/18 Net Expenditure Chargeable to the General Fund	2017/18 Adjustment between Funding & Accounting Basis	2017/18 Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000
Provision of Police Services - PFCC (before Intra-Group Funding)	25,474	5,398	30,872	27,550	9,845	37,395
Intra Group adjustment for CC's Net Service Cost	235,253	38,167	273,420	243,485	41,183	284,668
Net Cost of Provision of Police Services - PFCC	260,727	43,565	304,292	271,035	51,028	322,063
Income from Council Tax	(94,439)	(132)	(94,571)	(99,237)	225	(99,012)
Non-Specific Government Grant Income	(171,841)	(39,269)	(211,110)	(169,621)	(42,119)	(211,740)
Other Income and Expenditure	0	(1,438)	(1,438)	0	(1,913)	(1,913)
(Surplus)/Deficit on Provision of Police Services - PFCC	(5,553)	2,726	(2,827)	2,177	7,221	9,398

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, Fire & 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.

	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
Employee expenses	265,838	0	265,838	303,987	0	303,987
Premises	10,817	0	10,817	11,237	0	11,237
Transport	4,366	0	4,366	4,588	0	4,588
Other Service expenditure	25,376	0	25,376	28,895	0	28,895
Third party payments	6,750	0	6,750	5,357	0	5,357
Depreciation amortisation and impairment	6,549	0	6,549	11,409	0	11,409
Contribution to reserves and provisions	388	0	388	1,726	0	1,726
Fees charges and other service income	0	(22,649)	(22,649)	0	(23,520)	(23,520)
Government grants and contributions	0	(5,255)	(5,255)	0	(7,220)	(7,220)
Provision of Police Services - PFCC Group	320,084	(27,904)	292,180	367,199	(30,740)	336,459
(Gain)/loss on the disposal of non current assets	0	(1,379)	(1,379)	0	(1,888)	(1,888)
Other Operating Expenditure	0	(1,379)	(1,379)	0	(1,888)	(1,888)
External interest payable	0	0	0	4	0	4
Net interest on the defined benefit pensions liability						
- Police Officers	85,036	0	85,036	81,331	0	81,331
- Police Staff	4,841	0	4,841	5,485	0	5,485
Interest receivable and similar income	0	(78)	(78)	0	(64)	(64)
Financing and Investment Income and Expenditure	89,877	(78)	89,799	86,820	(64)	86,756
Taxation and Non Specific Grant Income						
Police grant	0	(102,782)	(102,782)	0	(101,347)	(101,347)
Formula funding	0	(55,932)	(55,932)	0	(55,149)	(55,149)
Council tax precept	0	(94,571)	(94,571)	0	(99,013)	(99,013)
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	(38,167)	(38,167)	0	(41,183)	(41,183)
Capital grant	0	(1,102)	(1,102)	0	(935)	(935)
	0	(305,679)	(305,681)	0	(310,752)	(310,752)
(Surplus)/Deficit on Provision of Police Services - PFCC Group	409,961	(335,041)	74,919	454,019	(343,444)	110,575
Other Comprehensive Income and Expenditure						
(Surplus)/deficit on revaluation of fixed assets	(6,207)	0	(6,207)	(1,463)	0	(1,463)
Remeasurement of the net defined benefit liability						
- Police Officers	539,750	0	539,750	0	(193,341)	(193,341)
- Police Staff	60,504	0	60,504	0	(37,995)	(37,995)
	594,047	0	594,047	(1,463)	(231,336)	(232,799)
Total Comprehensive Income and Expenditure	1,004,008	(335,041)	668,966	452,556	(574,780)	(122,224)

The Comprehensive Income and Expenditure Statement includes a segmental analysis which requires local authorities to report performance on the basis of how they operate, monitor and manage financial performance.

Core Financial Statements

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

	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	£000	£000	£000	£000	£000	£000
Employee expenses	3,431	0	3,431	3,480	0	3,480
Premises	10,817	0	10,817	11,237	0	11,237
Transport	3,385	0	3,385	3,605	0	3,605
Other service expenditure	25,048	0	25,048	28,513	0	28,513
Third party payments	6,615	0	6,615	5,355	0	5,355
Depreciation amortisation and impairment	6,549	0	6,549	11,409	0	11,409
Contribution to reserves and provisions	388	0	388	1,726	0	1,726
Fees charges and other service income	0	(20,406)	(20,406)	0	(21,024)	(21,024)
Government grants and contributions	0	(4,955)	(4,955)	0	(6,906)	(6,906)
Provision of Police Services - PFCC (before Intra-Group Funding)	56,233	(25,361)	30,872	65,325	(27,930)	37,395
Intra Group Funding for Chief Constable's Net Service Cost	273,420	0	273,420	284,668	0	284,668
Net Cost of Provision of Police Services - PFCC	329,654	(25,361)	304,292	349,993	(27,930)	322,063
(Gain)/loss on the disposal of non current assets	0	(1,379)	(1,379)	0	(1,888)	(1,888)
Other Operating Expenditure	0	(1,379)	(1,379)	0	(1,888)	(1,888)
External interest payable	0	0	0	4	0	4
Net interest on the defined benefit pensions liability						
- Police Staff	18	0	18	35	0	35
Interest receivable and similar income	0	(78)	(78)	0	(64)	(64)
Financing and Investment Income and Expenditure	18	(78)	(60)	39	(64)	(25)
Police grant	0	(102,782)	(102,782)	0	(101,347)	(101,347)
Formula funding	0	(55,932)	(55,932)	0	(55,149)	(55,149)
Council tax	0	(94,571)	(94,571)	0	(99,013)	(99,013)
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	(38,167)	(38,167)	0	(41,183)	(41,183)
Capital grant	0	(1,102)	(1,102)	0	(935)	(935)
Taxation and Non Specific Grant Income	0	(305,679)	(305,679)	0	(310,752)	(310,752)
(Surplus)/Deficit on Provision of Police Services - PFCC	329,671	(332,497)	(2,828)	350,032	(340,634)	9,398
Other Comprehensive Income and Expenditure						
(Surplus)/deficit on revaluation of fixed assets	(6,207)	0	(6,207)	(1,463)	0	(1,463)
Remeasurement of the net defined benefit liability						
- Police Staff	749	0	749	0	(206)	(206)
	(5,458)	0	(5,458)	(1,463)	(206)	(1,669)
Total Comprehensive Income and Expenditure	324,214	(332,498)	(8,284)	348,569	(340,840)	7,729

Core Financial Statements

Balance Sheet for the Police, Fire & Crime Commissioner for Essex Group and the Police, Fire & Crime Commissioner for Essex

The Balance Sheet shows the value of the assets and liabilities recognised by the PFCC. The net liabilities of the PFCC are matched by the reserves held by the PFCC.

Note	31st March 2017		31st March 2018	
	£000	£000	£000	£000
Long-term assets	PFCC	Group	PFCC	Group
14 Property, plant & equipment	97,021	97,021	86,713	86,713
15 Intangible assets	2,251	2,251	2,133	2,133
19 Long term debtors	46	46	42	42
Long-term assets total	99,319	99,319	88,888	88,888
Current assets				
29 Short term investments	11,500	11,500	8,000	8,000
18 Inventories	675	675	703	703
19 Short term debtors	31,696	33,212	32,168	33,694
20 Cash and cash equivalents	5,388	5,388	6,130	6,130
21 Assets held for sale	771	771	3,521	3,521
Current assets total	50,030	51,546	50,522	52,048
Current liabilities				
22 Short term creditors	(29,602)	(35,227)	(28,001)	(33,229)
Current liabilities total	(29,602)	(35,227)	(28,001)	(33,229)
Long term liabilities				
23 Provisions	(2,273)	(2,273)	(2,384)	(2,384)
34 Pensions liabilities - Police Officers	0	(2,939,083)	0	(2,830,260)
34 Pensions liabilities - Police Staff	(1,318)	(200,746)	(1,288)	(179,994)
11 Capital grants-receipts in advance	(1,181)	(1,181)	(491)	(491)
Long term liabilities total	(4,772)	(3,143,284)	(4,163)	(3,013,129)
Net liabilities	114,975	(3,027,646)	107,246	(2,905,422)
Usable reserves				
26 General Reserve	(13,157)	(13,157)	(12,221)	(12,221)
26 Earmarked revenue reserves	(8,959)	(8,959)	(7,822)	(7,822)
26 Future Capital Funding Reserve	(103)	(103)	0	0
16 Usable capital receipts	0	0	(1,852)	(1,852)
Usable reserves total	(22,219)	(22,219)	(21,895)	(21,895)
Unusable reserves				
Revaluation Reserve	(9,680)	(9,680)	(9,106)	(9,106)
Capital Adjustment Account	(81,107)	(81,107)	(74,505)	(74,505)
Deferred Capital Receipts Reserve	(27)	(27)	0	0
Pensions Reserve - Police Officers	0	2,939,084	0	2,830,260
Pensions Reserve - Police Staff	1,318	200,746	1,288	179,994
Collection Fund Adjustment Account	(3,271)	(3,271)	(3,046)	(3,046)
Accumulating Compensated Absences Adjustment Account	11	4,120	18	3,720
Unusable reserves total	(92,756)	3,049,865	(85,351)	2,927,317
Total reserves	(114,975)	3,027,646	(107,246)	2,905,422

I certify that the statement of accounts give a true and fair view of the financial position of the PFCC/Group and its income and expenditure for the year ended 31st March 2018.

These financial statements replace the unaudited financial statements certified by Abbey Gough, Acting Treasurer to the PFCC for Essex on 25th May 2018.



Abbey Gough (ACCA), Acting Treasurer to the PFCC for Essex
27th July 2018

Core Financial Statements

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

Cash Flow Statement for the PFCC for Essex Group

	2016/17		2017/18	
	£000	£000	£000	£000
	Group		Group	
Deficit on the provision of services:-		74,919		110,575
Adjustment for non cash movements:-				
Depreciation/amortisation of non current assets	(6,548)		(11,410)	
Movement in pension liability	(76,864)		(101,760)	
Increase/(decrease) in inventories	(31)		28	
Increase/(decrease) in debtors	(1,159)		124	
(Increase)/decrease in creditors	(563)		2,209	
Other non-cash items charged to the net surplus or deficit on the provision of services	791		(111)	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	2,547		3,992	
Total adjustments for non cash movements		(81,827)		(106,928)
Net cash flows from operating activities		(6,910)		3,647
Financing activities				
Release of capital grants				
Other payments for financing activities		132		(223)
Investing activities				
Purchase of property, plant and equipment and intangible assets	10,340		7,213	
Proceeds from the sale of property, plant and equipment	(2,329)		(6,467)	
Movement on short term investments	11,500		(3,500)	
Other payments for investing activities	(1,838)		(1,412)	
Sub total		17,673		(4,166)
Net (increase)/decrease in cash and cash equivalents		10,895		(742)
Cash and cash equivalents at the beginning of the reporting period		16,283		5,388
Cash and cash equivalents at the end of the reporting period		5,388		6,130
Movement in cash equivalents		(10,895)		742

Cash Flow Statement for the PFCC

	2016/17		2017/18	
	£000	£000	£000	£000
	PFCC		PFCC	
Deficit on the provision of services:-		(2,828)		9,398
Adjustment for non cash movements:-				
Depreciation/amortisation of non current assets	(6,548)		(11,410)	
Movement in pension liability	(79)		(176)	
Increase/(decrease) in inventories	(31)		28	
Increase/(decrease) in debtors	(1,159)		124	
(Increase)/decrease in creditors	(563)		2,209	
Other non-cash items charged to the net surplus or deficit on the provision of services	791		(518)	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,509		3,992	
Total adjustments for non cash movements		(4,080)		(5,751)
Net cash flows from operating activities		(6,908)		3,647
Financing activities				
Release of capital grants				
Other payments for financing activities		132		(223)
Investing activities				
Purchase of property, plant and equipment and intangible assets	10,340		7,213	
Proceeds from the sale of property, plant and equipment	(2,329)		(6,467)	
Movement on short term investments	11,500		(3,500)	
Other payments for investing activities	(1,838)		(1,412)	
Sub total		17,673		(4,166)
Net (increase)/decrease in cash and cash equivalents		10,895		(742)
Cash and cash equivalents at the beginning of the reporting period		16,283		5,388
Cash and cash equivalents at the end of the reporting period		5,388		6,130
Movement in cash equivalents		(10,895)		742

Core Financial Statements

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

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

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

2016/17 Group										
	Usable Reserves						Total Unusable	Total Reserves		
	Held for revenue purposes		Held for capital purposes			Total Usable			Total Unusable	Total Reserves
	General	Earmarked	Future Capital Funding	Capital Receipts	Capital Grants Unapplied					
£000	£000	£000	£000	£000	£000	£000	£000	£000		
Balance at 1st 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 31st 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, Fire & Crime Commissioner for Essex Group

2017/18 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 1st April 2017	(13,157)	(8,959)	(103)	0	0	(22,219)	3,049,865	3,027,646
(Surplus)/ Deficit on provision of services (accounting basis)	110,575	0	0	0	0	110,575	0	110,575
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(232,799)	(232,799)
Total Comprehensive Income and Expenditure	110,575	0	0	0	0	110,575	(232,799)	(122,224)
Adjustments between accounting basis and funding basis under regulations	(108,399)	0	0	(1,852)	0	(110,251)	110,251	0
Net (Increase) /Decrease before Transfers to Earmarked Reserves	2,176	0	0	(1,852)	0	324	(122,548)	(122,224)
Transfers (to)/from Earmarked Reserves	(1,240)	1,137	103	0	0	0	0	0
(Increase) /Decrease in year	936	1,137	103	(1,852)	0	324	(122,548)	(122,224)
Balance at 31st March 2018 carried forward	(12,221)	(7,822)	0	(1,852)	0	(21,895)	2,927,317	2,905,422

Core Financial Statements

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

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

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

2016/17 PFCC								
	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 1st 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 31st March 2017 carried forward	(13,157)	(8,959)	(103)	0	0	(22,219)	(92,757)	(114,976)

Core Financial Statements

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

2017/18 PFCC									
	Usable Reserves						Total Usable	Total Unusable	Total Reserves £000
	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	
Balance at 1st April 2017	(13,157)	(8,959)	(103)	0	0	(22,219)	(92,756)	(114,975)	
(Surplus)/ Deficit on provision of services (accounting basis)	9,398	0	0	0	0	9,398	0	9,398	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(1,669)	(1,669)	
Total Comprehensive Income and Expenditure	9,398	0	0	0	0	9,398	(1,669)	7,729	
Adjustments between accounting basis and funding basis under regulations	(7,222)	0	0	(1,852)	0	(9,074)	9,074	0	
Net (Increase) /Decrease before Transfers to Earmarked Reserves	2,176	0	0	(1,852)	0	324	7,405	7,729	
Transfers (to)/from Earmarked Reserves	(1,240)	1,137	103	0	0	0	0	0	
(Increase) /Decrease in year	936	1,137	103	(1,852)	0	324	7,405	7,729	
Balance at 31st March 2018 carried forward	(12,221)	(7,822)	0	(1,852)	0	(21,895)	(85,351)	(107,246)	

Notes Relating to the Accounts: General

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

Introduction

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

Accounting Principles

The accounting recognition of assets, liabilities and reserves during the first period of transition, 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.

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

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

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

The Chief Constable and PFCC have recognised the expenditure and income associated with day-to-day direction and control and the PFCC's funding to support the Chief Constable in the Chief Constable's Accounts, with the main sources of funding (i.e. central government grants and council tax) and the majority of balances being shown in the PFCC's Accounts. Transactions in respect of operational police officer and staff costs, and 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.

Notes Relating to the Accounts: General

2 Intra group adjustments

The table below shows the movement through an intra group account within the respective accounts. These adjustments reflect the financial resources consumed by the Chief Constable on behalf of the PFCC. The corresponding recharge to the PFCC accounts includes a further adjustment to ensure the intra-group recharge is calculated on a funding basis rather than accounting regulations. This includes adjustments for IAS 19 pensions costs and movements in respect of compensated absences accruals. There are no outstanding intra group balances at year end, as the PFCC 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 2016/17			Intra group balances for 2017/18		
	PCC £000	Chief Constable £000	Group £000	PFCC £000	Chief Constable £000	Group £000
Opening balance as at 1st April	0	0	0	0	0	0
PFCC resources consumed at the request of the Chief Constable	(273,420)	273,420	0	(284,668)	284,668	0
PFCC Intra group adjustment	273,420	(273,420)	0	284,668	(284,668)	0
Closing balance 31st March	0	0	0	0	0	0

3 Critical judgements in applying accounting policies

In applying the accounting policies set out in note 36, the PFCC and Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- a) Joint Activities: The PFCC and Chief Constable participates in some joint activities with the Police and Crime Commissioner for Kent, in particular a shared Serious Crime Directorate and Support Services Directorate. The PFCC and Chief Constable also participate in some joint activities with other Eastern Region Authorities. These activities are deemed by the PFCC and the Chief Constable to be jointly controlled activities in accordance with the Code of Practice. Accordingly, the Statement of Accounts does not include group accounts for these activities. Further details of joint activities are shown in the Related Party Transactions note 31.
- b) Impairment of Assets: Further information can be found in notes 12 and 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.

5 Date of Authorisation of the Statement of Accounts for Issue

The Statement of Accounts was authorised for issue on 27th July 2018 by Abbey Gough (ACCA), Acting Treasurer to the PFCC for Essex.

Notes Relating to the Accounts: General

6 Note to the Expenditure and Funding Analysis

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

2017/18 - 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 - PFCC Group	9,637	56,127	(339)	65,425
Other Income and Expenditure	(2,823)	45,633	163	42,973
(Surplus)/Deficit on Provision of Police Services - PFCC Group	6,814	101,760	(176)	108,398

2017/18 - PFCC				
	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 - PFCC (before intra-group funding)	9,637	141	67	9,845
Intra-group funding adjustment	0	41,183	0	41,183
Other Income and Expenditure	(2,823)	(41,148)	164	(43,807)
(Surplus)/Deficit on Provision of Police Services - PFCC	6,814	176	231	7,221

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 council tax adjustments and movement on the accumulated absences liability.

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 PFCC 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 £0.021m for every year that useful lives had to be reduced.
Insurance Provision	The PFCC has made a provision of £2.384m for the settlement of outstanding insurance claims that fail to be met under the 'excess' clauses of the PFCC's Insurance Policies. It is not certain that all valid claims have yet been received by the PFCC. Estimates of outstanding claims payments depends on a number of factors and assumptions around future claims development. An actuarial review of the appropriateness of the provision is undertaken annually by insurance consultants.	The previous year saw an increase in claims in the region of 30%. Based on this trend continuing 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 £0.320m to the provision required.
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 PFCC 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 £11.486m. 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 £111.217m. 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 2017/18. The tables are presented for the PFCC for Essex Group and for the PFCC. 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:-

PFCC for Essex Group

Remuneration Band	2016/17			2017/18		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£50,000 - £54,999	214	19	233	251	23	274
£55,000 - £59,999	135	7	142	170	5	175
£60,000 - £64,999	32	1	33	41	4	45
£65,000 - £69,999	10	3	13	18	1	19
£70,000 - £74,999	5	2	7	9	2	11
£75,000 - £79,999	2	3	5	8	1	9
£80,000 - £84,999	11	0	11	8	2	10
£85,000 - £89,999	3	1	4	4	0	4
£90,000 - £94,999	1	1	2	0	1	1
£95,999 - £99,999	1	0	1	0	0	0
£100,000 - £104,999	0	0	0	0	0	0
Total for Group	414	37	451	509	39	548

The numbers above exclude police officers and staff disclosed in the following NPCC Rank Officers Remuneration tables. However, three police officers have elements of pay in both tables for 2017/18. These relate to Chief Superintendents that were Acting Assistant Chief Constable and Temporary Assistant Chief Constable's for a period of 2017/18. The element of remuneration for the period they were Chief Officers has been removed for the purposes of calculating the above table.

The Digital Investigating and Intelligence Co-Ordinator is a national role and is included in the above table as a shared partnership post. During 2016/17 the related costs of this post were split three ways with contributions received from the Home Office and the College of Policing. For 2017/18 100% costs were reimbursed from the National Police Chief's Council (NPCC) until August 2017 when the role ceased.

PFCC for Essex

Remuneration Band	2016/17	2017/18
	Police Staff	Police Staff
£50,000 - £54,999	1	0
£55,000 - £59,999	0	2
Total for PFCC	1	2

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

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 PFCC:-

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 1)	Benefits in kind (note 2)	Allowances (note 3)	Employers Pension contributions (note 4)	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 Assistant 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

Group - 2017/18

NPCC rank officers' remuneration

2017/18					
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension Contributions (note 4)	Total Remuneration
	£	£	£	£	£
Chief Constable - S Kavanagh (note 5)	170,623	10,295	24,561	0	205,479
Deputy Chief Constable (note 6)	127,224	8,778	6,525	30,788	173,315
Temporary Deputy Chief Constable (note 7)	88,979	4,037	12,534	20,937	126,487
Assistant Chief Constable (note 8)	83,707	6,359	1,704	20,129	111,899
Assistant Chief Constable (note 9)	97,681	7,544	3,802	23,639	132,666
Acting Assistant Chief Constable (note 10)	21,647	0	6,457	5,239	33,343
Temporary Assistant Chief Constable (note 11)	49,128	0	2,494	11,889	63,511
Temporary Assistant Chief Constable (note 12)	14,653	343	800	3,309	19,105
Chief Finance Officer of the Chief Constable	86,052	0	4,738	13,166	103,956
Director of Strategic Change and Performance	97,563	3,711	3,414	14,927	119,615
Police, Fire & Crime Commissioner (note 13)	85,000	0	0	0	85,000
Deputy Police, Fire & Crime Commissioner (note 13)	60,000	0	0	9,180	69,180
Chief Executive (note 13)	90,414	0	0	13,833	104,247
Treasurer (note 13)	77,967	0	1,995	11,929	91,891
Total for Group	1,150,638	41,067	69,024	178,965	1,439,694

PFCC - 2017/18

2017/18					
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension Contributions (note 4)	Total Remuneration
	£	£	£	£	£
Police, Fire & Crime Commissioner (note 13)	85,000	0	0	0	85,000
Deputy Police, Fire & Crime Commissioner (note 13)	60,000	0	0	9,180	69,180
Chief Executive (note 13)	90,414	0	0	13,833	104,247
Treasurer (note 13)	77,967	0	1,995	11,929	91,891
Total for PFCC	313,381	0	1,995	34,942	350,318

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 PFCC upon appointment. The Chief Constable is also entitled to a stipend of up to 15% of basic salary. The Chief Constable actually received £17,640 stipend equating to 11%. The allowances figure of £24,561 includes £17,640 stipend and £6,921 housing allowance.
- 6) The DCC has been seconded out of force since the 1st April 2017. The costs shown have been recharged to seconded force by invoice.
- 7) The Temporary Deputy Chief Constable of the Seven Forces Strategic Collaboration Programme retired on the 4th December 2017. Although 100% of their costs are shown, each of the seven collaborating forces contributed. Had they been in post for the whole year, their salary would have been £127,966 plus allowances.
- 8) The Assistant Chief Constable came into post on the 25th May 2017. Had they been in post for the whole year, their salary would have been £98,132 plus allowances.
- 9) The Assistant Chief Constable came into post on the 20th April 2017. The post holder was Acting Assistant Chief Constable until they were made permanent on the 19th April 2017.
- 10) The Acting Assistant Chief Constable returned to their substantive rank on the 2nd July 2017. The costs shown are up to this date. Had they been in this post for the whole year, their salary would have been £104,433 plus allowances.
- 11) The Temporary Assistant Chief Constable returned to their substantive rank on the 1st October 2017. The costs shown are up to this date. Had they been in this post for the whole year, their salary would have been £100,778 plus allowances.
- 12) The Temporary Assistant Chief Constable returned to their substantive rank on the 29th May 2017. The costs shown are up to this date. Had they been in this post for the whole year, their salary would have been £96,029 plus allowances.
- 13) The Police, Fire and Crime Commissioner, Deputy Police, Fire and Crime Commissioner and Chief Executive, with effect from the 1st October 2017, have had 21% of their costs recharged to the Essex County Fire and Rescue Service. The Treasurer, with effect from the 1st January 2018 has had 50% of their costs recharged to the Essex County Fire and Rescue Service.

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

Members of the Essex Police Chief Officer Team

a) Director of Essex/Kent Support Services

The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2017/18. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

b) Deputy Chief Constable

The post holder has been seconded into force since the 10th April 2017 and has remained on the payroll of their host force. During 2017/18 100% of their costs were recharged to Essex Police.

c) Assistant Chief Constable

This post holder was on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2017/18. This post holder replaced the Acting Assistant Chief Constable referred to in note 10. 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 the cost of the compulsory and other redundancies that have been charged to the Comprehensive Income and Expenditure Statement are set out in the tables below:-

Number of Exit Packages						
Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £150,000	12	1	8	1	20	2

Cost of Exit Packages						
	2016/17			2017/18		
	Severance	Pension Strain	Total	Severance	Pension Strain	Total
£0 - £150,000	£336,746	£243,403	£580,149	£70,899	£131,089	£201,988

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

9 Termination benefits

There were two employees contracts terminated in 2017/18 (20 employees in 2016/17), incurring the following liabilities:

- £0.071m severance payments (£0.337m in 2016/17)
- £0.131m enhancement of pension strain (£0.243m in 2016/17).

10 External audit costs

	2016/17 £000	2016/17 £000	2017/18 £000	2017/18 £000
	PCC	Group	PFCC	Group
<u>Fees payable to Ernst & Young LLP</u>				
- with regard to external audit services carried out by the appointed	44	63	41	60
	44	63	41	60

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

11 Grant Income

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

	2016/17 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
Police grant	(102,782)	(101,347)
Formula funding	(55,932)	(55,149)
Council Tax Precepts	(94,571)	(99,013)
Council Tax Support grant	(10,992)	(10,992)
Council Tax Freeze grant	(2,133)	(2,133)
Pension Top Up grant	(38,167)	(41,183)
Capital grants	(1,102)	(935)
Total	(305,679)	(310,752)
Credited to services		
Local partnership funding	(1,410)	(1,988)
Other grants	(3,845)	(5,232)
Total	(5,255)	(7,220)

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

	2016/17 £000	2017/18 £000
Capital Grants Receipts in Advance		
NCTPHQ* - for various capital projects	(433)	0
ANPR project 5	(21)	(18)
ANPR project 6	(17)	0
Home Office - IT Mobile Communications upgrade	(710)	(386)
Safer Essex Roads Partnership - Document Management System	0	(60)
Safer Essex Roads Partnership - Motorcycle and Vehicle	0	(27)
Total	(1,181)	(491)

*National Counter Terrorism Policing Headquarters

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 2017/18 was undertaken in conjunction with the PFCC's valuers. The review of asset valuations comprised an assessment of the PFCC's property portfolio and general movement in property values. This concluded that there are no grounds to substantiate any material change in values on non-properties. It also concluded that it would be reasonable to not make any specific annual adjustment for market condition in relation to police house property.

Impairment losses were also charged in 2017/18 where capital expenditure on completed minor improvements works to property assets was not considered to have made any material change to the assets' value. Impairment disclosures are consolidated in notes 14 and 15 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

13 Leases

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

	2016/17 £000	2017/18 £000
Not later than one year	1,275	1,227
Later than one year and not later than five years	2,961	2,037
Later than five years (per annum)	812	616
Total	5,048	3,880

Notes Relating to Accounts: Balance Sheet

14 Property, Plant and Equipment

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 1st 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 31st 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 1st 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 and Impairment	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 31st March 2017	75,034	7,085	5,673	9,090	139	97,021
At 31st March 2016	68,709	6,570	6,114	2,438	4,735	88,566

Notes Relating to Accounts: Balance Sheet

The following two tables show the movements for 2017/18.

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 1st April 2017	77,801	25,401	13,857	10,322	139	127,520
Additions	0	3,475	1,818	0	1,756	7,049
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,113	0	0	679	0	1,792
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,528)	0	0	6	0	(2,522)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(1,860)	0	0	0	0	(1,860)
Derecognition - Disposals	0	(2,412)	(1,923)	(12)	0	(4,347)
Derecognition - Other	0	(294)	(278)	(54)	0	(626)
Assets reclassified (to)/from						
- Within PPE	1,860	(254)	0	254	(1,860)	0
- Held for Sale	(2,968)		0	(7,368)	0	(10,336)
- Intangibles	0	(1,895)	0	2	0	(1,893)
Other movements	0	0	0	0	0	0
At 31st March 2018	73,418	24,021	13,474	3,829	35	114,777

	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 1st April 2017	(2,767)	(18,316)	(8,184)	(1,232)	0	(30,499)
Depreciation Charge	(1,451)	(2,793)	(1,793)	(133)	0	(6,170)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,283	0	0	8	0	2,291
Derecognition - Disposals	0	2,377	1,739	12	0	4,128
Derecognition - Other	0	154	194	26	0	374
Assets reclassified (to)/from						
- Within PPE	0	254	0	(254)	0	0
- Held for Sale	298	0	0	75	0	373
- Intangibles	0	1,441	0	(2)	0	1,439
Other movements in Depreciation	0	0	0	0	0	0
At 31st March 2018	(1,637)	(16,883)	(8,044)	(1,500)	0	(28,064)
Net Book Value						
At 31st March 2018	71,781	7,138	5,430	2,329	35	86,713
At 31st March 2017	75,034	7,085	5,673	9,090	139	97,021

Notes Relating to Accounts: Balance Sheet

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

A total of 29 of the PFCC's existing land and building assets were revalued as at 31st March 2018 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 PFCC'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 31st March 2018 and which are included in the above PPE note.

Jointly Controlled Assets with Kent Police	Total value of the Joint Assets as at 31st March 2018	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
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 Gazetteer	20	50
Video Conferencing	133	50
Visual Media Evidence	230	50
Emergency Services Mobile Communications Programme	82	50
SCD - Software	348	15
Perimeter Monitoring	50	50
Total	2,071	

Fair Value Disclosures for Surplus Assets

Details of the PFCC's surplus property assets as at 31st March 2018 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 2018
	£000	£000	£000	£000
Surplus Operational Buildings	0	773	0	773
Surplus Land	0	1,555	0	1,555
Total	0	2,328	0	2,328

Notes Relating to Accounts: Balance Sheet

15 Intangible Assets

The PFCC accounts for his software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and software developed for the PFCC by third parties. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the PFCC. The useful lives assigned to the major software suites used by the PFCC of five years are: Athena, SAP System Licences 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:

	2016/17 Purchased Software Licences £000	2017/18 Purchased Software Licences £000
Gross book value at start of year	7,784	8,076
Movement in Year		
Additions	451	383
Disposals and deletions	(159)	(251)
Transfers	0	1,893
Gross book value at end of the year	8,076	10,101
Accumulated depreciation and amortisation at start of year	(5,386)	(5,825)
Movement in Year		
Depreciation on disposals and deletions	159	230
Depreciation on transfers	0	(1,439)
Amortisation for the year	(598)	(934)
Accumulated depreciation and amortisation at end of the year	(5,825)	(7,968)
Net book value at end of the year	2,251	2,133

Carrying Amount (Major Software Suites only)

	31st March 2017 £000	31st March 2018 £000	Remaining Amortisation Period at 31st March 2018
Athena	171	92	1 year
Mobile Data	24	0	-
SAP Systems Licences	841	591	2 years
Single Desktop Programme	46	26	1 year
SAP Systems Licences	0	45	4 years

16 Usable Capital Receipts

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

	2016/17 £000	2017/18 £000
Opening balance at start of year	(2,436)	0
Capital receipts received		
In-year receipts	(2,857)	(7,079)
Deferred receipts realised in year	0	(27)
	(5,293)	(7,106)
Capital receipts applied		
Used for financing capital expenditure	5,293	5,254
	5,293	5,254
Closing balance at end of year	0	(1,852)

Notes Relating to Accounts: Balance Sheet

17 Capital Expenditure and Financing

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

	2016/17 £000	2017/18 £000
Opening Capital Financing Requirement	8,065	9,255
Capital Investment		
Property, Plant and Equipment	10,056	7,049
Intangible Assets	451	383
Total Capital Investment	10,507	7,432
Sources of Finance		
Capital receipts	(5,293)	(5,254)
Government Grants and Contributions	(2,797)	(2,075)
Revenue funding (incl. use of internal funds)	(727)	(103)
Minimum revenue provision	(500)	(500)
Total Sources of Finance	(9,317)	(7,932)
Closing Capital Financing Requirement	9,255	8,755
Explanation of movements in year		
Net increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	1,190	(500)
Increase/(decrease) in Capital Financing Requirement	1,190	(500)

At 31st March 2017 there was an in-year shortfall in capital reserves of £1.690m carried forward to 2017/18, which it is proposed to finance from capital receipts in 2018/19. The minimum revenue provision of £0.500m is offsetting the capital financing requirement brought forward.

The estimated value of significant commitments under capital contracts totalled £0.050m at 31st March 2018 (£0.577m at 31st March 2017). The sum relates to retention payments due on a number of building projects.

18 Inventories

	Vehicle Parts		Uniform		CS Spray Prisoner Supplies General Stock		Total	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Balance outstanding at start of year	130	125	528	519	48	31	706	675
Purchases	963	1,051	311	460	6	20	1,280	1,531
Recognised as an expense in the year	(968)	(1,088)	(320)	(404)	(23)	(11)	(1,311)	(1,503)
Balance outstanding at year end	125	88	519	575	31	40	675	703

Notes Relating to Accounts: Balance Sheet

19 Debtors

Long term debtors

The long-term debtors' figure of £0.042m (2016/17 £0.046m) 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:-

	2016/17 £000	2016/17 £000	2017/18 £000	2017/18 £000
	PCC	Group	PFCC	Group
Central Government Bodies	12,587	12,587	17,079	17,079
Other Local Authorities	12,499	12,499	8,721	8,721
Public Corporations and Trading Funds	3	3	171	171
NHS Bodies	1	1	0	0
Other Entities & Individuals	6,606	8,122	6,197	7,723
Balance at year end	31,696	33,212	32,168	33,694

20 Cash and Cash Equivalents

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

	2016/17 £000	2017/18 £000
<u>Current Assets</u>		
Liquid Investments	3,000	2,000
Operational Bank Accounts	2,138	3,880
Petty Cash Advances	250	250
Total as per Balance Sheet	5,388	6,130
Less accrued interest on Net Short Term deposits	0	0
Total excluding accrued interest	5,388	6,130
Balance at year end	5,388	6,130

21 Assets Held for Sale

	2016/17 £000	2017/18 £000
Balance outstanding at start of year	389	771
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,493	9,963
Revaluation gains / (losses)	10	(2,543)
Assets sold	(1,121)	(4,670)
Balance outstanding at year end	771	3,521

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

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

At 31st March 2018, 12 assets met the above criteria.

At 31st March 2017, four properties met the above criteria.

Notes Relating to Accounts: Balance Sheet

22 Creditors

	2016/17	2016/17	2017/18	2017/18
	£000	£000	£000	£000
	PCC	Group	PFCC	Group
Central Government Bodies	(5,983)	(5,983)	(6,706)	(6,706)
Other Local Authorities	(10,018)	(10,018)	(8,853)	(8,853)
NHS Bodies	(337)	(337)	(322)	(322)
Public Corporations & Trading Funds	0	0	(67)	(67)
Other Entities & Individuals	(13,264)	(18,890)	(12,053)	(17,281)
Balance at year end	(29,602)	(35,227)	(28,001)	(33,229)

23 Provisions

The PFCC maintains two provisions as follows:

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

	2016/17	2017/18
	£000	£000
Balance outstanding at start of year	(2,759)	(2,273)
Additional provisions made in-year	(693)	(1,738)
Amounts used in-year	1,179	1,627
Balance outstanding at year-end	(2,273)	(2,384)

b) Severance Payments Provision

	2016/17	2017/18
	£000	£000
Balance outstanding at start of year	(305)	0
Additional provisions made in-year	0	0
Amounts used in-year	305	0
Balance outstanding at year-end	0	0

Notes Relating to the Accounts: Movement in Reserves Statement

24 Adjustments between accounting basis and funding basis under regulations

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

PCC Group - 2016/17	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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)	0	68,018	8,846	(132)	963	76,402	0

Notes Relating to the Accounts: Movement in Reserves Statement

PCC - 2016/17	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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
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
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	0	79	(132)	1	(1,345)	0

Notes Relating to the Accounts: Movement in Reserves Statement

PFCC Group - 2017/18	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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	(10,475)			(10,475)		10,475						10,475	0
Amortisation of intangible assets	(934)			(934)		934						934	0
Revaluation losses on Property, Plant & Equipment	0			0		0						0	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,162)			(5,162)		5,162						5,162	0
Adjusting amounts written out of the Revaluation Reserve				0	2,037	(2,037)						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	103			103		(103)						(103)	0
Adjustments involving the Capital Grants Unapplied Account													
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to usable reserves	2,074		(2,074)	0								0	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			2,074	2,074		(2,074)						(2,074)	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	7,080	(7,080)		0								0	0
Release of deferred capital receipts		(27)		(27)			27					27	0
Use of the Capital Receipts Reserve to finance new capital expenditure		5,255		5,255		(5,255)						(5,255)	0
Adjustments involving the IAS19 Pensions Reserve													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(181,082)			(181,082)				153,836	27,246			181,082	0
Employers' pension contributions and direct payments to pensioners payable in the year	79,322			79,322				(69,319)	(10,003)			(79,322)	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	(225)			(225)						225		225	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	400			400							(400)	(400)	0
Total	(108,399)	(1,852)	0	(110,251)	2,037	6,602	27	84,517	17,243	225	(400)	110,251	0

Notes Relating to the Accounts: Movement in Reserves Statement

PFCC - 2017/18	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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	(10,475)			(10,475)		10,475						10,475	0
Amortisation of intangible assets	(934)			(934)		934						934	0
Revaluation losses on Property, Plant & Equipment	0			0		0						0	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,162)			(5,162)		5,162						5,162	0
Adjusting amounts written out of the Revaluation Reserve				0	2,037	(2,037)						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	103			103		(103)						(103)	0
Adjustments involving the Capital Grants Unapplied Account													
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to usable reserves	2,074		(2,074)	0								0	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			2,074	2,074		(2,074)						(2,074)	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	7,080	(7,080)		0								0	0
Release of deferred capital receipts		(27)		(27)			27					27	0
Use of the Capital Receipts Reserve to finance new capital expenditure		5,255		5,255		(5,255)						(5,255)	0
Adjustments involving the IAS19 Pensions Reserve													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(285)			(285)					285			285	0
Employers' pension contributions and direct payments to pensioners payable in the year	109			109					(109)			(109)	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	(225)			(225)						225		225	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	(7)			(7)							7	7	0
Total	(7,222)	(1,852)	0	(9,074)	2,037	6,602	27	0	176	225	7	9,074	0

Notes Relating to the Accounts: Movement in Reserves Statement

25 Purpose of earmarked reserves

The following notes explain the purpose of the earmarked reserves on which there was a movement during or a balance at the end of 2017/18:-

- 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 31 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 2017/18 are as follows:-
 - PFCC Grants £0.385m
- 4) The Forfeiture Monies Reserve holds funds transferred to the PFCC from the Misuse of Drugs Act Seizures Fund. These funds are subsequently transferred from the reserve into the Comprehensive Income & Expenditure Statement in order to fund the costs of operations mounted to tackle drug related crime and drug abuse.
- 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 funds the cost of future major repairs to a multi occupancy building. The PFCC 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. The remaining balance on this reserve was fully utilised during 2017/18 and the year-end balance is now zero.
- 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 is used as an enabling facility to finance future capital expenditure arising in both new and existing projects.
- 16) The Eastern Region Special Operations Unit (ERSOU) reserve was created in 2017/18 to hold monies for use in 2018/19 to offset an expected reduction in Regional Organised Crime Units (ROCU) grant.

Notes Relating to the Accounts: Movement in Reserves Statement

26 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 2017/18.

See note 25 for details of the purpose of earmarked reserves.

	Balance at 31-Mar-16	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31- Mar 17	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31-Mar 18
	£000	£000	£000	£000	£000	£000	£000
Earmarked Reserves							
Held for revenue purposes							
Athena Reserve (1)	22	(22)	0	0	0	85	85
Estates Programme (2)	217	0	0	217	0	0	217
Carry Forward Reserve (3)	247	(247)	1,075	1,075	(1,075)	385	385
Forfeiture Monies Reserve (4)	98	(10)	66	154	0	199	353
Transformation Reserve (5)	1,169	(1,008)	2,247	2,408	(1,527)	1,086	1,967
Leased Property Dilapidations Reserve (6)	175	0	0	175	0	0	175
Leased Property Maintenance Reserve (7)	535	0	0	535	0	0	535
Pay Equalisation Reserve (8)	262	0	0	262	(262)	0	0
POCA Reserve (9)	786	(511)	56	331	(129)	166	368
Redundancy & Relocation Reserve (10)	0	0	1,387	1,387	(382)	0	1,005
Major Operational Reserve (11)	0	0	486	486	0	500	986
Recruitment Uplift Reserve (12)	0	0	883	883	(291)	0	592
Legal Claims Reserve (13)	0	0	900	900	0	0	900
Seven Forces Collaboration Reserve (14)	0	0	144	144	(144)	35	35
ERSOU Reserve (16)	0	0	0	0	0	219	219
Sub total	3,511	(1,798)	7,244	8,957	(3,810)	2,675	7,822
Held for capital purposes							
Future Capital Funding Reserve (15)	17	0	86	103	(103)	0	0
Sub total	3,528	(1,798)	7,330	9,060	(3,913)	2,675	7,822
General Reserve	13,157	0	0	13,157	(936)	0	12,221
Total Specific & General	16,685	(1,798)	7,330	22,217	(4,849)	2,675	20,043

27 Usable reserves

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

Notes Relating to the Accounts: Movement in Reserves Statement

28 Unusable reserves

The tables on the following pages describe the unusable reserves.

28.1 Revaluation Reserve

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

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

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

	2016/17 £000	2017/18 £000
Balance at 1st April	(3,729)	(9,680)
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	(13,083)	(8,658)
Downward revaluation of assets and impairment losses	6,877	7,196
Amount written off to the Capital Adjustment Account		
Depreciation of revaluation gains	153	178
Accumulated gains on assets sold or scrapped	102	1,858
Balance at 31st March	(9,680)	(9,106)

28.2 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 24 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2016/17 £000	2017/18 £000
Balance at 1st April	(79,559)	(81,107)
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	5,951	10,474
Revaluation (gains)/losses on Property, Plant and Equipment	0	0
Amortisation of Intangible Assets	598	934
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,474	5,162
Capital contributions written out	0	0
Adjusting amounts written out of the Revaluation Reserve	(255)	(2,036)
Net written out amount of the cost of non current assets consumed in the year	(71,791)	(66,573)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(5,293)	(5,254)
Capital Grants and Other Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(1,164)	(2,075)
Application of Grants to Capital Financing from the Capital Grants Unapplied account	(1,632)	0
Statutory provision for the financing of Capital Investment charged against the General Reserve	(500)	(500)
Capital Expenditure charged against the General Reserve	(727)	(103)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at 31st March	(81,107)	(74,505)

Notes Relating to the Accounts: Movement in Reserves Statement

28.3 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 PFCC 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.

	2016/17 £000	2017/18 £000
Balance at 1st April	(27)	(27)
Transfer to the Capital Receipts Reserve upon receipt of cash	0	27
Balance at 31st March	(27)	0

The above 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 30th 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 PFCC by the end of March 2018 by NPAS is £0.711m, including the final instalment of £0.027m which was paid in 2017/18.

28.4 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 PFCC accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the PFCC makes employer's contributions to pension funds or eventually pay any pensions when police officers retire.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the PFCC has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2016/17 Group			2017/18 Group		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
Balance at 1st April	2,331,316	131,396	2,462,712	2,939,083	200,746	3,139,829
Actuarial (gains)/losses on pensions assets and liabilities	539,749	60,504	600,253	(193,340)	(37,995)	(231,335)
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	134,733	18,792	153,525	153,836	27,245	181,081
Employer's pensions contributions and direct payments to pensioners payable in the year	(66,715)	(9,946)	(76,661)	(69,319)	(10,002)	(79,321)
Balance at 31st March	2,939,083	200,746	3,139,829	2,830,260	179,994	3,010,254

Notes Relating to the Accounts: Movement in Reserves Statement

	2016/17			2017/18		
	PCC		Total	PFCC		Total
	Police Officers	Police Staff		Police Officers	Police Staff	
£000	£000	£000	£000	£000	£000	
Balance at 1st April	0	490	490	0	1,318	1,318
Actuarial (gains)/losses on pensions assets and liabilities	0	749	749	0	(206)	(206)
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	157	157	0	285	285
Employer's pensions contributions and direct payments to pensioners payable in the year	0	(78)	(78)	0	(109)	(109)
Balance at 31st March	0	1,318	1,318	0	1,288	1,288

28.5 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.

	2016/17	2017/18
	£000	£000
Balance at 1st April	(3,138)	(3,271)
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	(133)	225
Balance at 31st March	(3,271)	(3,046)

28.6 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 31st March. Statutory arrangements require that the impact on the General Reserve is neutralised by transfers to or from the Account.

	2016/17	2016/17	2017/18	2017/18
	PCC	Group	PFCC	Group
	£000	£000	£000	£000
Balance at 1st April	10	3,157	11	4,120
Settlement or cancellation of accrual made at the end of the preceding year	(10)	(3,157)	(11)	(4,120)
Amounts accrued at the end of the current year	11	4,120	18	3,720
Balance at 31st March	11	4,120	18	3,720

Notes Relating to the Accounts: Supplementary Notes

29 Financial Instruments

Fair value of assets and liabilities carried at amortised cost

Financial assets and financial liabilities represented by loans and receivables are carried in the Balance Sheet at amortised cost. Financial assets and financial liabilities represented by trade receivables and trade payables are carried in the Balance Sheet at their contractual value (the figures included within Financial Instruments differ to the values quoted in the balance sheet as they exclude non-contractual and statutory amounts). Therefore, no financial asset or liability is held on the Balance Sheet at fair value. However, if materially different the fair values are shown for information-only purposes in the 'Summary of Financial Instruments' table below.

The fair value is assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:-

- For loans from the Public Works Loans Board (PWLB), other local authorities and other loans payable, premature repayment rates from the PWLB are applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates are used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables, and trade and other payables is taken to be the invoiced or billed amount

Therefore, as the £10m total investments held at the 31st March 2018 either matures in April 2018 or (in the case of the liquid investments) will be withdrawn in the first half of 2018/19, the carrying value for loans and receivables is deemed equivalent to fair value.

As the trade debtors and trade creditors Balance Sheet values are based on the invoiced amount (and contractual obligations) these carrying values are also deemed equivalent to fair value.

Summary of Financial Instruments

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

	Short Term	
	2016/17	2017/18
	£000	£000
Investments		
Loans and receivables	14,500	10,000
Total investments	14,500	10,000
Debtors		
Financial assets carried at contract amounts	12,818	10,527
Total debtors	12,818	10,527
Creditors		
Financial liabilities carried at contract amounts	(20,194)	(18,646)
Total creditors	(20,194)	(18,646)

Investments

The investments can be analysed as follows:-

	2016/17	2017/18
	£000	£000
<u>Current assets</u>		
Short term investments	11,500	8,000
Liquid investments	3,000	2,000
Total Current assets	14,500	10,000

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

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

The short term investment balance held at the 31st March 2018 comprises one investment with the Debt Management Office.

The PFCC does not hold any external borrowings at 31st March 2018 but has an internal borrowing requirement of £8.755m brought forward from 31st March 2017 (as per note 17). This comprises £7.065m of historic internal borrowing as well as a 2016/17 shortfall in capital reserves, totalling £1.690m.

Notes Relating to the Accounts: Supplementary Notes

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 and receivables	
	2016/17 £000	2017/18 £000
Interest expense	0	4
Interest receivable	(78)	(64)
Net gain for the year	(78)	(60)

30 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 PFCC'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 PFCC 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 PFCC's other financial instruments.

The PFCC'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 PFCC
- liquidity – the possibility that the PFCC might not have funds available to meet his commitment to make payments
- market risk – the possibility that financial loss might arise for the PFCC as a result of changes in such measures as interest rates and stock market movements

Liquidity risk

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

The PFCC did not have any short or long term external borrowings at 31st+ A139 March 2018. Should there be a need for the PFCC 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 PFCC would be unable to raise finance to meet his commitments under financial instruments. The risk would be that the PFCC would be bound to replenish a significant proportion of any future borrowings at a time of unfavourable interest rates. The PFCC 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 PFCC 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 PFCC. 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 PFCC 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.

Notes Relating to the Accounts: Supplementary Notes

Foreign exchange risk

The PFCC 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 PFCC 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.

Credit risk

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

This risk is minimised through the annual Treasury Management Strategy.

In addition, the PFCC 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 PFCC.

The agreed cash and time limits for 2017/18 are shown in the following table:

Counterparty	Cash limit	Duration
UK financial institution whose lowest published long-term credit rating is A (or equivalent)	Higher of 5% or £1m	1 year
Lloyds Bank:		
i) 5%/£1m limit applies with the exception where planned cash outflows for salaries and creditor payments necessitate a maximum up to £5m provided that Lloyds remains a UK bank and has a credit rating of A or better	£5m	Overnight
ii) If at any time Lloyds credit rating is less than A	£1m	Overnight
UK Central Government including Debt Management Office (irrespective of credit rating)	Unlimited	50 years
UK Local Authorities (irrespective of credit rating)	£5m each	1 year

The analysis below summarises the PFCC'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 31st March 2018	Historical experience of default	Historical experience market conditions at 31st March 2018	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and financial institutions	10,000	0.00	0.00	0
Sundry debtors	4,493	0.05	0.00	1
Total	14,493			1

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

The PFCC does not generally allow credit for sundry debtors beyond 30 days, such that £0.669m of the £4.493m balance is past its due date for payment. The past due amount can be analysed by age as follows:

- between 31 and 60 days £0.449m
- between 61 and 90 days £0.035m
- over 90 days £0.185m

Notes Relating to the Accounts: Supplementary Notes

31 Related Parties

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

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 debtors (note 19) and creditors (note 22).

The PFCC'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 PFCC.

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

a) Essex County Council

Essex County Council provides a coroner service as well as a police officer and police staff pension administration service to the Group. The total value of services provided in 2017/18 was £0.535m.

b) Kent Collaborative Agreement

Essex Police has collaborative agreements with Kent Police covering Serious Crime Directorate and Support Services Directorate which includes Business Services, IT Services, Procurement, Transport Services, Human Resources, Learning and Development, Estates 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. It should be noted that Estates ceased to be collaborative as a department on the 31st July 2017 and figures in the table below reflect the whole year.

The amount received from Kent Police during 2017/18 in respect of contributions to joint departments was £10.260m (2016/17 £8.893m). The amount paid to Kent Police for the year 2017/18 in respect of contributions to joint departments was £10.912m (2016/17 £9.866m).

The following table shows the total costs incurred by the PFCC 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:

	2016/17 £000	2017/18 £000
Collaborative Activity		
Joint Serious Crime Directorate	26,739	28,503
Joint Support Services Directorate:		
Director of Support Services	91	94
Business Services	8,112	7,883
Estates Services	7,823	8,584
Human Resources	7,343	2,599
IT Services	13,759	13,927
Learning and Development	0	6,102
Payroll Services	117	126
Procurement Services	517	684
Support Services Project Team	133	72
Transport Services	2,651	2,376
Total	67,285	70,950

In 2016/17 Learning and Development was part of Human Resources. In 2017/18 Learning and Development became a separate department.

Notes Relating to the Accounts: Supplementary Notes

c) The Eastern Region Special Operations Unit (ERSOU)

ERSOU was established 1st 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 2017/18 the net expenditure for Essex was £1.414m. This includes a transfer to reserves of £0.219m.

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 PFCC 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 in 2015/16 with fixed payments per quarter.

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

In classifying the Athena Agreement in accordance with IFRS 11 a 'joint arrangement' is an arrangement over which two or more parties have 'joint control'. Furthermore, joint control is the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The Strategic Athena Management Board (SAMB) is the highest level board consisting of the PFCC/PCCs and Chief Constables of the nine forces. The SAMB has control over significant activities and funding arrangements of Athena and each board members has one vote (18 votes in total). Decisions by the SAMB do not need to be unanimous but require a majority. On this basis, the Athena arrangement is not classified as a 'joint arrangement'.

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 31st March 2018 amounted to £2.00m and is subject to review as originally envisaged.

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

	2016/17		2017/18	
	Share of Athena system costs £	Recharge of AMO Management costs £	Share of Athena system costs £	Recharge of AMO Management costs £
Bedfordshire	208,383	72,696	197,708	142,594
Cambridgeshire	263,684	91,990	250,173	179,949
Hertfordshire	385,244	134,391	365,505	263,079
Kent	723,951	202,901	624,627	397,691
Norfolk	299,355	104,775	284,959	205,473
Suffolk	230,859	80,803	219,750	158,049
Essex	542,571	189,605	515,664	371,202
Warwickshire	77,992	122,919	358,311	86,958
West Mercia	62,939	54,403	422,357	196,496
Total	2,794,978	1,054,483	3,239,053	2,001,491

e) Athena Development Fund

Warwickshire and West Mercia joined the seven founder forces in 2015. 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 then an annual contribution would be made thereafter into the 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 2018/19.

	2017/18 Development Fund £
Balance brought forward	817,468
Contributions	227,500
Less expenditure	(770,754)
Carried forward	274,214

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'.

	2017/18 Share of Athena Innovation costs £
Bedfordshire	(41,678)
Cambridgeshire	(52,741)
Hertfordshire	(77,052)
Kent	(116,328)
Norfolk	(60,072)
Suffolk	(46,327)
Essex	95,522
Total	(298,676)

g) Seven Forces Strategic Collaboration Programme

This team was set up in October 2015 headed by T/DCC Julia Wortley with team resources contributed by six other forces and costs shared based on NRB. T/DCC Wortley retired during the year with her Seven Forces duties now being undertaken by the Strategic Collaboration Programme Director, who commenced their role in February 2018. The programme of work is currently planned to run up to March 2019 to review new collaborative workings possibilities.

	2017/18 Share of Seven Forces Strategic Collaboration costs £
Bedfordshire	87,598
Cambridgeshire	111,400
Hertfordshire	157,805
Kent	240,976
Norfolk	128,272
Suffolk	97,138
Essex	230,558
Total	1,053,747

Notes Relating to the Accounts: Supplementary Notes

h) Essex County Fire and Rescue Service Collaboration

The PCC became the Police, Fire and Crime Commissioner (PFCC) on 1st October 2017. The PFCC and the PFCC staff pay and associated costs relating to their work at Essex County Fire and Rescue Service (ECFRS) are recharged on a direct basis. In addition to this, there is a joint arrangement for joint projects which is run by a joint Emergency Services Collaboration Programme Board. A grant was received in 2017/18 from the Home Office Police Transformation Fund (PTF). The amount received from ECFRS during 2017/18 was £0.184m and the amount paid to ECFRS during 2017/18 was £0.37m. The PTF grant in 2017/18 was £0.22m and was split equally between PFCC and ECFRS.

32 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 and in 2016/17 these claims were heard in the Employment Tribunal. In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact. Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

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 40 claims lodged in respect of this case and whilst the outcome of the legal case is not in doubt the force is currently engaging legal advice in respect of the related financial liabilities which may arise. These liabilities cannot be reliably measured at the present time as both the timings and amount of payments are yet to be ascertained. For these reasons, no provision has been made in the 2017/18 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 2017/18 Accounting Statements.

33 Heritage Assets

The PFCC 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.

One of the PFCC's police stations, at Thorpe le Soken is a Grade II listed building and is included within non-current assets in the year-end accounts. The building is held for operational purposes rather than heritage reasons. The former Saffron Walden police station (also a Grade II listed building) was disposed of during 2017/18.

Notes Relating to the Accounts: Supplementary Notes

34 Defined Benefit Pension Schemes

Transactions Relating to Retirement Benefits

The PFCC Group recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement when they are earned by serving police officers and police staff, rather than when the benefits are eventually paid as pensions. The charge the PFCC Group is required to make against the council tax, however, is based on the cash payable in the year, and therefore the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement. The following transactions have been made in the PFCC Group's accounts during the year.

Police Officer Pension Schemes

	Totals	
	2016/17 £000	2017/18 £000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services:		
Service cost	49,697	72,505
Financing and Investment Income & Expenditure:		
Net interest on the defined liability	85,036	81,331
Total Post Employment Benefit charged to the Deficit on the Provision of Services	134,733	153,836
<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	578,564	(98,913)
Change in demographic assumptions	(38,814)	108,844
Experience (gain)/loss on defined benefit obligation	0	(203,272)
Remeasurements	539,750	(193,341)
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	674,483	(39,505)
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	(134,733)	(153,836)
<u>Actual amount charged against the General Reserve for pensions in the year</u>		
Retirement benefits payable to retired police officers	66,715	69,319

Actuarial gains and losses

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £193.341m (losses of £539.750 in 2016/17) have been included in the Comprehensive Income & Expenditure Statement.

Notes Relating to the Accounts: Supplementary Notes

Local Government Pension Scheme

	Local Government Pension Scheme			
	2016/17	2016/17	2017/18	2017/18
	£000	£000	£000	£000
	PCC	Group	PFCC	Group
Comprehensive Income & Expenditure Statement				
Service cost	138	13,842	250	21,652
Financing and Investment Income & Expenditure:				
Net interest on the defined liability	18	4,841	35	5,485
Administration expenses	1	109	0	108
	19	4,950	35	5,593
Total Post Employment Benefit charged to the (Surplus)/Deficit on the Provision of Services	157	18,792	285	27,245
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	(205)	(40,809)	(66)	(13,950)
Other actuarial (gains)/losses on assets	196	1,046	0	0
Change in financial assumptions	627	108,778	(140)	(24,045)
Change in demographic assumptions	17	(592)	0	0
Experience (gain)/loss on defined benefit obligation	114	(7,919)	0	0
Total Remeasurements	749	60,504	(206)	(37,995)
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	906	79,296	79	(10,750)
Movement in Reserves Statement				
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	(157)	(18,792)	(285)	(27,245)
Actual amount charged against the General Reserve for pensions in the year				
Employer's contribution payable to scheme	78	9,946	109	10,002

Actuarial gains and losses – Local Government Pension Scheme

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, an actuarial surplus of £37.995m for the Group and £0.206m surplus for the PFCC (£60.504m deficit for the Group, and £0.749m deficit for the PFCC in 2016/17) have been included in the Comprehensive Income & Expenditure Statement.

Total actuarial gains and losses

The total actuarial gains recognised in the Comprehensive Income & Expenditure Statement for Police Officer and Police Staff schemes are £231.336m (£600.254m losses in 2016/17).

Pension Assets and Liabilities recognised in the Balance Sheet

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

	Police Officer Pension Scheme	
	2016/17	2017/18
	£000	£000
Present value of the defined benefit obligation	(2,939,083)	(2,830,260)
Defined benefit obligation at start of year	(2,939,083)	(2,830,260)
Unrecognised past service cost	0	0
Net liability in Balance Sheet	(2,939,083)	(2,830,260)

	Local Government Pension Scheme			
	2016/17	2016/17	2017/18	2017/18
	£000	£000	£000	£000
	PCC	Group	PFCC	Group
Present value of funded obligation	(2,738)	(509,745)	(2,949)	(516,517)
Fair value of scheme assets (bid value)	1,420	310,626	1,661	338,075
Net liability	(1,318)	(199,119)	(1,288)	(178,443)
Present value of unfunded obligation	0	(1,628)	0	(1,552)
Net liability in Balance Sheet	(1,318)	(200,747)	(1,288)	(179,994)

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	
	2016/17 £000	2017/18 £000
Defined benefit obligation at start of year	(2,331,316)	(2,939,083)
Current service cost	(49,697)	(72,505)
Interest cost	(85,036)	(81,331)
Change in financial assumptions	(578,564)	98,913
Change in demographic assumptions	38,814	(108,844)
Experience gain/loss on defined benefit obligation	0	203,272
Estimated benefits paid net of transfers in	80,170	82,702
Contributions by scheme participants	(13,455)	(13,384)
Defined benefit obligation at end of year	(2,939,083)	(2,830,260)

	Police Officer Pension Scheme	
	2016/17 £000	2017/18 £000
Contributions by employer	66,715	69,319
Contributions by participants	13,455	13,383
Net benefits paid in/(out)	(80,170)	(82,702)
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 PFCC

<u>Liabilities</u>	Local Government Pension Scheme			
	2016/17 £000 PCC	2016/17 £000 Group	2017/18 £000 PFCC	2017/18 £000 Group
Balance at start of year	(1,755)	(388,707)	(2,738)	(511,373)
Current service cost	(138)	(12,738)	(250)	(21,399)
Interest cost	(69)	(14,692)	(77)	(14,249)
Change in financial assumptions	(627)	(108,778)	140	24,045
Change in demographic assumptions	(17)	592	0	0
Experience loss/(gain) on defined benefit obligation	(114)	7,919	0	0
Contributions by scheme participants	(43)	(3,481)	(50)	(3,629)
Benefits/transfers paid	25	9,528	26	8,702
Unfunded pension payments	0	88	0	87
Past service costs/(gains)	0	(1,104)	0	(253)
Balance at end of year	(2,738)	(511,373)	(2,949)	(518,069)

<u>Assets</u>	Local Government Pension Scheme			
	2016/17 £000 PCC	2016/17 £000 Group	2017/18 £000 PFCC	2017/18 £000 Group
Balance at start of year	1,265	257,311	1,420	310,626
Interest on assets	51	9,851	42	8,765
Return on assets less interest	205	40,809	66	13,950
Other actuarial gains/(losses)	(196)	(1,046)	0	0
Administration expenses	(1)	(109)	0	(108)
Employer contributions including unfunded	78	9,946	109	10,002
Contributions by scheme participants	43	3,481	50	3,629
Benefits paid	(25)	(9,616)	(26)	(8,789)
Balance at end of year	1,420	310,626	1,661	338,075
Net liability at start of year	(490)	(131,396)	(1,318)	(200,747)
Net liability at end of year	(1,318)	(200,747)	(1,288)	(179,994)

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:

	2016/17 PCC		2016/17 Group		2017/18 PFCC		2017/18 Group	
	£000	%	£000	%	£000	%	£000	%
Equities	969	68.0%	212,162	68.3%	1,084	65%	220,646	66%
Government bonds	54	4.0%	11,753	3.8%	110	7%	22,490	7%
Other bonds	58	4.0%	12,625	4.1%	62	4%	12,559	4%
Property	138	10.0%	30,220	9.7%	158	10%	32,069	9%
Cash/Liquidity	43	3.0%	9,350	3.0%	57	3%	11,626	3%
Alternative assets	95	7.0%	20,717	6.7%	123	7%	24,973	7%
Other managed funds	63	4.0%	13,799	4.4%	67	4%	13,712	4%
Total	1,420	100.0%	310,626	100%	1,661	100.0%	338,075	100.0%

The liabilities show the underlying commitments that the PFCC has in the long term to pay retirement benefits. The total liability of £3,010.3m has a substantial impact upon the net worth of the PFCC as recorded in the Balance Sheet.

Statutory arrangements for funding the deficit, however, mean that the financial position of the Group remains healthy:

- The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- Police Pensions are charged to the Police Pensions Fund Account, and any shortfall between the value of pensions paid in year and the receipts into the account from employer and employee contributions is funded from top-up grant from the government.

The total contribution expected to be made to the Local Government Pension Scheme in the year to 31st March 2019 is £0.110m for the PFCC and £9.853m for the Group. The expected contributions for the Police Officer Pension Schemes in the year to 31st March 2019 by the employer is £26.110m.

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: 31st March 2016
- Police Pension Schemes: 31st March 2017

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			
	2016/17 PCC	2016/17 Group	2017/18 PFCC	2017/18 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	n/a	24.4	n/a	23.7
Female	n/a	27.1	n/a	26.1
Retiring today:				
Male	n/a	22.2	n/a	21.9
Female	n/a	24.7	n/a	24.2
Rate of Inflation (RPI)	n/a	3.6%	n/a	3.3%
Rate of Inflation (CPI)	n/a	2.7%	n/a	2.3%
Rate of Increase in Salaries	n/a	4.4%	n/a	3.8%
Rate of Increase in Pensions	n/a	2.7%	n/a	2.3%
Discount Rate	n/a	2.8%	n/a	2.6%

	Local Government Pension Scheme			
	2016/17 PCC	2016/17 Group	2017/18 PFCC	2017/18 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	24.3	24.3	24.4	24.4
Female	26.9	26.9	27.0	27.0
Retiring today:				
Male	22.1	22.1	22.2	22.2
Female	24.6	24.6	24.7	24.7
Rate of Inflation (RPI)	3.6%	3.6%	3.3%	3.3%
Rate of Inflation (CPI)	2.7%	2.7%	2.3%	2.3%
Rate of Increase in Salaries	4.2%	4.2%	3.8%	3.8%
Rate of Increase in Pensions	2.7%	2.7%	2.3%	2.3%
Discount Rate	2.8%	2.8%	2.6%	2.6%

The following assumptions have also been made:

- police officers and police staff will exchange half of their commutable pension for cash at retirement
- police officers and police staff will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- the proportion of police staff that had taken up the 50:50 option at the previous valuation date will remain the same

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
		PFCC			Group	
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,878	2,949	3,021	506,584	518,070	529,827
Projected service cost	233	239	245	19,761	20,299	20,852
<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	2,960	2,949	2,938	519,566	518,070	516,586
Projected service cost	239	239	239	20,299	20,299	20,299
<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	3,010	2,949	2,889	528,354	518,070	508,024
Projected service cost	245	239	233	20,853	20,299	19,759
<u>Adjustment to mortality age rating assumption</u>	+1 year	None	-1 Year	+1 year	None	-1 Year
Present value of total obligation	3,046	2,949	2,855	536,687	518,070	500,117
Projected service cost	247	239	232	20,947	20,299	19,672

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	2,771,804	2,830,259	2,890,095
Projected service cost	62,751	64,951	67,233
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,836,059	2,830,259	2,824,502
Projected service cost	65,052	64,951	64,851
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,884,384	2,830,259	2,777,363
Projected service cost	67,135	64,951	62,843
<u>Adjustment to mortality age rating assumption</u>	+ 1 Year	None	-1 Year
Present value of total obligation	2,941,476	2,830,259	2,723,373
Projected service cost	67,023	64,951	62,943

35 Accounting Standards that have been issued but have not yet been adopted

Paragraph 3.3.4.3 of The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) requires the disclosure of information relating to the impact of accounting changes that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. The standards that may be relevant for additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 code are:-

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers* (including amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*)
- Amendments to IAS 12 *Income Taxes*: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 *Statement of Cash Flows*: Disclosure Initiative

It is not expected that any of the above changes will have a material impact upon the financial statements. In respect of IFRS 9 the force will adopt the this standard with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of financial assets. However, the force does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis.

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

36. Summary of Significant Accounting Policies

These are categorised as follows:-

Policies applying to the PFCC Group

- 36.1 General Principles
- 36.2 Accruals of Income and Expenditure
- 36.3 Overhead and Support Services
- 36.4 Employee Benefits
- 36.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors
- 36.6 Revenue Recognition
- 36.7 Events after the Reporting Period
- 36.8 Retirement Benefits – Police Staff
- 36.9 Contingent Assets and Liabilities
- 36.10 Income

36.1 General Principles

The Statement of Accounts summarises the PFCC's and the CC's financial transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. 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.

36.2 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 PFCC 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.

36.3 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 PFCC for Essex Group and the PFCC for Essex

36.4 Employee Benefits

Short Term Benefits

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

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

- outstanding annual leave entitlements
- time off in lieu

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

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

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

Long Term Benefits

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

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

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

36.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors

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

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

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

36.6 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 PFCC for Essex Group and the PFCC for Essex

36.7 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

36.8 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) Re-measuring's comprising the expected return on plan assets: the annual investment return on the fund assets based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
 - e) Gains/losses on settlement and curtailments: the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to the Comprehensive Income and Expenditure Statement.
 - f) Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
 - g) Contributions paid to the Essex Council Pension Fund: cash paid as employer's contributions to the pension fund.

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

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

36.9 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.

36.10 Income

The PFCC 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 PFCC. The PFCC is responsible for allocating this funding in consultation with the Chief Constable, or in accordance with any grant terms. The Chief Constable will provide professional advice and recommendations. The Chief Constable is responsible for the income from seconded officers, mutual aid and PCSO funding.

Policies applying to the PFCC

- 36.11 Council tax Income
- 36.12 Reserves
- 36.13 Provisions
- 36.14 Value Added Tax
- 36.15 Provision for Bad Debts
- 36.16 Inventories
- 36.17 Property, Plant and Equipment
- 36.18 Intangible assets
- 36.19 Assets held for sale
- 36.20 Non-current assets out of use
- 36.21 Capital grants and contributions
- 36.22 Donated Assets
- 36.23 Minimum revenue provision
- 36.24 Revenue expenditure funded from capital
- 36.25 Leases
- 36.26 Financial Assets and Liabilities
- 36.27 Cash and Cash Equivalents

36.11 Council Tax Income

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

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

Comprehensive Income & Expenditure Statement and Movement in Reserves Statement

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

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

Balance Sheet

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

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

36.12 Reserves

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

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

36.13 Provisions

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

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

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

36.14 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.

36.15 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.

36.16 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.

36.17 Property, Plant and Equipment

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

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

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

The PFCC operates a de-minimis limit below which items will not be charged to capital on the grounds of materiality. The limit for individual items is £10,000 except for vehicles where a £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 1st April 2010, where a significant component of an asset is replaced or enhanced, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount of the asset.

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

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

- Assets under construction - historic cost.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- Land and buildings – current value, for which existing use value is used, net of accumulated depreciation.
- Vehicles, plant and equipment - historic cost less depreciation as a proxy for fair value.

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 1st April 2007, the date of its formal implementation. Gains arising before that date were consolidated into the Capital Adjustment Account.

When an asset is disposed of the residual value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account and reported through the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account and reported through the Movement in Reserves Statement.

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

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

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

Depreciation is calculated on the following basis:

- Buildings –straight line allocation over the economic life of the building as determined by the PFCC's property advisors, assuming no residual value.
- Plant, vehicles and equipment - straight line allocation over the economic life of the assets, assuming no residual value.
- Components - straight line allocation over the economic life of the assets, assuming no residual value.

Policies applying to the PFCC for Essex Group and the PFCC 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 PFCC takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Componentisation Policy

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

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

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

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 PFCC 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 PFCC for Essex Group and the PFCC for Essex

Property assets

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

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

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

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

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

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

Equipment assets

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

Vehicle and marine assets

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

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 30th 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 PFCC assesses its assets for indication of impairment. This occurs where an asset is carried at an amount which exceeds the amount that could be recovered through use or sale of the asset.

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

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

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

Policies applying to the PFCC for Essex Group and the PFCC 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 PFCC also assesses whether an impairment loss from previous reporting periods may no longer exist. In such circumstances, an estimate of the recoverable amount of the asset(s) is made. The reversal of an impairment loss is made up to the carrying amount that would have been determined for the asset if no impairment had been previously recognised. Any excess above the carrying amount is treated as a revaluation gain and taken to the Revaluation Reserve.

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

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

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

36.18 Intangible assets

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

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

36.19 Assets held for sale

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

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

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

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

36.20 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 PFCC for Essex Group and the PFCC for Essex

36.21 Capital grants and contributions

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

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

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

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

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

36.22 Donated assets

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

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

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

36.23 Minimum revenue provision

The former Police Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10, and assessed the MRP for each financial year in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. For capital expenditure before 2007/8, the 2003 regulations contained details of the method which was required to be used when calculating MRP. The PFCC has continued this policy in respect of the unfinanced element of capital expenditure dating from this period. This MRP continues to be charged at the rate of 4%, in accordance with option 2 of the guidance.

For expenditure from 2008/9 onwards (e.g. with the first year of financing impact being 2009/10) the PFCC has chosen the 'Asset Life Method' for its MRP calculations. This is where MRP is determined by reference to the life of the asset being financed, either by the equal instalment method or alternatively the annuity method. Estimated life periods will be determined in accordance with the asset lives specified in the Property, Plant & Equipment accounting policy. However, the PFCC 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 PFCC 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.

Further information in respect of the PFCC's approach to MRP is within the annual Treasury Management Strategy document.

36.24 Revenue expenditure funded from capital

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

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

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

36.25 Leases

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

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

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

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

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.

36.26 Financial Assets and Liabilities

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

36.27 Cash and Cash Equivalents

The PFCC 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 PFCC defines cash equivalents as those funds that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. 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 PFCC's cash management.

Notes relating to the PFCC Accounts Index of Notes

<u>Notes Relating to the Accounts: General</u>	<u>Page</u>
1 Creation of Police, Fire & Crime Commissioner and Chief Constable Single Entities	63
2 Intra group adjustments	64
3 Critical judgements in applying accounting policies	64
4 Events after the Reporting Period	64
5 Date of Authorisation of the Statement of Accounts for Issue	64
6 Note to the Expenditure and Funding Analysis	65
7 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	66
<u>Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements</u>	
8 Officers remuneration (including Exit Packages)	67
9 Termination benefits	72
10 External audit costs	72
11 Grant income	73
12 Impairment of assets	73
13 Leases	73
<u>Notes Relating to Accounts: Balance Sheet</u>	
14 Property, Plant and Equipment	74
15 Intangible Assets	77
16 Usable Capital Receipts	77
17 Capital Expenditure and Financing	78
18 Inventories	78
19 Debtors	79
20 Cash and Cash Equivalents	79
21 Assets Held for Sale	79
22 Creditors	80
23 Provisions	80
<u>Notes Relating to the Accounts: Movement in Reserves Statement</u>	
24 Adjustments between accounting basis and funding basis under regulations	81
25 Purpose of earmarked reserves	85
26 Transfer to/from earmarked reserves	86
27 Usable reserves	86
28 Unusable reserves	87
28.1 Revaluation Reserve	87
28.2 Capital Adjustment Account	87
28.3 Deferred Capital Receipts Reserve	88
28.4 Pensions Reserve	88
28.5 Collection Fund Adjustment Account	89
28.6 Compensated Absences Adjustment Account	89
<u>Notes Relating to the Accounts: Supplementary Notes</u>	
29 Financial Instruments	90
30 Nature and Extent of Risks Arising from Financial Instruments	91
31 Related Parties	93
32 Contingent Liabilities	96
33 Heritage Assets	96
34 Defined Benefit Pension Schemes	97
35 Accounting Standards that have been issued but have not yet been adopted	102
<u>Polices Applying to the PFCC for Essex Group and PFCC for Essex</u>	
36 General polices	103

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.

	2016/17		2017/18	
	£000	£000	£000	£000
Contributions receivable				
Employer (21.3% of Pensionable Pay from 2015/16)	(20,649)		(20,983)	
Serving police officers	(13,414)		(13,384)	
Capital equivalent payment for ill health	(1,121)		(821)	
Transfers in				
Individual transfers in from other schemes	(886)		(447)	
Total Receipts		(36,070)		(35,635)
Benefits payable				
Pensions	58,246		61,005	
Commutations and lump sum payments	18,561		18,489	
Lump sum death benefits	101		108	
NIC on pension funds	30		4	
Interest on commutations and lump sum payments	0		0	
Payments to and on account of leavers				
Refund of contributions	86		43	
Individual transfers out to other schemes	25		25	
Total Payments		77,049		79,674
Sub total for the year before transfer from the PFCC of amount equal to the deficit		40,979		44,040
Transfer of amount from the PFCC of amount equal to the deficit - annual benefits (21.3%)	(38,167)		(41,183)	
Transfer of amount from the PFCC of amount equal to the deficit - additional funding payable (2.9%)	(2,812)		(2,857)	
Transfer of amount from the PFCC of amount equal to the deficit - Total		(40,979)		(44,040)
Net Amount Payable for the year		0		0

Police Officer Pension Fund

CARE Scheme

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

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

	2016/17 £000	2017/18 £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 34 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 PFCC, which has a value, for example, land & buildings, vehicles, equipment, cash.
- ASSETS UNDER CONSTRUCTION** – The cost of work done on an uncompleted project at the balance sheet date.
- BUDGET** – A statement of the PFCC’s plans in financial terms. A budget is prepared and approved by the PFCC before the start of each financial year and is used to monitor actual expenditure throughout the year.
- CAPITAL ADJUSTMENT ACCOUNT** – An account which reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- CAPITAL EXPENDITURE** - Expenditure on new assets or on the enhancement of existing assets so as to prolong their life or enhance market value.
- CAPITAL GRANT** – Grant from Central Government used to finance schemes in the capital programme. Where capital grants are receivable, these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.
- CAPITAL RECEIPTS** – The proceeds from the sale of an asset, which may be used to finance new capital expenditure or to repay outstanding loan debt, as laid down within rules set by Central Government.
- CASHFLOW STATEMENT** – This statement summarises the inflows and outflows of cash.
- CIPFA** – The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.
- CONTINGENCY** – The sum of money set aside to meet unforeseen expenditure or liability.
- COLLECTION FUND** – A fund administered by each District Council into which individuals’ council tax payments are paid. The PFCC precepts on the Fund to finance part of the net revenue expenditure.
- COMPONENTISATION** – The separate recognition, depreciation and derecognition of parts (components) of assets. This is based on the concept that various components of an asset are identified and depreciated separately if they have differing patterns of benefits, useful lives and are significant relative to the total cost of the asset.
- COUNCIL TAX** – The local tax levied on householders, based on the relative market values of property, which helps to fund local services.
- CREDITORS** – Individuals or organisations to whom the PFCC owes money at the end of the financial year.
- CURRENT ASSETS AND LIABILITIES** – Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.
- CURRENT SERVICE COSTS (PENSIONS)** – The increase in the present value of a defined benefit scheme’s liabilities expected to arise from the employee service in the current period.

Glossary of Terms

CURTAILMENT – For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

DEBTORS – Individuals or organisations who owe the PFCC money at the end of the financial year.

DEFERRED LIABILITIES – Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

DEFERRED PENSIONS – Individuals who have ceased to be active members but are entitled to benefits payable at a later date.

DEFINED BENEFIT SCHEME – A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

DEPRECIATION – An annual charge to reflect the extent to which an asset has been worn out or consumed during the financial year.

DIRECT REVENUE FINANCING – Resources provided from the PFCC's revenue budget to finance the cost of capital projects.

DISCRETIONARY BENEFITS – Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the PFCC's discretionary powers.

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

ECFRS – Essex County Fire and Rescue Service

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

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

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

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

FINANCIAL ASSETS – Cash, an equity instrument of another entity or a contractual right to receive cash, or another Financial Instrument, or to exchange Financial Instruments under favourable conditions.

FINANCIAL INSTRUMENTS (FI) – contracts that give rise to a financial asset of one entity and a financial liability of another entity.

FINANCIAL LIABILITIES – A contractual obligation to deliver cash, or another FI, or to exchange FIs under favourable conditions.

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

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

FORMULA SPENDING SHARE (FSS) – An assessment by central government of how much a PFCC needs to spend to provide a common level of service having regard to the individual circumstances. It is used to distribute Police Grant.

FUTURE CAPITAL FUNDING RESERVE – Created to provide an alternative source of financing capital expenditure, and to ensure some stability in the level of capital programmes that can be financed each year.

Glossary of Terms

GOING CONCERN – The concept that the PFCC will remain in operational existence for the foreseeable future, in particular that the Comprehensive Income & Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS - Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a PFCC in return for past or future compliance with certain conditions relating to the activities of the PFCC.

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

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

IMPAIRMENT – Where events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable, e.g. a significant decline in market value or evidence of obsolescence or physical damage. The impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

INCOME & EXPENDITURE ACCOUNT – The main revenue fund of the PFCC into which the precept, government grants and other income are paid, and from which the costs of providing services are met.

INTEREST INCOME – The money earned from the investment of surplus cash.

INTEREST COSTS (PENSIONS) – For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL ACCOUNTING STANDARDS (IAS) – Standards for the preparation and presentation of financial statements, published between 1973 and 2017 by the International Accounting Standards Committee.

INVESTMENTS (PENSION FUND) – The investments of the Pension Fund will be accounted for in the statements of that Fund. Authorities, however, are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

JAC – Joint Audit Committee

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

MINIMUM REVENUE PROVISION (MRP) – The statutory minimum amount which the PFCC is required to set aside on an annual basis as a provision to redeem debt.

NET BOOK VALUE – The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST – The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NCTPHQ – National Counter Terrorism Policing Head Quarters

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

NPCC – National Police Chief's Council.

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

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.

Glossary of Terms

PAYMENTS IN ADVANCE – These represent payments prior to 31st March for supplies and services received after 1st April.

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

PFCC – Police Fire and Crime Commissioner.

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

PRECEPT – The income which the PFCC requires the District Councils to raise from council tax on its behalf.

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

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

PROVISION – An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

PUBLIC WORKS LOAN BOARD (PWLB) – A government agency which provides longer term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RECEIPTS IN ADVANCE – These represent income received prior to 31st March for supplies and services provided by the Authority after 1st April.

RESERVES – Monies set aside by the PFCC either to be earmarked for specific purposes, or generally held to meet unforeseen or emergency expenditure (General Reserve).

RETIREMENT BENEFITS – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVALUATION RESERVE – The account records unrealised net gains (if any) from revaluations made after 1st April 2007.

REVENUE EXPENDITURE AND INCOME – Day to day expenses mainly salaries and wages, general running expenses and the minimum revenue provision cost. Charges for goods and services.

REVENUE CONTRIBUTIONS TO CAPITAL – Contribution from the Comprehensive Income & Expenditure Statement to finance capital expenditure and thus reduce the requirement to borrow.

SERVICE REPORTING CODE OF PRACTICE – A code of practice issued by CIPFA, which provides a consistent and comparable basis for financial reporting across local authorities in the United Kingdom.

SCHEME LIABILITIES – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SETTLEMENT – An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

SPONSORSHIP – The voluntary provision of non-public fund, services, equipment or other resources that enables the police to enhance or extend the normal service provided.

TRANSFER VALUES – Payment made by one pension scheme to another in respect of accrued pension rights when a member of a scheme changes pensionable employment.

UNUSABLE RESERVES – Reserves that represent the net value of fixed assets and pensions & other liabilities, but which cannot be applied to fund expenditure or reduce local taxation.

USABLE RESERVES – Reserves that can be applied to fund expenditure or reduce local taxation.

VESTED RIGHTS – In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme.
 - b) for deferred pensioners, their preserved benefits.
 - c) for pensioners, pensions to which they are entitled.
- Vested rights include where appropriate the related benefits for spouses or other dependants.

Further Information

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

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

Telephone 01245 452615
E-mail: public.finance.enquiries@essex.pnn.police.uk

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

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