

# **PFCC (Police, Fire and Crime Commissioner for Essex)**

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## **The 2018/19 Statement of Accounts for the Police, Fire and Crime Commissioner for Essex**

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## Narrative Report

### **1. Police, Fire and Crime Commissioner's Report**

#### **Foreword from the Police, Fire and Crime Commissioner**

- 1.1 Since being elected as your Police, Fire and Crime Commissioner in May 2016, and even before this as a district and county councillor, I have deliberately invested a considerable amount of time visiting communities in Essex and hearing directly from you about your concerns, hopes and aspirations.
- 1.2 It remains my firmly held belief that safe and secure communities are the bedrock on which we build success and wellbeing for all and your views really do matter to me as it is only by working together that we will be able to achieve this.
- 1.3 These conversations and further workshops with partners, the public, police officers and staff fed into the development and publication of the Police and Crime Plan 2016-2020. This Plan sets out seven priorities which in turn form the basis on which I hold the Chief Constable to account for the delivery of policing in Essex. The seven priorities are:
- More Local, Visible and Accessible Policing
  - Crack down on Anti-Social Behaviour
  - Breaking the Cycle of Domestic Abuse
  - Reverse the Trend in Serious Violence
  - Tackle Gangs and Organised Crime
  - Protecting Children and Vulnerable People from Harm
  - Improve Safety on Our Roads
- 1.4 A consistent theme which I have heard across the county is the need for a more visible police presence which is accessible and embedded within your local communities. You want a police force that is effective and efficient in tackling crime but importantly that also works hard to prevent crime happening in the first place. We all want to live in communities where we do not need to fear crime, where criminals have no place to flourish and we can be safe and secure to go about our lives. Effective, visible policing alongside excellent partnership working and real engagement with local people plays an important part in fostering this relationship.
- 1.5 During 2018/19 we were able to budget for an extra 153 officers following the £12 increase (for a band D property) in the Policing element of local council tax. Over the year, Essex Police has successfully recruited these officers and more bringing the total number of officers in Essex to 3064, 61 officers more than the target of 3003 officers Essex Police had been aiming for by this time. This extra recruitment has given us a head start in recruiting the 215 extra officers in 2019/20 which are planned as part of the latest precept increase.
- 1.6 These extra officers have been recruited, trained and deployed through the year with the majority taking up their posts between December 2018 and the end of March 2019. Two thirds of these extra officers have joined Local and Community Policing Teams across the county and will make a significant impact on the local, visible nature of policing, a key priority in my Police and Crime Plan. These deployments will significantly boost local policing where some of the most important, preventative work is being carried out.
- 1.7 This increase in police officers will bring the total number of officers in the force by April 2020 to more than 3200, an extra 368 officers over two years, and put us on a more sustainable footing to tackle the demand we are currently experiencing.
- 1.8 Whilst we have successfully secured additional resources and are growing the capacity of Essex Police, the challenges facing policing have continued to grow and develop. Over the year the county as a whole has seen an increase in reported crime especially that of a complex and violent crime. In Essex this increase has been smaller than the national average; however, it is a trend that we must reverse.

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- 1.9 Over the reporting period we have seen an 18.4 percent increase in all crime including a 46.2 percent increase in domestic abuse and a 7.5 percent increase in violence with injury. The increase in the reporting of domestic abuse cases is positive as more victims feel confident in coming forward and reporting. This is being reflected in the significant increase in the number of cases being reported which are at the less severe end of what is reported though still incredibly important to have reported and to act on. The change in how stalking and harassment cases are recorded has resulted in more cases being recorded and has had an impact on the overall number of domestic abuse cases reported. In terms of violence with injury the vast majority of these reports were actual bodily harm (ABH) which made up 83.45 percent of violence with injury cases. It is also worth noting 33.5 percent of all violence with injury cases were domestic in nature. While these figures are in line with national trends it is a trend that in Essex we are determined to turn around by increasing resources and continuing to implement our clear, strong strategic approach. During the year Essex also experienced a continued reduction in anti-social behaviour (5.9 percent reduction) and homicide (41.7 percent reduction) as well as a reduction in burglary (6.2 percent reduction).
- 1.10 As a county Essex continues to experience an increase in criminal activity along County Lines and as a result of the violence that crosses into Essex from London and other urban areas. This type of criminal activity exploits and feeds off the vulnerable in our society, enticing them to enter into a life of crime. This has the damaging effect of increasing the criminal activity in our communities; it also destroys the lives of those young or vulnerable people groomed or otherwise exploited and led into this dangerous and corrosive lifestyle.
- 1.11 To confront this trend I have brought together partners from across Essex to develop and deliver a Violence and Vulnerability Framework. The Framework is underpinned by a Violence and Vulnerability Unit which will have available to it a range of preventative and enforcement capabilities to reduce the exploitation of the vulnerable and crack down on the violence that has been affecting our communities. In November 2018 we successfully secured £664,000 from the Home Office Early Intervention Youth Fund to further extend our work in tackling violence and vulnerability. Essex County Council also pledged an extra £500,000 for the 2019-2020 financial year creating a significant investment in tackling this issue. This proactive approach is just one example of where working with our partners we have been able to develop new, exciting initiatives that are making a real difference in communities.
- 1.12 Our joint working with local councils has also taken a further step forward this year with a range of authorities providing new, additional funding for policing in their areas. Epping Forest District Council was the first council to set this up with three officers funded during the 2018-2019 financial year. In Colchester the local borough council has indicated that they will be investing in extra officers for the Community Safety Teams and rural policing teams, while Thurrock and Basildon are also investing in local policing in their communities. These partnerships offer more than just financial support for policing. They bind together local providers, creating tangible links between different organisations focused on resolving local issues for the benefit of their residents. This is why, it is important to develop strong working partnerships as we know that we will see a significant impact on community safety within those communities.
- 1.13 During the year we also said farewell to Stephen Kavanagh who stepped down as Chief Constable. Stephen served Essex exceptionally well and made a huge contribution to the safety and security of our county. Despite having to make a number of tough choices, Stephen maintained his commitment to his people and to delivering a high quality policing service, most notably achieving a good rating by Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS). Stephen left the force in a much stronger position than when he joined it.
- 1.14 Following Stephen's departure we went through a rigorous and independent recruitment process and I was pleased to announce Ben-Julian Harrington as Essex's new Chief Constable. Ben-Julian joined the Force as acting Deputy Chief Constable in March 2017 following a 17 year career with the Metropolitan Police Force.

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1.15 We have achieved a lot during the year and that would not have been possible without the continued commitment and dedication of the many people who work for and with Essex Police. While there are too many to mention here, I would like to personally thank them for their hard work and continued commitment. I would also like to thank you and others like you in your community who continue to support the police, who volunteer, who participate and who work together to ensure we have the communities that we all want to live in.

### **2. Chief Constable's Report**

2.1 Essex Police has continued building on the successes of the previous year and has seen growth in the form of 153 new police constable posts with further establishment growth planned for the coming year.

2.2 I have been really proud to see outstanding work from officers and staff alike to strive to help people, keep them safe and catch criminals.

2.3 That work has resulted in a further reduction in the numbers of house burglaries as well as a decline in incidents of antisocial behaviour. Essex broadly mirrors the national picture for crime overall, and in particular is reflecting the countrywide rise in the numbers of offences of violence. Investment in this area will see a new Violence and Vulnerability Unit being established bringing together partners and the police to take a long-term problem solving approach to the issue and coordinate prevention, diversion and enforcement.

2.4 The work of our Operation Raptor teams in leading the activity to tackle gangs and county line drug activity continues to see success. In 2018 we saw these teams arrest 618 people, seize 93 weapons and obtain prison sentences totalling over 208 years.

2.5 In response to the increasing crime levels and the changing landscape of crime – cyber and digital - more constables will be recruited alongside more police staff members and Special Constables to help us meet that challenge.

2.6 Recruitment activity will focus on bringing in 215 new constables and 50 police staff posts. We will also be striving to attract more volunteers and special constables as these roles are essential to ensuring continued visibility in our local communities. Such commitments have seen us rise to have the second largest Special Constabulary in the country.

2.7 We are progressing with our recruitment activity to attract new officers, staff and volunteers from all of the communities in Essex. A new approach around targeted recruitment saw us more than double the numbers of applications from people from diverse backgrounds. Before the targeted campaign was launched we saw 15 applications across a four-week period. In the month following this rose to 32. I know that we still have some way to go to be fully representative of the communities we serve but I'm confident plans are in place to improve our position. Indeed part of that work also involves the formation of a diversity strategy which formalises our commitment to being a diverse employer.

2.8 It's important to reference that this year saw me succeed Stephen Kavanagh in the post of Chief Constable. Stephen had provided strong leadership to the force since May 2014 through some challenging events. I am privileged to have been part of the Essex Police family since April 2017 and now have the honour of leading the force and its commitment to protect and serve the people of Essex.

2.9 Since taking up the post in October I have spoken to almost 3,000 members of the force on an internal roadshow to fully understand the challenges faced by my colleagues while also embedding my vision for Essex Police. At those roadshows I have talked about where I see our main effort being focussed, and that's encompassed in four Vs – victims, visibility, violence and vulnerability. Our priorities as a force are underpinned by the Police and Crime Plan as well as our values and the Code of Ethics.

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- 2.10 Part of that leadership includes ensuring the organisation looks after its people and I am extremely proud of the services we provide to officers and staff who are affected by the nature of the work they do, especially where there continues to be an increase in the numbers of officers assaulted while on duty. In November our collaborative Health and Wellbeing Team won a prestigious national award for the amazing work which continues around the Feel Well Live Well programme. In addition, our Occupational Health referral waiting list has been dramatically reduced and our managers are better equipped to support their staff back to work after ill-health or injury.
- 2.11 Our collaboration activity with both Kent Police and Essex County Fire and Rescue Service is in a good place and we are seeing on going benefits from efficiencies including agreed joint working processes and co-location. The work by our estates professionals to consolidate the buildings we own so we can invest more money back in to policing and make sure we are fit for the future has seen us progressing with plans to maximise the use of those buildings. This will be an ongoing programme of work which is currently focussed around Chelmsford Police Station and the main Police Headquarters estate.

### Police and Crime Plan

#### **3. More Local, Visible Accessible Policing**

- 3.1 Local, visible accessible policing remains an important priority within the Police and Crime Plan and is an area where Essex has been leading the country.
- 3.2 Essex Police is independently recognised by Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) as an efficient force that offers good value for money. Following a detailed and robust analysis of Essex Police and demand in the county, the Commissioner and Chief Constable were convinced that to offer the service the people of Essex wanted from their police and to deal with the increased demand being seen across the country it was necessary to secure additional resources.
- 3.3 Taking the evidence developed in Essex, the Commissioner was appointed as the finance lead for Police and Crime Commissioners across the country and led the work with the Home Office and Treasury to secure additional funding for policing nationally. This work secured the first increase in police funding in seven years. Over the year the benefits of this increase has resulted in 150 officers being recruited, trained and deployed within communities in Essex.
- 3.4 The Commissioner's national role has continued in 2018-2019 and resulted in a further investment in policing. This is being raised through an increase in the local element of council tax during 2019-2020 allowing for public transparency in the process. This will result in a further increase of 215 officers in the total establishment for the force.
- 3.5 It is expected that these officers will be recruited, trained and deployed throughout 2019-2020 with final deployment being completed by April 2020. By this stage the number of officers will be more than 3200 and at a level that the original analysis showed would provide a sustainable foundation to tackle demand. While this is significant progress, the Commissioner and Chief Constable are not complacent about the need for Essex Police to see further growth in future years and will continue to work hard together with the Government to press for investment.
- 3.6 Through the Comprehensive Spending Review process the Commissioner is working on behalf of Police and Crime Commissioners nationally to support the Home Office in its bid to the Treasury for a long term funding solution for policing. Through this the Commissioner is setting out the significant, positive impact proactive, preventative policing can have in Essex and how by investing upfront we can reduce our long term costs whilst also creating the safe and secure communities that allow people to thrive and prosper.



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- 3.7 During 2018-2019 Essex Police has done an excellent job recruiting high quality new officers and by the end of March 2019 there were 3,064 officers (FTE) working for Essex Police against a target of 3,003. This puts them in a good position for the coming year when recruitment will continue until they have reached the full increase in officers of 368. The new officers recruited during 2018-2019 are being trained and deployed in local policing across the county with every district achieving an increase in officers at least in line with that promised as a result of the 2018-2019 precept increase.
- 3.8 At the same time as recruiting more officers there is continuing work to improve the efficiency of the Force. The Commissioner and the Force continue to invest in new technology and improvements in systems and processes as part of the Mobile First Programme. This will help to ensure officers and staff are as effective and efficient as they can be and has saved each officer 28 minutes per shift so far with more savings anticipated. Officers need to be spending as much time as possible out in the community, able to complete basic reporting and admin while they are visible and without having to waste time returning to stations. To achieve this, processes need to be as efficient as possible, using technology to free up officers time and allow them to do more of the highly visible work communities want.
- 3.9 The growth in officers is also matched by the significant growth in the Special Constabulary. In the 2016-2020 Police and Crime Plan the Commissioner committed to doubling the Special Constabulary and there has been significant progress towards achieving this goal. During the year, Essex became both the fastest growing Special Constabulary in the country and the 2<sup>nd</sup> largest, with the Metropolitan Police Force's Special Constabulary being the only one in the country with more officers.
- 3.10 During 2018-2019 Essex Police Special Constabulary grew by 21 percent or 90 additional officers. In total they contributed 172,556 hours which is 34 percent more than the previous year. Out of the total hours contributed 68,952 hours were in high visibility roles such as local patrols in communities. This is a 54 percent increase compared to the previous year.
- 3.11 This growth is especially impressive given the huge recruitment of regular officers and the understandable decision by many Specials Constables to apply and secure positions as full time officers. In fact it is a sign of how far the Force has come in recent years that having joined the Special Constabulary so many officers decide to become full time officers. The good news is that the Force is not losing Specials; by becoming regular officers it is securing their skills, knowledge and expertise here in Essex.
- 3.12 The work being undertaken to expand the Special Constabulary is another example of the excellent partnership approach being taken across the county. In 2018 the Commissioner and Essex Police launched the Community Specials Programme at the Essex Association of Local Councils. This initiative creates a partnership between Parish or Town Councils and Essex Police where the Council help recruit and partially fund the training of a Special Constable and then, once they are trained, they are deployed within that local community. This has been hugely popular with Parish and Town Councils across Essex with 28 signing up and the first four Community Specials being deployed in Witham and Halstead.
- 3.13 The Employer Supported Policing initiative is a way for businesses to support their staff to contribute as Special Constables within the community. This helps their communities by providing a stronger policing presence and is also helping the individuals and businesses involved by provide excellent training and development opportunities. During the year the number of Special Constables supported through the Employer Supported Policing initiative has grown to 73 an increase of 28 officers.
- 3.14 Essex Police has also continued to grow the Police Cadet Scheme which includes a number of young people referred by schools and other organisations. By the end of the financial year there were 297 active cadets in 10 units across the county. These young people had completed around 25,000 hours of voluntary work supporting public awareness campaigns, providing advice and support direct to communities, and participating in training and parades. Three further units are due to open in Brentwood, Harwich and Uttlesford in early 2019-2020. Of those cadets who have reached the age of 18 and left the scheme, two have gone on to become Special Constables and a further two have gone into jobs with the Force. By the end of 2019 it is anticipated the total number of cadets across the county will reach 400.

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- 3.15 The Active Citizen scheme has also continued to provide a really useful service for the community. There are now 100 Active Citizens across Essex each volunteering on average three hours per week making a combined contribution of 3,000 hours over the year. These volunteers' help officers provide community reassurance, provide safety advice and increase the visibility of Essex Police within communities.
- 3.16 In 2017 Essex Police launched its first Public Engagement Strategy with each district developing local plans to understand and systematically engage with their communities. This has led to a significant increase in engagement with a range of innovative and creative approaches being taken, from Street Weeks in Colchester to Coffee with Cops in Harlow. This ongoing engagement is contributing to a gradual increase in the confidence that the public has in Essex Police. While more work is required it is very promising to see these initiatives having an impact.
- 3.17 A key element of this priority is around the accessible nature of policing and one of the main causes of frustration in this area over the last few years has been the difficulties the people have faced when calling 101. Police need to prioritise emergencies, where people need help urgently, so it is right that 999 calls continue to receive the priority that they do. However, it was clear when the Commissioner was elected in 2016 that the 101 service was not good enough and needed to improve. Since then significant changes have been made with extra resources allocated in 2017-2018 and a clear development plan being established and implemented in 2018-2019. This plan included a range of measures from upgrading outdated technology to redeveloping business processes. These are starting to have an impact on the timeliness of the service the public receives. This is being supported by an increase in the number of people choosing to report crime online which has increased by 105 percent during the year. While the performance of 101 is improving it is clear that there is still work to do and this remains an important area of focus for the Commissioner and Essex Police.

### **4. Anti-social behaviour**

- 4.1 The number of anti-social behaviour (ASB) incidents has continued to fall from 49,329 in the previous year to 46,441 this year, a reduction of 5.9 percent. At the same time we have seen the public's confidence that the police understand local issues improve over the last year.
- 4.2 ASB is defined as "any behaviour where the victim is suffering harassment, alarm, distress, nuisance or annoyance." As such it covers a wide range of behaviours some of which will be criminal and others which won't. Given this wide definition the approach to tackling ASB has been focused on developing effective partnership working which supports effective problem solving, so, in short, stopping ASB from happening in the first place.
- 4.3 Effective data sharing and joint working between Essex Police, Councils and housing providers has been shown to foster a stronger problem solving approach and in turn has helped reduce the number of incidents of anti-social behaviour. Across the county there have been some excellent examples of where this type of partnership work is happening.
- 4.4 In Southend the Community Policing Team is co-located with Southend Borough Homes in its Community Hub. This fosters greater information sharing and a joint problem solving approach. This has resulted in all the agencies involved discussing problems and managing investigations and incidents together.
- 4.5 Chelmsford was the first area to develop a formal information sharing agreement and this is now a model that has been replicated across the county. In Braintree, fortnightly hub meetings are held between the Police, Braintree Council, housing providers, Essex County Fire and Rescue Service and other relevant agencies. This has helped the partners focus on proactive responses to issues rather than only dealing with those issues that require an urgent response.
- 4.6 These local arrangements are happening in a variety of ways across the county, giving local people a say in identifying their priorities and bringing all relevant organisations together to achieve them for their communities.



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- 4.7 Working with partners, this year Essex Police also launched the Crime Prevention Strategy which sets out a clear statement of intent on how to prevent crime happening. This strategy aims to tackle the complex causes of crime and community issues which can only be solved by partners working together – whether that’s communities, councils, businesses or the voluntary sector. The launch of the strategy was supported by a countywide campaign ‘Let’s talk about crime’ which gave people simple, easy to follow steps on how to protect themselves and reduce the risk that they may become a victim of crime.
- 4.8 One area of significant growth over 2018-2019 was in the Community Safety Accreditation Scheme (CSAS). This scheme, which is now the largest in England and Wales, was recognised by the Home Office as an example of best practice. It gives accredited people low-level policing powers to issue Fixed Penalty Notices for littering, dog fouling and minor incidents of anti-social behaviour. In Essex there are now 54 Accredited Organisations and 539 Accredited Persons such as community wardens, park rangers, housing officers, anti-social behaviour officers and parking partnership employees. This wider policing family has made a significant direct impact in communities but also fosters closer working relationships and a more locally driven approach to resolving community problems.
- 4.9 Community Safety Partnerships (CSPs) form an important part of local policing with the 13 CSPs guiding local policing priorities. This is further supported by £270,488 of funding which is provided to CSPs from the Commissioner during the financial year, to help them meet their local priorities.
- 4.10 By their nature these local arrangements are driven by local needs so there are a wide variety of different models across Essex. Most policing districts now have a Hub within their area, based in either a local authority office or police station. These allow local partners to be physically based together.
- 4.11 In March, Chelmsford opened a new Hub based at Chelmsford City Council, which hosts the Community Policing Team, Council Services and the new countywide Violence and Vulnerability Unit. A new Hub at Castle Point also opened this year.
- 4.12 In Tendring the Community Safety Hub has been based within Clacton Police Station for a number of years. It includes agencies such as Tendring District Council, Social Care, Victim Support and the Youth Offending Service alongside the Community Policing Team. There is a daily Tasking Conference Call, a monthly Problem Solving Meeting (case based problem solving) and a quarterly Networking Meeting.
- 4.13 Epping Forest District Council has funded police officers to be fully seconded and co-located within its offices. The team has fortnightly tasking processes during which council departments can request police support and, following assessment by the Community Safety Partnership managers and Hub Sergeant, the requests can be accepted or rejected.
- 4.14 There are also Hubs in Basildon, Braintree, Colchester, Southend and Uttlesford, while Brentwood and Maldon police have bases within Council offices.
- 4.15 During 2018-2019, there has been a continued growth in the successful use of restorative justice both to help victims recover and to reduce reoffending among perpetrators. This year there has been an increase in referrals to the Restorative Justice Scheme of 5 percent with a total of 447 cases dealt with over the year. The success of the programme is also shown by the continued positive feedback from participants. This remains high with 94 percent of participants being satisfied with the experience and 81 percent reporting that the process had a positive impact on them.
- 4.16 Promisingly this year there has also been an increase in the range of cases referred to the Scheme with increases in crimes types such as theft offences, public order offences, harassment and malicious communications offences. Cases involving a death have also increased from three referrals in 2017/18 to seven in 2018/19. As a result of the increasing use of restorative justice in these more serious situations, a small number of facilitators received extra training in handling sensitive and complex cases so they could effectively manage cases involving death and abuse.

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- 4.17 This continued growth shows the potential of the scheme both in terms of the impact it can have in changing behaviour and reducing ASB but also in supporting reducing reoffending in more serious offences.
- 4.18 The scheme is also an excellent example of the positive impact of volunteering with all referrals to the Restorative Justice Scheme carried out by a dedicated and well trained team of volunteers. During the 2018-2019 year volunteers undertook almost 2,000 hours of restorative justice work. This really strengthens relationships within the communities we serve and makes the Essex Restorative Justice Scheme one of the most cost effective schemes in the country.
- 4.19 This partnership approach with local communities has also been supported through the Police, Fire and Crime Commissioner's Community Safety Development Fund. This fund has awarded more than £300,000 to different community groups across the county in grants of no more than £20,000. The Fund has supported a wide range of projects which promote community safety. Over the reporting period, the Fund received 99 applications and awarded funding to 25. Each application had to demonstrate how it would make a positive impact on at least one of the Police and Crime Plan Priorities. A panel of independent local representatives assessed the bids to ensure the projects reflect specific community priorities, work with other existing commissioned or grant-funded activity, and provide good value for money for the taxpayer. In order to ensure initiatives align with local priorities and existing activity, applicants also have to engage with their local Community Safety Partnerships.
- 4.20 Recipients of the grants have included The Southend Youth Mixed Martial Arts Project, Witham Hang Out (youth group), Basildon SOS Bus, Colchester United Football Club and Southend Achievement Thorough Football.

### **Case study – Mixed Martial Arts Programme**

- 4.21 Young people who have offended or who are at risk of offending due to anger and emotional challenges are turning their lives around through mixed martial arts.
- 4.22 Southend-on-Sea Borough Council, Southend Combat Academy and the Police, Fire and Crime Commissioner for Essex are working together to set youths on a better path for life.
- 4.23 The Southend Youth Mixed Martial Arts Programme was launched in an effort to encourage young people to channel their emotions in a more positive way by challenging and changing negative thinking patterns and behaviour through disciplines like boxing and kickboxing.
- 4.24 The project has been funded with £5,000 from the Police, Fire and Crime Commissioner for Essex's (PFCC's) Community Safety Development Fund covering three separate courses through the year.
- 4.25 Following the success of the Mixed Martial Arts Programme and the positive outcomes this project has demonstrated for young people the Commissioner has awarded the group a further £14,040. The additional funding will expand the project further and engage young women at risk of exploitation by gangs.

## **5. Breaking the Cycle of Domestic Abuse**

- 5.1 Whilst often hidden from public view, domestic abuse causes significant damage to victims, families and the wider community. Encouraging the reporting of domestic abuse and then ensuring victims are supported and perpetrators are tackled is an important priority in the Police and Crime Plan.
- 5.2 Over the last year there has been another significant increase in the reporting of domestic abuse cases with a 19.6 percent increase in the number of incidents reported to Essex Police. This has been partly driven by the introduction of new legislation around coercive and controlling behaviour and changes to how stalking and harassment cases are recorded. However, the increase also indicates the increasing willingness of victims to come forward and report incidents to the police. This is a positive step and reflects the hard work done at a county and national level with victims to offer them support in a timely and focused way.

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- 5.3 To help with this increased demand, Essex Police strengthened its capacity during 2018-2019 by adding a further 21 officers to specialist Domestic Abuse Investigation Teams (previously known as Juno Teams). This was funded through the increase in the 2018-2019 police precept. These new officers will allow the teams across the county to focus on the earlier arrest of suspects for domestic abuse crimes and therefore promote effective investigation, safeguarding and victim care. A Specialist Domestic Abuse Investigators Course was also developed during the year to provide bespoke domestic abuse training to all current officers involved in high and medium risk domestic abuse crime investigations and those responsible for safeguarding high risk victims. All officers who respond to domestic abuse calls will also receive refresher training on the Harassment Risk Assessment Tool to ensure that cases are identified and supported at the earliest possible opportunity.
- 5.4 Essex Police play a vital role in tackling domestic abuse, however, it is important to recognise that the Force can't solve this issue alone and the causes of domestic abuse and the interventions required to successfully tackle it require a true partnership approach. In Essex, the Police, Fire and Crime Commissioner and Essex Police work closely with other partners through the Southend, Essex and Thurrock Domestic Abuse Board (SETDAB).
- 5.5 Over the last few years the Board has focused on five priority outcomes, including:
- Young People Enjoy Healthy Relationships
  - Victims (Adults and Children) and those at risk or experiencing Domestic Abuse feel and are safe
  - Victims (Adults and children) are able to recover and move on to live independently
  - Perpetrators are prevented from causing physical and emotional harm
  - Communities have a greater awareness of what an abusive relationship is and how to report it and, as a consequence, feel safe
- 5.6 During the last few years, the Commissioner and Essex Police, working through the Partnership Board, has introduced perpetrator pathways which seek to address the behaviour of perpetrators and reduce their offending. This has led to the growth in more holistic approaches to tackling domestic abuse with groups in both Southend and Essex County Council's area looking to pilot operations where perpetrator disruption and rehabilitation are considered alongside the needs of the victims and their family through Multi Agency Risk Assessment Conferences (MARACs). This model, which is used as part of the Columbus Project, takes the learning from the three-year Drive programme pilot. The Drive pilot was a national initiative created in partnership by SafeLives and Respect and funded by Social Finance, the Commissioner and Essex County Council. The Drive programme was able to demonstrate a reduction in the volume and severity of abuse by focusing work on the perpetrator. Essex was one of three areas nationally that piloted the initiative, which is now being rolled-out to a broader number of test areas.
- 5.7 The growth in the number of people reporting incidents of domestic abuse has largely been driven by focused awareness raising campaigns carried out by the Board. This has given the Board a much better picture of the level of domestic abuse across the county. As a result the Board during 2018-2019 has reviewed its strategy and developed an updated set of actions. Because there are now much higher levels of reporting this strategy will be able to bring a more focused approach to addressing the causes of domestic abuse, tackling perpetrators and securing successful outcomes. It is worth noting that securing successful outcomes for Domestic Abuse cases remain challenging with significant more work required. The approach by the Board will include an increase in activities such as early intervention with young people to promote healthy relationships and their personal responsibilities. Where crimes are committed a robust approach must be taken that tackles the offending behaviour and provides the victims with the support they need to cope and recover.
- 5.8 In 2017-2018 the Commissioner on behalf of the SETDAB successfully secured £450,000 funding from the Home Office Violence Against Women and Girls (VAWG) Service Transformation Fund, to be utilised over three years. The funding helped develop a multi-agency VAWG Perpetrator Pathway Model to reduce the harm caused by domestic and sexual abuse across Essex.

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- 5.9 Funding from the programme has helped deliver a number of interventions including the Community Rehabilitation Company led perpetrator programme in prisons where small groups of ten perpetrators work together through a regular, structured programme designed to challenge previous behaviour and reduce the risk of their reoffending. Other projects include providing enhanced victim support through the Essex Rape Crisis Partnership and the Goodman Project which offers one-to-one male mentoring to young men aged 13-18 years who are at risk of entering into abusive relationships or are currently within an abusive relationship.
- 5.10 Another successful project funded through this programme of work has been the Bystander Training project. This provides specialist training to young people to build confidence in reporting cases of sexual violence, challenging abusive behaviour and increasing awareness and willingness to obtain support. The programme is run in partnerships with Essex University and Anglia Ruskin University and has been widely supported by students and led to the development of a healthy relationship campaign as well as increased activity and support from the Student Unions.
- 5.11 During the year a new domestic abuse helpline was commissioned on behalf of the Board and went live from the 1<sup>st</sup> April 2019. The service is being delivered by Southend on Sea Domestic Abuse Projects (SOSDAP) and is the new point of access for victims of domestic abuse across Southend, Essex and Thurrock; providing information, advice and guidance, and, where appropriate, assessment and access to specialist services. Its function is to increase accessibility to ensure victims of domestic abuse get the right support at the right time. It is accessible 24 hrs a day and callers can speak with a trained member of staff and there will also be an online form for both public and professionals wishing to make a referral via its website.
- 5.12 Over the Christmas period Essex Police also ran the innovative and highly successful Reflect Campaign. This campaign, which was developed in collaboration with support organisations, focused on getting perpetrators to reflect on their behaviour and seek help. This was built around the fact that until confronted by their own actions, many perpetrators aren't able to recognise what they were doing. The campaign focused on triggering this reflection and encouraging them to seek help to alter their behaviour. The campaign resulted in 29 perpetrators seeking help from The Change Project, attracted more views of the Change Project website than would normally view it in five weeks and reached over 1.2 million people. The campaign also contributed to a 9 percent reduction in the number of domestic abuse incidents reported over the Christmas holidays.

## **6. Reverse the Trend in Serious Violence**

- 6.1 During 2018-2019, the number of homicides in Essex has decreased by 41.7 percent with 14 cases over the year. Over the same time there has, however, been an increase of 7.5 percent in violence with injury offences. This increase is partly down to increases in gang and county line fuelled violence, including knife crime.
- 6.2 To combat the growing use of knives and violence Essex Police, along with partners from across the county, are increasing their work with schools and colleges, using targeted stop and search more frequently, alongside other community based policing initiatives, and taking an innovative approach to the long terms causes of violence and vulnerability.
- 6.3 On behalf of the Safer Essex Partnership early in the 2018-2019 year, the Commissioner established a Violence and Vulnerability Framework to set the strategic approach to tackling the long term causes of violence and vulnerability. The Framework took a wider view of the causes of violence and drew on the health based approaches to tackling violent crime which have been successes in other areas.

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- 6.4 The Framework aims to:
- improve visibility and awareness of partnership activity around violence and vulnerability
  - increase the occurrence and effectiveness of prevention and intervention activities
  - identify opportunities to add value to existing and planned activities
  - identify gaps in current and planned activities
  - highlight areas where cross-border and partnership working would be beneficial
- 6.5 The Framework builds on the Government's Serious Violence Strategy and was the first of its kind in the country. Following the development of the Framework, the Commissioner, on behalf of Safer Essex, developed an ambitious bid for funding from the Home Office Early Intervention Youth Fund. This was successful and Essex secured £664,000, over two years, to help tackle the complex issues of serious violence and youth exploitation which have become a significant and growing concern for residents in every area of our county.
- 6.6 This funding has been further supported by Essex County Council which announced it would be making £500,000 available during 2019-2020 to the Police, Fire and Commissioner for Essex to support this important work.
- 6.7 The money is being used to establish a Violence and Vulnerability Unit and fund targeted interventions across the county to divert people from becoming involved in criminal activity. The Unit will include officers from Essex Police, the Youth Offending Service and other agencies. Together they will undertake joint operations, interventions, and ensure relevant data and intelligence is shared, helping all of the agencies involved work more effectively together. Further details of the interventions funded through this programme are outlined under the Tackle Gangs and Organise Crime Priority.
- Sexual Violence**
- 6.8 In February 2018, the Commissioner facilitated a Sexual Violence Round Table with partners from across Essex, including many from the voluntary sector. Following the Round Table the groups recognised the importance of working together to make a difference for victims of sexual violence. This led to a strengthening of the Sexual Abuse Strategic Partnership which now includes senior representatives from Health, police, CRC (Community Rehabilitation Company), public health and the third sector. The strengthened Partnership is currently developing a shared strategy which will cover the whole of Essex and provide a strong, ambitious and consistent approach to tackling this type of serious crime.
- 6.9 One example of how this new partnership approach is making a difference is through the Synergy First Responder Scheme. Started in January 2019, this is a first in the country and gives victims access to relevant support within one working day of reporting an offence to police. The specialist teams are trained to provide initial support at the point someone reports a sexual offence. This includes emotional support, providing detailed information about the criminal justice process and providing access to specialist rape and sexual abuse counselling and advocacy services. Over the first three months the scheme has been running First Responders received 150 calls from victims. All of these people received immediate support and 109 of them have continued to engage and receive ongoing support.
- 6.10 Essex Rape Crisis Partnership also has an accessible direct phone line for victims to speak with an advisor to start getting support. The single Essex wide number was established in January 2017 and since then and the end of March 2019 has received 10,967 calls. A further 31,532 calls have been received through one of the three Essex Rape Centres over the same period.
- 6.11 Victims of sexual abuse also have access to specialist support through Essex Rape Crisis Partnership which offers an accessible and specialist support service through Independent Sexual Violence Advisors (ISVAs) and Community Wrap Around support. This service has proven to be very successful with at least 95 percent of those using the service reporting being more in control of their lives, having better health and wellbeing, being more able to access further support and more able to assert their rights. During 2018-2019 there were 3,724 referrals to the service in relation to sexual violence. This is an increase of 22 percent on the total from the previous year.



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- 6.12 Building on this strong partnership work, during 2018-2019 Essex became one of only five test areas in the country to be given greater powers to support rape victims. The decision by the Home Office gave the Commissioner full control of funding for the support of rape victims. This meant the Partnership has been able to use its local knowledge to plan, prioritise and commission specialist practical and emotional services such as those outlined above.
- 6.13 The move was part of a Government plan to boost funding for rape and sexual abuse support services by 10 percent across the country, bringing it to £24m nationally over the next three years. This has resulted in £245,000 of extra funding in Essex which will go towards vital advice, support and counselling services to help victims cope with and, as far as possible, recover from these devastating crimes.
- 6.14 Through the Community Safety Development Fund, the Commissioner also provides funding for a range of projects to tackle serious violence. Over 2018-2019 funding was provided to Southend Community Educational Trust which uses football to educate young people about the dangers of knife crime. Funding was also provided to Southend Vineyard for its Promise Project. This project supports a small group of trained female volunteers who provide discrete drop-ins for women in the sex industry where in-depth support is offered to help them find routes out of prostitution.
- 6.15 The Commissioner also continues to support local drug and alcohol action teams to combat the issue of drug and alcohol use, which has a strong and proven link to crime. This funding is used by the three upper-tier local authority areas in Essex to supplement their existing funding and activity in this area. Specific funded activity includes the provision of specialist information and advocacy for young people affected by drugs or alcohol, activities with Trading Standards on tackling illegal tobacco, or the “Full Circle” service that works with individuals in the criminal justice system to tackle a range of needs including substance misuse and mental health.

### **7. Tackle Gangs and Organised Crime**

- 7.1 Gangs and organised crime cause serious violence in our communities. They prey on the vulnerable creating a cycle of violence, vulnerability and exploitation. To tackle this problem within society the long term strategy is to disrupt and dismantle gangs and county lines while identifying and safeguarding those at risk of exploitation by these criminal gangs.
- 7.2 The operational approach taken by Essex Police and its partners to deal with the issues of Urban Street Gangs (USGs) and County Lines within Essex is led by the Operation Raptor teams. All three Local Policing Areas (LPAs) have dedicated Operation Raptor enforcement teams which focus on carrying out enforcement activity to disrupt gang activity.
- 7.3 At a regional level, the Kent and Essex Serious Crime Directorate works with the National County Lines Co-ordinating Centre, National Crime Agency, Met Police and Eastern Region police forces to undertake combined enforcement activity that targets the most harmful county line operations in the region including Essex.
- 7.4 Whilst much of this operational activity is covert in nature, the examples below provide a flavour of the important work being carried out to disrupt gang and organised crime activity in Essex.
- In October operational activity in Basildon and Southend resulted in the arrest of 13 people, including a 13-year-old boy for drugs supply offences. As well as securing these arrests, the operation also seized drugs, a ‘zombie’ style knife, knuckleduster and an axe from offenders.
  - In January, activity focussed on two drug lines operating across west Essex resulted in six arrests in Romford, South Ockendon, Tilbury and Dagenham. This was part of a wider intelligence led operation coordinated at a regional level with London and other neighbouring forces. In total, this resulted in 23 search warrants being conducted and more than 60 arrests being made.



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- In March, an operation in the north of the county resulted in 54 people being arrested in a three week crackdown in Colchester and Tendring. During the operation, 136 stop and searches were conducted and officers and partners spoke with more than 600 residents who provided more than 160 pieces of vital intelligence.
- During the year, Thurrock gang culture also achieved local notoriety when local press reported on the C17 gang and their links to serious violence, 'Drill' music videos and drug dealing activity. Working with partners, Essex Police was able to secure gang injunctions on four adults and five juveniles preventing them from entering Grays Town Centre, Beach Riverside Park or Lakeside Shopping Centre. Members were also restricted from making 'Drill' music videos, wearing face coverings and associating with other C17 gang members online.
- Other gang injunctions have been given to three members of the Chelmsford based GM gang, responsible for violence, anti-social behaviour, drug dealing and burglary offences. These orders prevent them from associating with each other and people affected by the gang.
- Following a period of policing activity in Epping Forest District between May and November, 24 men and teenage boys were arrested for involvement in County Line activity.
- During a police operation targeting drug dealing, weapons and anti-social behaviour in Harlow town centre between July and December, 45 arrests were made and 170 people were stopped and searched. This resulted in the seizure of a variety of weapons and drugs and the execution of four drugs warrants at addresses in the town centre. In addition to this three Community Protection Warnings, one Community Protection Notice and two Criminal Behaviour Orders were secured, restricting access to the town centre for those committing offences or responsible for anti-social behaviour.

- 7.5 While this enforcement work is making a significant impact on gangs and organised crime, enforcement alone is not enough. A clear and coordinated approach must be delivered to divert vulnerable people from being drawn into a life of crime and help others escape from this dangerous and corrosive lifestyle. As outlined under the previous priority the establishment of the Violence and Vulnerability Unit during the year, along with the significant funding allocated to the project has provided a coordinated response to tackling this issue within communities.
- 7.6 As part of the work being coordinated by the Violence and Vulnerability Unit, a range of activities has been commissioned to divert people away from a life of crime. There will also be increased investment in awareness and education programmes as well as new, evidence-based interventions to prevent young people from being exploited by criminal gangs.
- 7.7 A wide range of interventions are currently being funded with a detailed, data based analysis of the impact they are having underway to help the Unit understand what is having the biggest impact. An evidence based evaluation programme has also been funded which has identified national and local best practice to inform an evidence based approach to future commissioning.
- 7.8 During 2018-2019 funding was provided for a number of interventions including additional Trauma Informed Training courses which help frontline staff manage trauma. This supports the wellbeing of staff and also maximises attendance and so supports operational activities.
- 7.9 A number of Firebreak courses, which teach basic firefighting skills to help build self-respect and team work, were delivered by Essex County Fire and Rescue Service focusing on individuals at risk of exploitation by criminal gangs. These courses are effective in building confidence and resilience and have proven effective in helping people live safer lives. These sessions were delivered across the county with further courses planned in 2019-2020.

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- 7.10 Focusing on the health sector, a new pilot intervention has also been developed in Basildon with Essex Youth Services. This places youth workers in emergency departments in key hospitals so they can engage with vulnerable young people presenting at accident and emergency departments. The youth workers will work with the young people to build resilience, change behaviour and keep them safe from harm. The youth workers then link in with other support organisations to ensure they receive ongoing support and where appropriate receive further educational or health services.
- 7.11 Additional funding has also been provided to the Children at Risk of Exploitation Programme provided by Children's Society East. This programme provides specialist one-to-one support for children, either vulnerable to exploitation or who have already started to become involved in gang activity. These specialist youth workers work alongside these individuals to move them away from criminality, try to get them to reengage with schools and turn their lives around.
- 7.12 Essex Police in partnership with Essex County Council has recently received a Local Area Research and Intelligence Association (LARIA) award for its multi-agency geo-mapping of gangs and child exploitation, joining up data from across agencies to inform joint decisions with regards to threats and vulnerability in relation to child exploitation.
- 7.13 As part of the national week of action on knife crime, known as Operation Sceptre, in March 2019 Essex Police undertook a wide range of activities to raise awareness of the dangers of knife crime and what is being done to tackle it. Activities during the week included looking for hidden weapons, high visibility patrols and intelligence-led stop and search checks. The Force also used knife arches at some of the county's train stations to disrupt criminals using the railway network. Essex Police also took part in knife crime awareness events with community safety partnerships and charities such as Only Cowards Carry, talked to children and young people about the dangers of carrying knives, and worked with Trading Standards teams to raise awareness among shop owners about the law around selling knives and bladed objects.
- 7.14 During 2018-2019 Essex Police and the Police, Fire and Crime Commissioner continued to support the work of Only Cowards Carry. This local charity aims to educate and raise awareness of the dangers of knives and weapons as well as tackling gang culture, drugs and alcohol misuse and bullying which can all lead to increased levels of violent crime.
- 7.15 The charity continues to expand its successful Knife Amnesty Campaign with an additional eight knife amnesty bins introduced since September 2018 bringing the total to 14. Since these bins were introduced in 2015, 47,715 knives and weapons have been taken off our streets.
- 7.16 Only Cowards Carry also runs a successful range of Weapon Awareness Workshops with 161 workshops delivered to secondary schools across Tendring, Chelmsford, Maldon and Brentwood.
- 7.17 Risk-Avert is an award winning early intervention programme delivered by schools focused on year eight pupils (12 – 13 year olds). The programme uses a bespoke survey to identify young people who are vulnerable to or are already engaged in risk-taking behaviours or who have emerging emotional health concerns. Young people participating in the scheme report having a better informed awareness of risk, greater self-awareness and increased ability to handle real world problems. The majority also report improved resilience, wellbeing and a stronger belief in their own ability to succeed.
- 7.18 Modern slavery and human trafficking often go unnoticed within society and in recent years there have been shocking cases of exploitation and violence. To tackle this issue the Commissioner and Essex Police have funded a Modern Slavery and Human Trafficking Coordinator to raise awareness of this crime and some of the types of activities that can indicate this type of crime is happening in the community. They work closely with Safeguarding Boards, businesses and local communities to build that awareness.
- 7.19 Working with the coordinator is a newly formed Modern Slavery and Human Trafficking Investigation Team and a new Victim Navigator is starting in Essex in early 2019-2020. This role will help victims get the support they need and is being provided in collaboration with Hope for Justice.

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### **8. Protecting Children and Vulnerable People from Harm**

- 8.1 Protecting Children and Vulnerable People is a hugely important priority and an area which includes some of the most challenging cases dealt with by police and partner organisations. It covers a wide range of work from safeguarding vulnerable children, to ensuring that all victims of crime get the support they need to cope and recover.
- 8.2 During the 2018-2019 year the Commissioner agreed a new three year, £1.65 million contract with Victim Support to provide general support to victims of crime or people who have been affected by witnessing a crime. The Service aims to empower people when they feel they have lost control and help them get the support they need, when they need it. In practical terms Victim Support teams arrange a meeting to talk and ensure the victim receives emotional support in confidence or get advice on how to make their home more secure. If the team cannot help directly, they will refer callers to any one of 40 specialist partner organisations who can assist.
- 8.3 The new contract included the introduction of a range of new ways for those needing the service to be able to contact the service when they need it, either via phone, online chat, or face-to-face. The service received 47,771 referrals in 2018-2019 from Essex residents who have witnessed a crime or have been a victim of crime.
- 8.4 Through the Strategic Hate Crime Partnership, the Commissioner and Essex Police have been heavily involved in the development of the Hate Crime Strategy for Essex. The strategy outlines five key themes that the Partnership will address. These are:
- 1) Understanding hate crime
  - 2) Preventing hate crime
  - 3) Increasing the reporting of hate crime
  - 4) Increasing access to support for victims
  - 5) Improving the operational response to hate crimes.
- 8.5 During the year, the Commissioner has also funded a Hate Crime Coordinator through Victim Support. This role supports the delivery of the five key themes above by engaging with communities and community groups across Essex and raising awareness of hate crime. This awareness raising activity has been complemented by an increase in the number of Hate Incident Reporting Centres, safe locations where anybody can report a hate incident. These centres have expanded from 43 in 2017-2018 to 67 in 2018-2019, while the number of Hate Crime Ambassadors has grown from 450 to 579.
- 8.6 Through the Community Safety Development Fund the Commissioner has also supported a Modern Slavery Coordinator in Southend. This role has created the Southend Against Modern Slavery Partnership. This partnership aims to:
- facilitate partnership working between community groups, the Police and statutory sector
  - raise awareness within Southend about Modern Slavery
  - work with other agencies to liberate, protect and support trafficked people who have been, or are at risk of being exploited
  - stimulate effective action through cooperation in order to stop Modern Slavery
  - assist in the disruption of the activities of human traffickers
- 8.7 In Colchester, Stop the Traffik developed the Open Door Project to raise awareness with BAME communities of the exploitation of women and girls and promote the channels available to tackle this exploitation. The project undertook a range of activities including the identification of community champions, awareness training events and provision of support to victims.

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- 8.8 Within Essex Police, the Crime and Public Protection Command has responsibility for investigating some of the most serious crimes against the most vulnerable in society and for tackling those offenders who pose the highest risk. Across the county, Public Protection Investigation Units are aligned to each of the Local Policing Areas and investigate the most serious adult and child sexual abuse incidents. As well as providing a robust deterrent to perpetrators and bringing offenders to justice, these units also support the vulnerable.
- 8.9 How rape incidents are managed has also been updated to provide a more balanced approach to how these cases are managed and victims supported. Investigators will now be able to use this revised guidance to manage both robust investigations and incidents which require more of a safeguarding approach. A dedicated resource has been identified in the Rape and Serious Sexual Offences Team to liaise directly with the Crown Prosecution Service to ensure the strongest possible case is put in front of the court. This also means that where necessary a quick and compassionate decision to finalise an investigation and make the appropriate safeguarding referrals can be made. This is shown to help those affected cope and recover more quickly.
- 8.10 During 2018 – 2019, a number of officers were identified to form a dedicated team to investigate non-recent child abuse. This focus has allowed the team to build the specialist skills necessary to deal successfully with these types of cases.
- 8.11 Training has also been rolled out to improve the use of police protection powers which help protect children at risk. Essex Police has continued to work to build strong community connections across all communities in Essex to provide education about sexual offences, female genital mutilation and child chastisement.
- 8.12 In November 2018, the Police Online Investigation Team (POLIT) introduced a proactive monitoring system to identify offenders using the internet to access child abuse images. This has proven to be successful with additional resources provided from across the team to help fully utilise the system. This will ultimately result in more children being safeguarded and more offenders being able to be targeted.
- 8.13 The Commissioner also funded a number of initiatives to help protect the vulnerable. In Basildon the Commissioner has continued to fund the Basildon SOS bus which provides support to vulnerable people in key night time economy locations. Through Beacon House, funding is provided to relieve the poverty and sickness of people who are homeless or at risk of becoming homeless. This holistic service provides activities and therapies to help change the behaviour of those affected so they can develop more sustainable life styles.
- 8.14 Essex Police has recently launched a significant public awareness campaign focused around Breck's Last Game which highlights the dangers of online grooming and child sexual exploitation. It is a collaborative project between Leicestershire, Northamptonshire, Surrey and Essex Police and tells the real story of Surrey teenager Breck Bednar who was killed by Essex computer engineer Lewis Daynes in 2014 after months of online grooming. The main element of the campaign is a dramatised film for use as an education tool. Through use of avatars, the film captures the events leading up to Breck's death and features the 999 call made to police by Daynes. The film is just over 4 minutes long and is designed to be shown to Key Stage 3 and 4 children (11 years upwards).
- 8.15 Helping Hands Essex is a specialist service that provides drug and alcohol support in both a residential and non-residential setting. On completion of the four month programme and staying drug and alcohol free, those supported by the programme transition to a form of care that helps them develop and sustain their recovery as they begin to reintegrate with society.
- 8.16 In April 2018 the Commissioner and Essex County Council, the seven Essex Clinical Commissioning Groups across Essex and NHS England jointly commissioned a new integrated health and justice service. This joined up contracts for police custody healthcare provision, liaison and diversion activity and street triage so that local residents receive an appropriate response as quickly as possible in a suitable setting, for instance a health-based place of safety.

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- 8.17 The new approach provided an integrated, responsive and efficient service to those who come into contact with the Police, helping to divert people away from unnecessary contact with the criminal justice system. The annual value of the contract is £3.8m which is funded via a pooled budget. Performance is monitored by a single, joint group of commissioners from each partner agency.
- 9. Improve safety on our roads**
- 9.1 Working through the Safer Essex Roads Partnership the Police, Fire and Crime Commissioner and Essex Police have continued to work hard to keep the roads in Essex safe. Provisional figures show that over the year, 887 people have been killed or seriously injured on our roads. It is anticipated that once this data is finalised this will be 925, a slight reduction on the number in 2017-2018 which was 926. One area of significant change has been the number of motorcycle casualties which has reduced to 407 from a five year average of 533. The number of young drivers aged between 17-25 involved in collisions has also reduced to 801, 16 percent below the five year average.
- 9.2 One noticeable trend over the reporting period has been the increase in the number of accidents where drugs, particularly cocaine or cannabis, have been a contributory factor. At the same time the force has seen a 70 percent increase in the number of people arrested for driving while under the influence of drugs and a 11.6 percent increase in the number of people arrested for driving while under the influence of alcohol. To combat this increase in drug related driving offences, Essex Police has provided new training and extra equipment, such as drug wipes, to Community Policing Teams and Local Response Teams. This has helped target drug related offences and help disrupt local drug related crime.
- 9.3 A significant proportion of those people arrested for drug driving have either already been arrested for a similar offence previously or for an offence that indicates they are living a criminal lifestyle. This shows that providing a proactive roads policing service has a broader impact than just catching people for road related offences, it actively disrupts other criminal activity and in particular those linked to illegal drug supply.
- 9.4 During the financial year, roads policing has been used in a number of operations alongside other teams to target locations where intelligence shows criminality is happening and where the road network is being used for criminal activity, such as organised crime, the movement of drugs, vehicle related crime, burglary and violence.
- 9.5 An example of this approach was an operation that happened in November 2018 where the team focused activities around the A13/A127 area. This two day operation resulted in seven arrests for drug driving, one arrest for drink driving, one arrest of somebody wanted for fraud, one arrest of somebody wanted for threats to kill, three arrests for possession of a class A drug, 16 vehicles seized for no insurance, 116 seat belt offences and 64 other traffic offences. These types of operations have a significant impact both on the safety of the roads, but also in tackling crime more generally. It is worth noting that during the year nearly 80 operations like the one highlighted above have been carried out across the county.
- 9.6 Whilst motorcyclists only account for 0.6 percent of road traffic, they make up 22 percent of all of the people killed or seriously injured on the roads of Essex. Young riders between the ages of 17-25 account for 35 percent of all motorcycle related serious or fatal casualties. As part of the 2018-2019 Safer Essex Roads Partnership Safety Plan, the partnership focused its efforts on engaging with young people to reduce the number seriously harmed or killed. The Street Spirit campaign was launched as part of this work and offers young riders the opportunity to win a new motorcycle and safety equipment. The site also offers a host of resources around safety equipment, clothing, skills and hazards which are all designed to help make safer decisions on the road.
- 9.7 Excess speed continues to be an area of public concern and as a way of addressing this concern in December 2017, Essex Police launched the Trucam project with Maldon Council. This trial scheme gave Maldon District Council Community Protection Officers the powers and equipment to enforce speed limits within their district. This project has been a great success with 171 deployments in the first three quarters of the year and 1,024 prosecutions.



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- 9.8 While the direct results have been very positive, the opportunity to engage local communities in the selection of the sites has also created a stronger sense of ownership within the local community, helping to improve public confidence.
- 9.9 During the year, there has also been an increase in the number of collisions involving older drivers, especially those aged over 70. There were 384 in this group over the year compared to a five year average of 377. This is part of a longer term trend of an increasing number of collisions within this age group and against a back drop of a general reduction in the overall number of collisions. It is also notable that collisions involving this group are more likely to be serious or fatal. This has led to the identification of a number of at risk groups and individuals, and during 2019-2020, Safer Essex Roads Partnership will be introducing a 90 minute practical course for this high risk group of drivers to help keep them and other road users safe.
- 9.10 During 2018-2019, there has also been considerable growth in the Community Speed Watch Scheme. This is now supported by Essex Fire and Rescue Service which has done a good job revitalising the Scheme and helping it to grow. By December 2018, the Scheme had 87 active groups and over 870 volunteers. In the case of the Harwich Speed Watch Team they have proactively reached out to parish councils outside of their own area to offer support and help. On the back of this development the team has been offered the opportunity to trial Trucam speed detection equipment and use this to enforce speed limits in line with the Maldon trial detailed earlier. The use of volunteers to enforce speed limits in this way will be a first of its kind in the country and shows how by working together with communities, Essex Police can address local concerns and support strong and secure local communities.
- 9.11 During 2018-2019, the Safe Pass scheme was launched by Safer Essex Roads Partnership to reduce the risk to vulnerable road users. In this case cyclists and horse riders. This scheme promotes a safe passing distance of 1.5 meters and has been promoted in Essex through multi agency partnership days in Colchester, Chelmsford, Epping Forest, Southend and Basildon.
- 9.12 Essex Police also received national recognition at the National Transport Awards, winning the Road Safety Traffic Management and Enforcement Category for its Extra Eyes project. This initiative allows road users to forward footage to the police which they believe highlights dangerous or poor behaviour on the roads. During the 2018 calendar year, 2,718 reports were received containing hundreds of pieces of valuable evidence which have in turn led to hundreds of intelligence reports and convictions.

## **10. Performance Framework**

- 10.1 The PFCC chairs a Performance and Resources Board that holds the Chief Constable and the force to account for the performance of the force officers and staff against the delivery of the Police and Crime Plan. On a monthly basis, the current performance data of the papers and minutes of the Performance and Resources Board are published on the OPFCC website at:
- [www.essex.pfcc.police.uk/scrutiny/essex-police-performance/](http://www.essex.pfcc.police.uk/scrutiny/essex-police-performance/)
- 10.2 The Police, Fire and Crime Panel receive a quarterly report on the progress against the seven priorities in the Police and Crime Plan.
- 10.3 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 the means by which Stalking & Harassment is now counted (following changes to Home Office Counting Rules), as well as internal improvements Essex Police has employed to ensure better Crime Data Accuracy (CDA). There has, however, also been a genuine rise in the number of crimes that are reported to police (i.e. those crimes that are not subject to changes in Home Office Counting Rules or CDA).



Police and Crime Plan Priorities	Police Priority Indicators	12 months to March 2018	12 months to March 2019	Number Difference	% Difference	Direction of Travel
<b>More local, visible and accessible policing</b>	Percentage of people who have confidence in policing in Essex <sup>1</sup>	-	68.0	-	-	-
	<i>Confidence Interval</i> <sup>2</sup>	-	1.1			
	Confidence in the local police (CSEW) <sup>3</sup>	47.9	50.4	2.5	-	Improving
	<i>Confidence Interval</i> <sup>2</sup>	5.6	4.3			
	Number of all crime offences	134,185	158,689	24,504	18.3	Deteriorating
<b>Crack down on anti-social behaviour</b>	Number of anti-social behaviour incidents	49,329	46,441	-2,888	-5.9	Improving
	Percentage of people who have confidence that the policing response to ASB is improving <sup>4</sup>	69.0	67.0	-2.0	-	Stable
	<i>Confidence Interval</i> <sup>2</sup>	1.1	1.1			
<b>Breaking the cycle of domestic abuse</b>	Number of incidents of domestic abuse	34,992	41,840	6,848	19.6	Deteriorating
	Number of repeat incidents of domestic abuse	15,026	19,133	4,107	27.3	Deteriorating
	Percentage of domestic abuse offences solved	17.7	12.9	-4.8	-	Deteriorating
<b>Reverse the trend in serious violence</b>	Number of homicides	24	14	-10	-41.7	Improving
	Number of violence with injury offences (new definition from Nov 2017)	13,704	14,731	1,027	7.5	Deteriorating
<b>Tackle gangs and organised crime</b>	Number of Organised Criminal Group disruptions <sup>5</sup>	-	16	-	-	-
	Trafficking of drugs arrests	1,337	1,498	161	12.0	Improving
<b>Protecting children &amp; vulnerable people</b>	Number of child abuse outcomes <sup>6</sup>	289	200	-89	-30.8	Deteriorating
	Child abuse solved rate	9.4	5.3	-4.1	-	Deteriorating
<b>Improve safety on our roads</b>	Number of driving related mobile phone crime on Essex roads	2,589	2,603	14	0.5	Deteriorating
	Number of driving under the influence of drink and/or drugs on Essex roads	2,221	3,024	803	36.2	Deteriorating
	All people killed or seriously injured (KSI) in road collisions <sup>7</sup>	923	925	2	0.2	Stable

<sup>1</sup> Question from Essex Police's own confidence and perception survey. Results are for the period 12 months to September 2018.

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

<sup>3</sup> Crime Survey for England and Wales (CSEW): 12 months to September 2018 vs. 12 months to September 2017.

<sup>4</sup> Question from Essex Police's own confidence and perception survey. Results are for the period 12 months to September 2018 versus the same period the previous year.

<sup>5</sup> Data is for January 2019 to March 2019; no comparison data is available due to changes in the definition of what constitutes an OCG disruption. Activity is now recorded rather than the number of people arrested. If there was a day of action, for example, and five people were arrested, this would formerly have counted as five disruptions, but now will count as one. The change stems from confusion over the previous guidelines, with police forces counting disruptions in different ways.

<sup>6</sup> Solved outcomes are crimes that result in: charge or summons, caution, crimes taken into consideration, fixed penalty notice, cannabis warning or community resolution.

<sup>7</sup> 'Killed or Seriously Injured' (KSI) refers to all people killed or seriously injured on Essex's roads, regardless of whether any criminal offences were committed. This is a provisional figure, due to the national recording system (CRASH) being unavailable whilst being updated.

## **Narrative Report**

### **11. Role of the Police, Fire & Crime Commissioner**

- 11.1 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 5<sup>th</sup> May 2016 and appointed Jane Gardner as Deputy Police and Crime Commissioner.
- 11.2 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.
- 11.3 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.
- 11.4 The governance arrangements of the PFCC and Chief Constable are included in the joint Annual Governance Statement.

### **12. Preparation of Narrative Report**

- 12.1 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 2018/19 financial year.
- 12.2 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.

### **13. Statutory Framework**

- 13.1 The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 03.
- 13.2 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)

## Narrative Report

- 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 Police, Fire and Crime Panel to attend their meetings
- x) Prepare and issue an annual report to the Police, Fire and Crime 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

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

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

13.4 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 Police and Crime 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
- 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

## **Narrative Report**

- 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

13.5 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'.

### **14. Financial Review**

- 14.1 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 21 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.
- 14.2 The Strategic Change Programme seeks to transform the way that policing is delivered in Essex to ensure it is fit for purpose for the 21<sup>st</sup> 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.
- 14.3 In setting the budget and precept for 2018/19 the PFCC had to comply with the Government's limit for excessive rises in council tax. This was set at increases of above £12. In January 2018 the PFCC set a precept increase of 7.62% resulting in a band D council tax of £169.02. 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 £24 for 2019/20, the PFCC has increased the precept for 2019/20 by £23.94 from £169.02 to £192.96, an increase of 14.16% in order to invest an additional £8.5m into front line policing services.

## Narrative Report

### Medium Term Financial Strategy

- 14.4 The Medium Term Financial Strategy (MTFS) addresses future challenges. The MTFS was approved by the PFCC in January 2018 and over the next five years £21.8m savings are to be found. The MTFS is continually reviewed during the financial year as future challenges are reviewed.
- 14.5 To help fund £9.6m investment in 2018/19, planned savings of £3.5m were identified at 2018/19 budget setting and achieved during 2018/19. The majority of the savings were from non-pay savings, Support Services and the Serious Crime Directorate.

<b>Medium Term Financial Strategy 2019/20 - 2023/24 - Precept increase £24 in 2019/20, 2% in 2020/21 &amp; 0% from 2021/22</b>							
	2018/19 Budget	2019/20 Budget	2020/21	2021/22	2022/23	2023/24	5 Year Total
	£m	£m	£m	£m	£m	£m	£m
Original Budget - Budget Book Net Expenditure (prior year total funding)	268.9	277.4	297.6	301.1	302.7	304.3	
Adjustment from prior year activity agreed at Budget Setting	0.6	(0.3)	(1.1)	0.0	0.0	0.0	
<b>Opening Budget Requirement</b>	<b>269.5</b>	<b>277.1</b>	<b>296.5</b>	<b>301.1</b>	<b>302.7</b>	<b>304.3</b>	
Unavoidable Cost Pressures	1.5	8.1	5.7	4.5	4.5	5.1	27.9
New Investment & Service Demand Changes	9.6	15.6	4.3	1.0	0.9	0.4	22.2
Short Term one-off costs	2.3	5.0	1.7	1.9	1.8	1.0	11.4
Transfer to / (from) Reserves - one off costs	0.8	(0.5)	0.0	0.0	0.0	0.0	(0.5)
Short Term one-off costs - to be allocated	0.0	0.0	1.2	1.0	1.1	1.9	5.2
Removal of one-off costs - Short Term budget already in base budget	(2.8)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)	(14.5)
<b>Budget Requirement - before Savings &amp; Efficiencies</b>	<b>280.9</b>	<b>302.4</b>	<b>306.5</b>	<b>306.6</b>	<b>308.1</b>	<b>309.8</b>	
Government Funding	(169.6)	(172.9)	(172.9)	(172.9)	(172.9)	(172.9)	
Council Tax - Base including taxbase change	(98.7)	(107.9)	(124.7)	(128.8)	(130.4)	(132.0)	
Council Tax - Precept increase	(7.5)	(15.3)	(2.5)	0.0	0.0	0.0	
Council Tax - surplus on Collection Fund	(1.6)	(1.5)	(1.0)	(1.0)	(1.0)	(1.0)	
<b>Total Funding</b>	<b>(277.4)</b>	<b>(297.6)</b>	<b>(301.1)</b>	<b>(302.7)</b>	<b>(304.3)</b>	<b>(305.9)</b>	
<b>Annual (Shortfall) / Surplus before cashable Savings &amp; Efficiencies Plans</b>	<b>(3.5)</b>	<b>(4.8)</b>	<b>(5.4)</b>	<b>(3.9)</b>	<b>(3.8)</b>	<b>(3.9)</b>	<b>(21.8)</b>
<b>Funded by:</b>							
<b>Strategic Change Savings &amp; Efficiencies Plan (S&amp;EP) - cashable</b>	<b>(3.5)</b>	<b>(4.8)</b>	<b>(1.0)</b>	<b>0.0</b>	<b>(2.0)</b>	<b>0.0</b>	<b>(7.8)</b>
<b>Annual (Shortfall)/Surplus after cashable S&amp;EP - to be (found) / invested</b>	<b>0.0</b>	<b>0.0</b>	<b>(4.4)</b>	<b>(3.9)</b>	<b>(1.8)</b>	<b>(3.9)</b>	<b>(14.0)</b>
<b>Key % Assumptions</b>							
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
Overall change in Home Office grants	0.0%	3.5%	0.0%	0.0%	0.0%	0.0%	
Increase in Council Tax	7.62%	14.16%	2.00%	0.00%	0.00%	0.00%	
Change in Taxbase	1.33%	1.26%	1.25%	1.25%	1.25%	1.25%	
Inflation Recurring - Officers Pay	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
Inflation Recurring - Staff/PSCOs Pay	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	

## Narrative Report

### **Principal Risks and Uncertainties**

- 14.6 A risk management strategy is in place to identify and evaluate risk. The PFCC and the Chief Constable have risk registers.
- 14.7 Below is the main risk from the PFCC's Risk Register:
- Failure of Emergency Services Mobile Communication Programme (ESMCP) to deliver proposed benefits and service on time, with consequential negative impacts on local policing and fire and rescue budgets.
- 14.8 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; additional funding has been approved for additional police officers in 2018/19 and 2019/20 assigned to local policing and the Strategic Board has oversight of the delivery of the capital and revenue transformation projects.
- 14.9 Below are the main risks from the Chief Constable's Risk Register:
- Athena: Business Continuity - Stability and performance issues within the system may lead to intermittent or loss of service.
  - Athena: Legal / Contractual - This is a significant and expensive IT enabled change programme and, despite the best efforts and good faith of all concerned, there is the potential for legal / contractual dispute.
  - Data Quality: Inadequate data capture and recording may inhibit the Force's ability to identify the risk factors that precede a critical incident.
  - Digital Crime; Capacity and Capability: The overarching digital strategy requires management and co-ordination across the force and with multiple external stakeholders. It is possible that progress will be slower than anticipated and that funding and internal capability and capacity will make it difficult to progress in some areas.
  - Public Confidence and Victim Satisfaction: Changes to the Force structure and the way in which services are provided to the public and victims could impact on public confidence and victim satisfaction.
  - Essex Police fails to appropriately action all applications within the Information Rights area of business within statutory or judicial timescale.
  - General Data Protection Rules (GDPR) Non-Compliance: Failing to prepare for GDPR Compliance, inability to deal with data breach notifications, with the failure to conduct data inventory and mapping.
  - Financial Implications Delays to Emergency Services Mobile Communications Programme (EMSCP): Cost will continue to escalate due to the continuing delays of ESMCP and the Emergency Services Network in delivering a credible, comprehensive and fit for purpose communications solution.
- 14.10 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.
- 14.11 The strategic risks are reviewed at the quarterly Risk Star Chamber, chaired by the Deputy Chief Constable and challenged by the Joint Audit Committee on a regular basis.



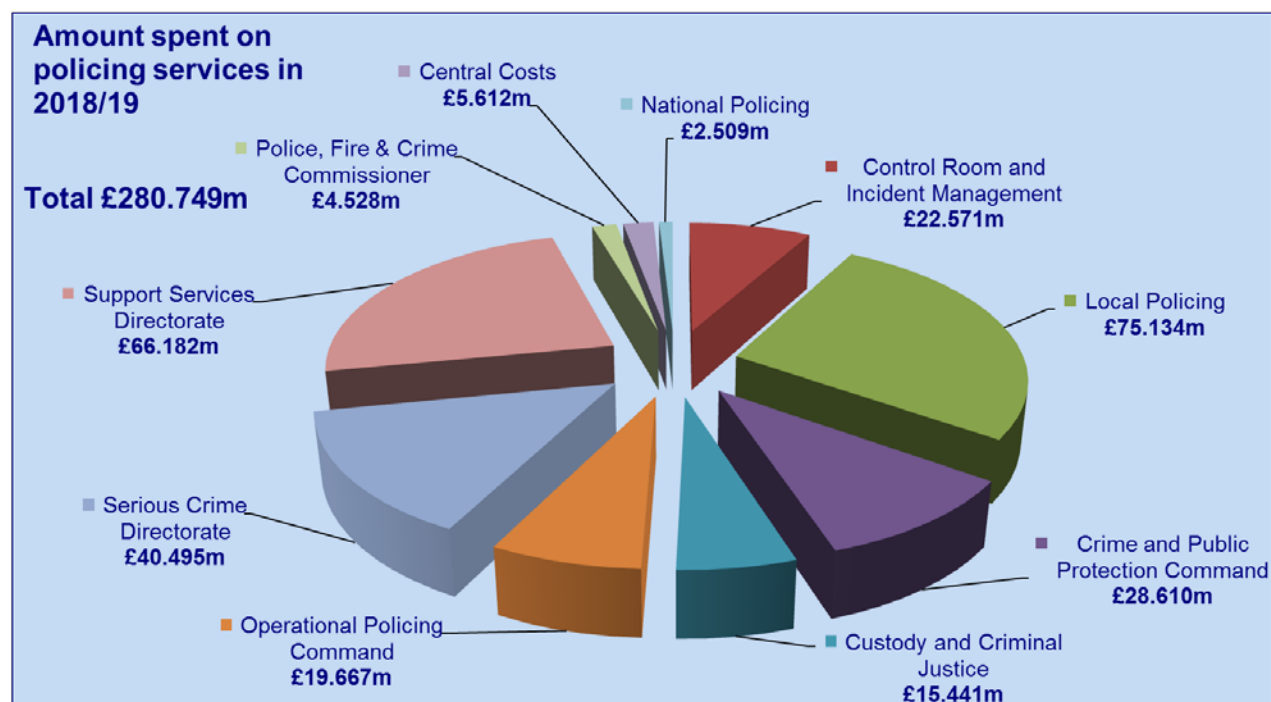
## Narrative Report

### **2018/19 Financial Performance**

- 14.12 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 2018/19. 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.
- 14.13 The original budget of £277.429m was underspent by £0.373m after planned withdrawals from the General Reserve of £3.400m for the new Transformational Operational Reserve contribution of £2.7m and £0.7m to fund the increase in motor insurance premiums. A contribution of £0.031m was made to the General Reserve for an adjustment notified by local councils to the collection fund income after the 2018/19 budget had been set. The total net withdrawal from the General Reserve was £2.995m.
- 14.14 The Expenditure and Funding Analysis reconciles the difference between the management accounting balance and the accounting balance in the CIES.

## Narrative Report

	Group				
	Original Budget	Virements	Current Budget	Actual	Variance
	£000	£000	£000	£000	£000
Police Officer Pay and Allowances	161,289	2,538	163,827	166,851	3,024
Police Community Support Officers	2,897	433	3,330	3,295	(35)
Police Staff Pay and Allowances	79,065	1,401	80,466	77,929	(2,537)
Police Officer Pensions (Ill Health / Medical)	4,393	0	4,393	4,578	185
Training	1,139	235	1,374	1,702	328
Other Employees Expenses	186	535	721	779	58
Premises	10,320	628	10,948	11,064	116
Transport	4,542	879	5,421	5,759	338
Supplies and Services	28,686	6,183	34,869	33,381	(1,488)
Third Party Payments	5,604	313	5,917	6,648	731
Other Expenditure Including Change Programmes	1,506	(15)	1,491	820	(671)
<b>Gross Revenue Expenditure</b>	<b>299,627</b>	<b>13,130</b>	<b>312,757</b>	<b>312,806</b>	<b>49</b>
Income	(23,012)	(8,623)	(31,635)	(32,057)	(422)
<b>Net Revenue Expenditure</b>	<b>276,615</b>	<b>4,507</b>	<b>281,122</b>	<b>280,749</b>	<b>(373)</b>
<b>Sources of Funding</b>					
Police Grant	(101,347)	0	(101,347)	(101,347)	0
Formula Funding Grant	(55,149)	0	(55,149)	(55,149)	0
Council Tax Precept	(106,246)	0	(106,246)	(106,246)	0
Council Tax Freeze Scheme	(2,133)	0	(2,133)	(2,133)	0
Council Tax Support Grant	(10,992)	0	(10,992)	(10,992)	0
Collection Fund Surplus	(1,562)	(31)	(1,593)	(1,593)	0
<b>Total Sources of Funding</b>	<b>(277,429)</b>	<b>(31)</b>	<b>(277,460)</b>	<b>(277,460)</b>	<b>0</b>
<b>Deficit / (surplus) before transfer to Earmarked Reserves</b>	<b>(814)</b>	<b>4,476</b>	<b>3,662</b>	<b>3,289</b>	<b>(373)</b>
<b>Transfer to/(from) Earmarked Reserves</b>	<b>814</b>	<b>(1,108)</b>	<b>(294)</b>	<b>(294)</b>	<b>0</b>
<b>Transfer from/(to) General Reserve</b>	<b>0</b>	<b>3,368</b>	<b>3,368</b>	<b>2,995</b>	<b>(373)</b>



## Narrative Report

	PFCC		
	Current Budget	Actual	Variance
	£000	£000	£000
Police Staff Pay and Allowances	2,014	1,788	(226)
Training	1,373	1,695	322
Other Employees Expenses	163	238	75
Premises	10,948	11,064	116
Transport	4,432	4,610	178
Supplies and Services	34,523	32,940	(1,583)
Third Party Payments	5,068	5,781	713
Other Expenditure Including Change Programmes	818	820	2
<b>Gross Revenue Expenditure</b>	<b>59,339</b>	<b>58,936</b>	<b>(403)</b>
Income	(31,635)	(32,057)	(422)
<b>Net Revenue Expenditure</b>	<b>27,704</b>	<b>26,879</b>	<b>(825)</b>
<b>Sources of Funding</b>			
Police Grant	(101,347)	(101,347)	0
Formula Funding Grant	(55,149)	(55,149)	0
Council Tax Precept	(106,246)	(106,246)	0
Council Tax Freeze Scheme	(2,133)	(2,133)	0
Council Tax Support Grant	(10,992)	(10,992)	0
Collection Fund Surplus	(1,593)	(1,593)	0
<b>Total Sources of Funding</b>	<b>(277,460)</b>	<b>(277,460)</b>	<b>0</b>
<b>Deficit / (surplus) before transfer to Earmarked Reserves</b>	<b>(249,756)</b>	<b>(250,581)</b>	<b>(825)</b>
<b>Transfer to/(from) Earmarked Reserves</b>	<b>(294)</b>	<b>(294)</b>	<b>0</b>
<b>Transfer from/(to) General Reserve</b>	<b>(250,050)</b>	<b>(250,875)</b>	<b>(825)</b>

14.15 The transactions in the above table reflect the PFCC transactions and are included in the Group table on the previous page. The Group table also includes the Chief Constables transactions which are included in the Chief Constables Statement of Accounts within the Narrative Report.

14.16 The transactions in the table above relate to:

- Police staff for the Office of Police, Fire and Crime Commissioner
- Expenditure including, police operational and service expenditure
- Income

14.17 All other expenditure is included in the Chief Constable's accounts.

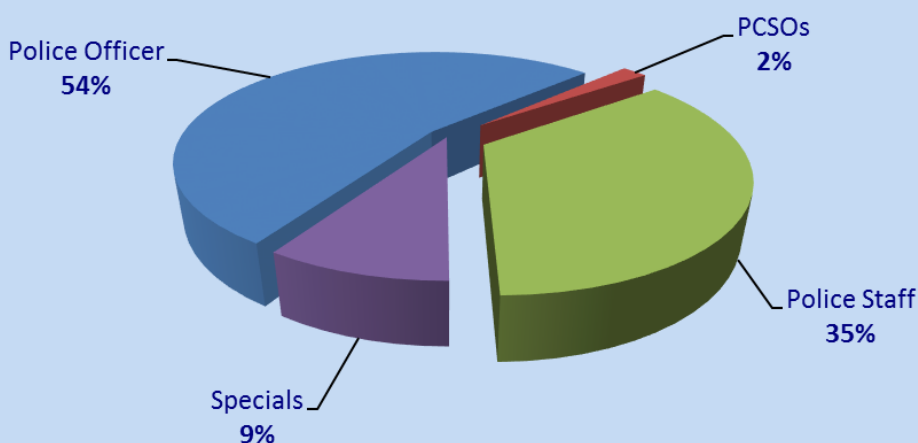
## Narrative Report

### Officer and Staff Numbers compared with the budget

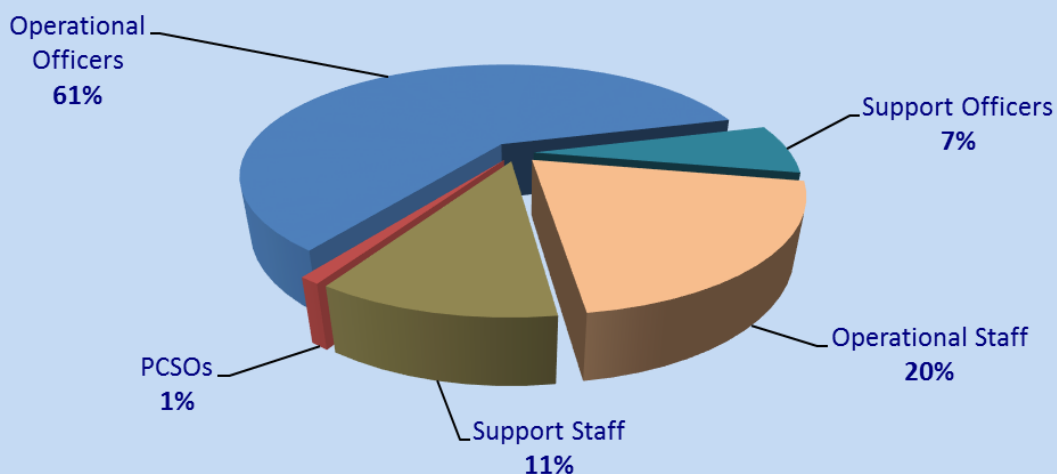
	Police Officers		PCSOs		Staff		Specials	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs
31st March 2018	2,850	2,950	102	92	2,045	2,002	532	427
Net in-year change	153	114	6	16	44	22	22	90
<b>31st March 2019</b>	<b>3,003</b>	<b>3,064</b>	<b>108</b>	<b>108</b>	<b>2,089</b>	<b>2,024</b>	<b>554</b>	<b>517</b>

14.18 The above table shows in 2018/19 the budgeted police officer numbers increased by 153 FTE's and by the end of the year the strength had increased by 114 FTE's, exceeding the budget by 61 FTE's. The budgeted FTE's in 2019/20 is 3,218, an increase of 215, and the 2018/19 increase has assisted in meeting the 2019/20 target. The table shows the PCSO numbers increased by 16 FTE's during the year, the number of police staff has increased by 25 FTE's and the Specials increased by 90 FTE's.

### Proportion of Actual Officers/Staff at 31st March 2019

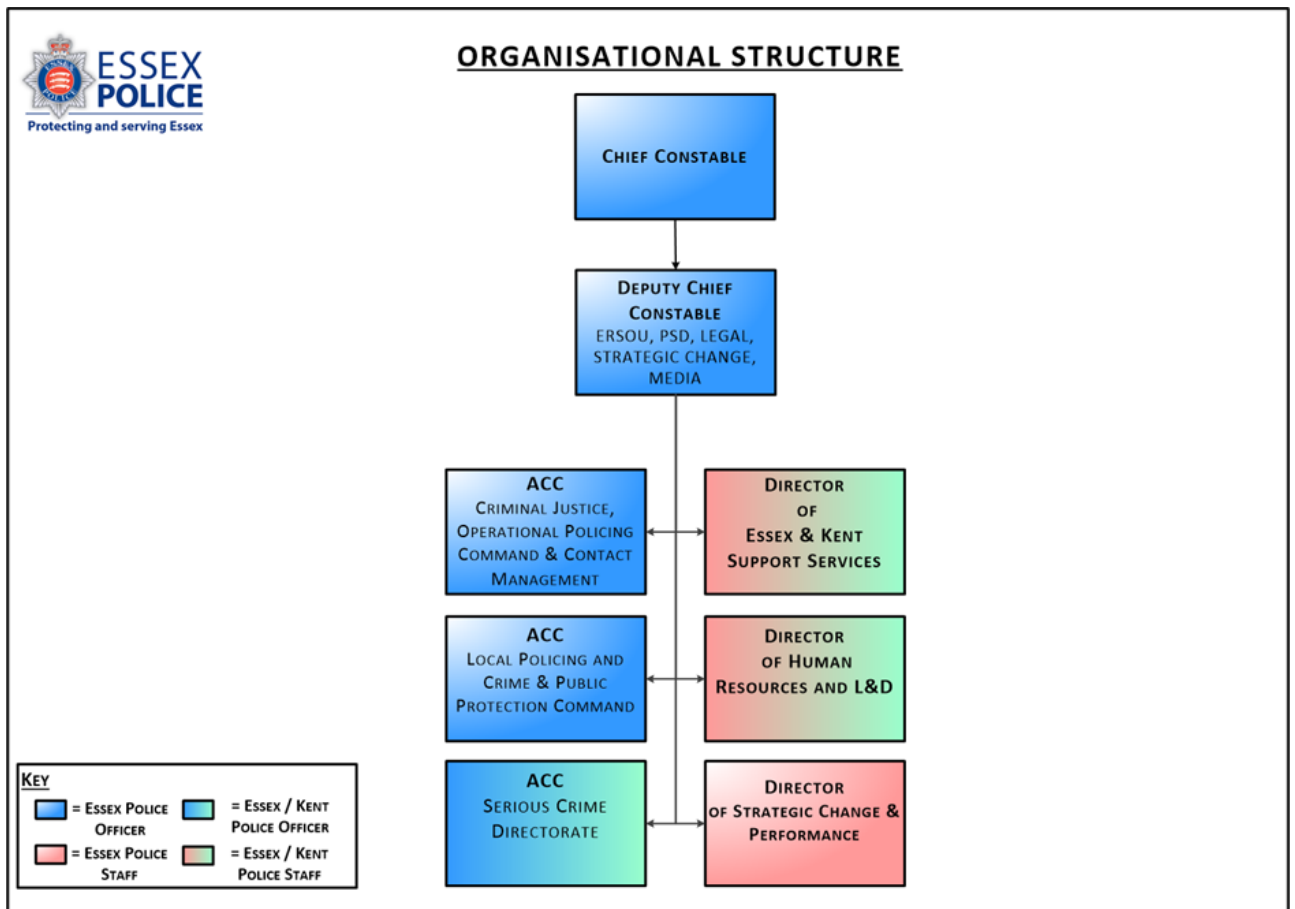
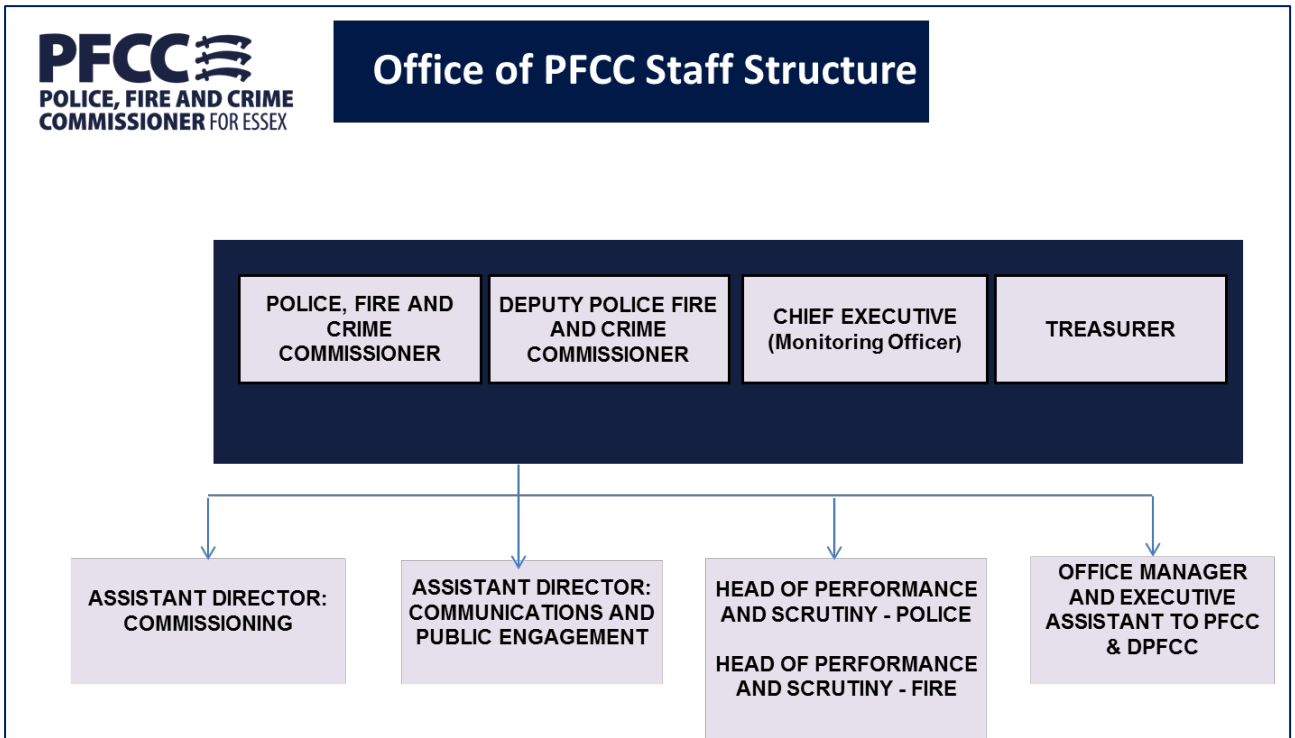


### Proportion of Pay Costs 2018/19



## Narrative Report

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



## Narrative Report

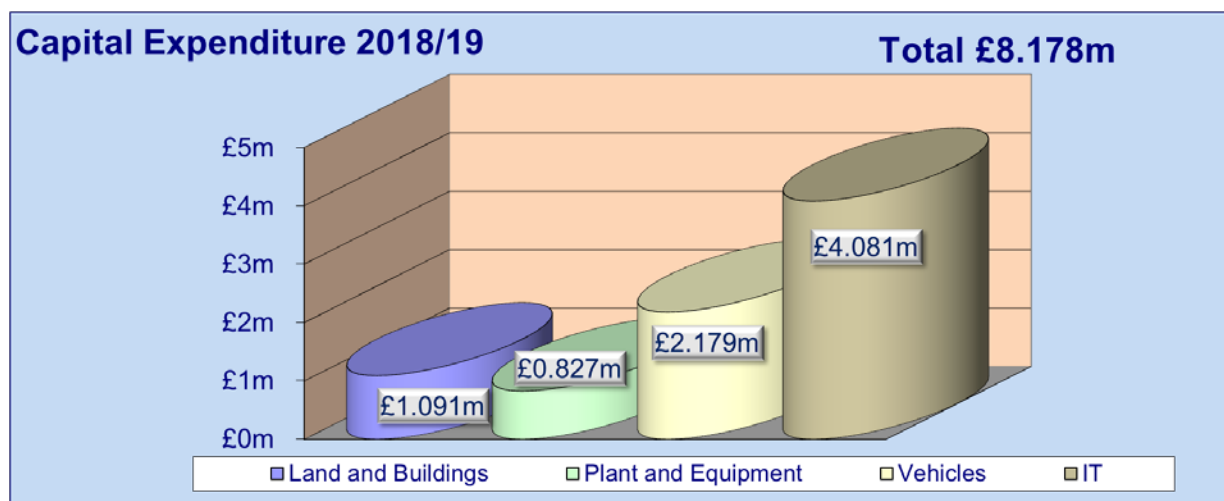
### Capital Expenditure

14.20 A capital investment programme amounting to £4.395m was approved in January 2018 with an additional investment of £9.595m for projects subject to final approval to commence during 2018/19 to be spent on a range of projects to maintain the infrastructure needed to support effective and efficient front line policing. At the quarterly Strategic Board, chaired by the PFCC, the overall capital programme is reviewed and capital projects are submitted for final approval. In 2018/19 £8.178m was invested and significant projects include:

- i) On the police estate building refurbishment works amounting to £1.1m.
- ii) Investment IT of £4.1m 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 133 vehicles were purchased at a cost of £2.2m.
- iv) Investment in the Automatic Number Plate Recognition (ANPR) infrastructure facilitating the tracking of criminal offenders amounted to £0.2m.

### Capital Budget and Expenditure 2018/19

Capital Expenditure	Approved Budget Jan 2018 £000	Actuals 31 March 2019 £000	Variance £000
ANPR	197	168	(29)
Land & Buildings	342	1,091	749
IT	1,517	4,081	2,564
Vehicles	2,146	2,179	33
Other	193	659	466
<b>Total</b>	<b>4,395</b>	<b>8,178</b>	<b>3,783</b>





## Narrative Report

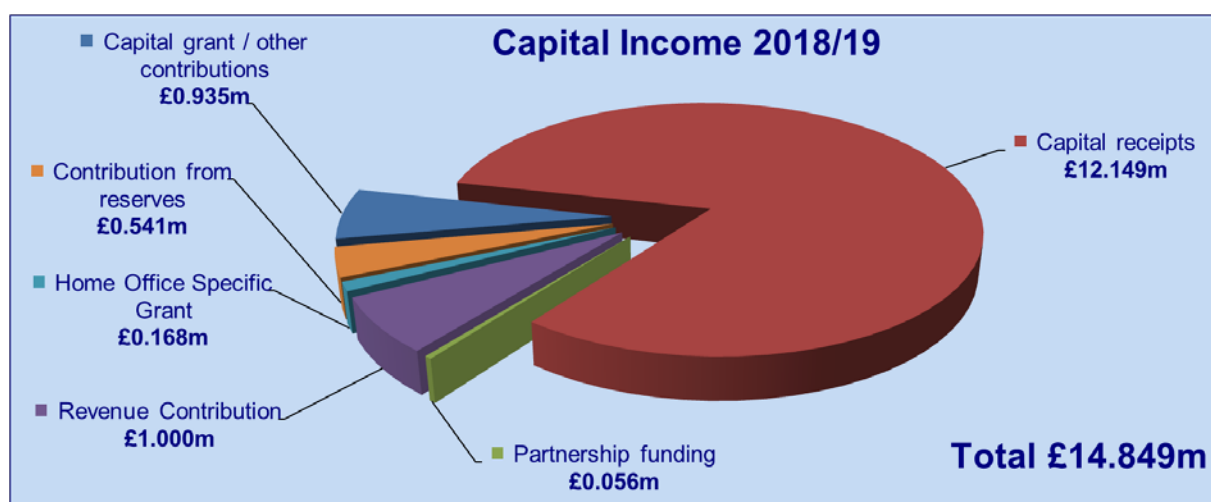
### Capital Income

14.21 Funding capital investment is from a range of sources, primarily from capital receipts and government grants. Capital income during 2018/19, totalling £14.849m, was from the following sources:

- Core government grant - £0.9m
- Receipts from the sale of eight properties - £12.1m
- Contribution from revenue and reserves - £1.5m
- Specific capital grants from Home Office for 2018/19 projects - £0.2m
- Specific capital grants from external organisations - £0.1m

14.22 The capital income was received as shown in the table below

Capital Income	Original Income forecast £000	Actuals in 2018/19 £000	Variance £000
Capital grant / other contributions	935	935	0
Capital receipts	12,170	12,149	(21)
Revenue Contribution	1,000	1,000	0
Contribution from reserves	0	541	541
Home Office Specific Grant	0	168	168
Partnership funding	0	56	56
<b>Total</b>	<b>14,105</b>	<b>14,849</b>	<b>744</b>



14.23 The year started with a surplus in the capital reserve of £0.7m and at March 2019 the capital reserve was in surplus by £7.3m.

14.24 Future capital expenditure is planned to increase over the coming years as investment in the Estate and IT takes place. Investment of over £55m 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.

## Narrative Report

### Reserves

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

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

### General Reserve

14.26 The balance on the General Reserve at 1st April 2018 was £9.521m following the transfer of £2.7m to the Operational Transformational Reserve on 1st April 2018. The General Reserve balance at 31st March 2019 was £9.226m which represents 3.3% of the 2018/19 budgeted net expenditure. There was no planned withdrawal or contribution to the General Reserve when the budget was set in January 2018. During 2018/19 withdrawals from the General Reserve were made to fund revenue as follows:

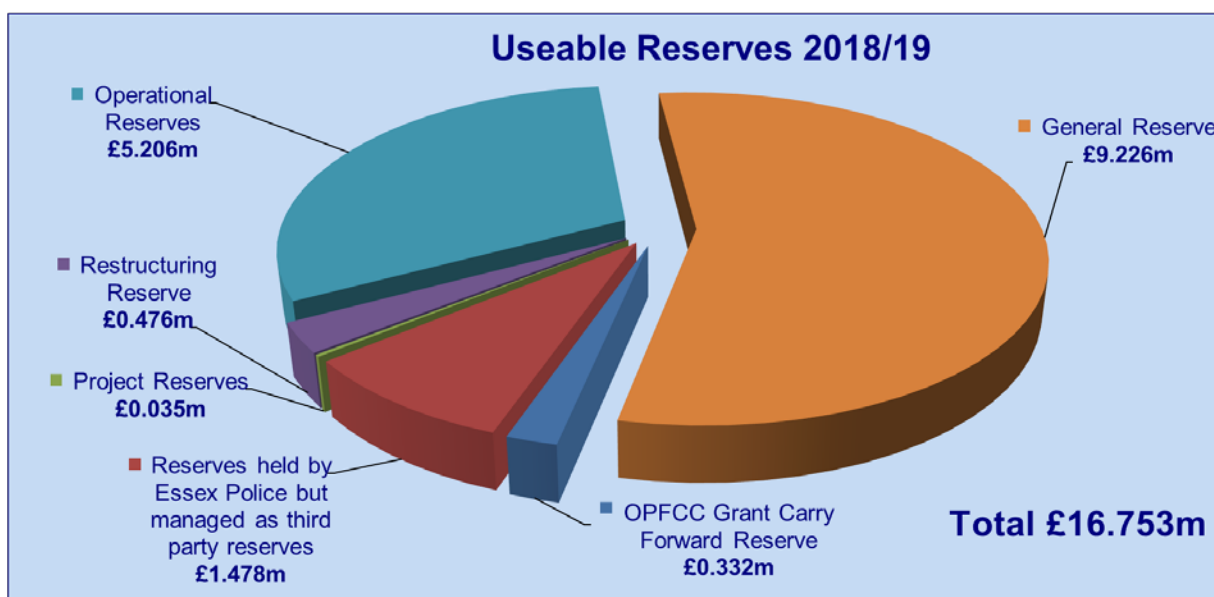
- £0.700m deduction to fund the increase in the motor insurance premium.
- £0.031m addition for an adjustment to the collection fund income, notified by local councils, after the 2018/19 budget had been set.
- £0.373m addition for the general underspend.

14.27 A decision was made in 2018/19 that if there are cost pressures during 2019/20 requiring additional revenue the Chief Constable will call upon the PFCC to authorise a draw down from the General Reserve up to the value of the 2018/19 general underspend of £0.373m to meet the cost pressures rather than put the £0.373m in an operational contingency reserve.

14.28 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

14.29 The PFCC's earmarked reserves total £16.753m at 31st March 2019. The 2018/19 budget was set with a contribution to earmarked reserves of £0.814m. By 31st March 2019, the movement in earmarked reserves which decreased by £1.550m is shown in note 33. The levels of all reserves are reviewed on a regular basis.



## Narrative Report

### **Pension Liabilities**

- 14.30 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 40) includes net liabilities of £181.756m (2017/18 £179.994m) for police staff and £3,067.043m (2017/18 £2,830.260m) 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**

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

	<b>31st March 2018</b>	<b>31st March 2019</b>	<b>Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Non-current assets	88,888	89,660	772
Current assets	52,048	49,245	(2,803)
Current liabilities	(33,229)	(28,827)	4,402
Long term liabilities	(3,013,129)	(3,252,187)	(239,058)
<b>Net Assets</b>	<b>(2,905,422)</b>	<b>(3,142,109)</b>	<b>(236,687)</b>
Usable reserves	(21,895)	(22,809)	(914)
Unusable reserves	2,927,317	3,164,918	237,601
<b>Total Reserves</b>	<b>2,905,422</b>	<b>3,142,109</b>	<b>236,687</b>

### **Treasury Management**

- 14.32 The PFCC invests surplus funds in accordance with the Treasury Management Strategy, which is agreed each year. The 2018/19 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. Money market funds – up to £5m per fund (assuming AAA credit-rated)
  - e. All other UK financial institutions – higher of £1m or 5% of total investment portfolio
- iii) Durational limits: maximum duration 12 months if a fixed term deal (no time limit if cash is instantly accessible)

## Narrative Report

- 14.33 The PFCC had liquid investments totalling £8.48m and short-term investments totalling £8.52m as at 31st March 2019. During 2018/19 the PFCC earned investment income of £0.167m, representing an average return of 0.64% (weighted by counterparty).
- 14.34 The PFCC undertook four instances of short term external borrowing during 2018/19. The PFCC has, however, inherited internal borrowings from the former Essex Police Authority, the outstanding balance of which equated to £6.565m as at the 31st March 2019. 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 2019 would have been higher, and they would be offset by an equivalent amount of external debt.
- 14.35 With little by way of political clarity as to the exact date on whether there would be an agreed deal prior to leaving the EU and to be prepared for the outside chance of a particularly disruptive Brexit (including a last minute no-deal), the PFCC ensured there were enough accounts open at UK-domiciled banks and money market funds on the 29<sup>th</sup> March 2019. This ensured there was sufficient liquidity of funds being held over the year-end and, in addition to its Debt Management Account Deposit Facility (DMADF) remaining available, meant the PFCC had adequate cash resources available to cover any short-term emergencies.

### Cash Flow

	<b>31st March 2018 £000</b>	<b>31st March 2019 £000</b>	<b>Movement £000</b>
Cash and cash equivalents	6,130	7,903	1,773
Short term investments	8,000	8,520	520
<b>Total</b>	<b>14,130</b>	<b>16,423</b>	<b>2,293</b>

- 14.36 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 and investments placed
  - v. Ongoing uncertainties in respect of the proposed EU exit process

## Narrative Report

### **15. OPFCC Grant Expenditure**

- 15.1 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.
- 15.2 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 2018/19 to organisations including Youth Offending Teams, Drug and Alcohol Partnerships, Community Safety Partnerships, Crimestoppers, Safeguarding Boards, and Neighbourhood Watch, recognising the importance of local partnerships and organisations to the effective delivery of the areas of focus within the Police and Crime Plan.
- 15.3 In 2018/19 the PFCC allocated £0.270m 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 on CSPs associated with DHRs. The PFCC has received universally positive feedback about this approach and is therefore continuing to support and invest in this system.
- 15.4 From the Community Safety Fund (CSF) the PFCC also provided £0.444m of funding to Youth Offending Services (YOS) and £0.502m to the Drug and Alcohol Teams (DAAT) across Essex.
- 15.5 The PFCC successfully led a partnership bid to the Home Office for funding from the Early Intervention Youth Fund (EIYF) for £0.664m over 2 years; 2018-20. The funding is aimed at raising awareness of the issues and risks associated with violence and vulnerability as well as intervening effectively where individuals are vulnerable or at risk of exploitation by criminal gangs. The funding includes an allocation for a programme manager who will support the implementation of the commitments within the countywide violence and vulnerability framework.
- 15.6 The PFCC attracted £0.450m of Home Office Violence Against Women and Girls (VAWG) funding over three years (2017-20) 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. 2018/19 was the final year of the DRIVE project which has been transitioned to a new project; "Columbus" from April 2019. Columbus uses the learning and model from Drive but has been rolled-out to the whole of the county (Drive was piloted in North East Essex only).

## Narrative Report

- 15.7 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's 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.
- 15.8 In 2018/19 the PFCC recommissioned Victim Support to deliver a non-specialist victim referral and assessment service. From April 2018, Victim Support delivered a new victim-led service which :
- Allocated 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,
  - Enabled caseworkers to work from a number of community locations to raise awareness and develop better collaborative support,
  - Worked more closely with policing and support training opportunities, and
  - Improved the insight from victims about their experiences.
- 15.9 Through this recommissioning process the PFCC was able to achieve savings of £0.1m per annum which have been re-invested into other victim services.
- 15.10 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 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.
- 15.11 The PFCC continued to make small grant funding available through the annual Community Safety Development Fund (CSDF) in 2018/19. The CSDF is a £0.300m fund that supports local projects with grants up to £20k that can positively impact on the priorities within the Police and Crime Plan. In 2018/19 the CSDF supported 30 projects including the Street Pastors project, Springfield Youth Group and the Butterfly project.
- 15.12 The PFCC continued to make small grant funding available through the annual Community Safety Development Fund (CSDF) in 2018/19. The CSDF is a £0.300m fund that supports local projects with grants up to £20k that can positively impact on the priorities within the Police and Crime Plan. In 2018/19 the CSDF supported 25 projects including Southend Youth Mixed Martial Arts Project, Witham Hang Out (youth group), Basildon SOS Bus and Colchester United Football.

	<b>Budget</b>	<b>Allocated</b>	<b>Over / (Underspend)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Community Safety Fund (CSF)	2,984	2,674	(310)
Community Safety Development Fund (CSDF)	300	258	(42)
Victims	2,590	2,610	20
Partnership income including government grant	(3,117)	(3,117)	0
<b>Total</b>	<b>2,757</b>	<b>2,425</b>	<b>(332)</b>



## Narrative Report

15.13 In summary for 2018/19 the PFCC spent £1.272m on the Office of the PFCC, £2.425m on Community Safety Grants / Victims and £0.811m on council tax sharing agreements with billing authorities.

### **16. Explanation of Accounting Statements**

16.1 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) 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 2019. Net assets of the PFCC (assets less liabilities) are matched by reserves held by him. Reserves are reported in two categories:
  - Useable reserves** – these are reserves that the PFCC may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For example capital reserves can only be applied to fund capital expenditure or to repay debt and not to fund revenue expenditure.
  - Unusable reserves** - hold unrealised gains and losses such as those arising from revaluations.
- **Movement in Reserves Statements** - this shows the movement in the year on the different reserves held by the PFCC and the Group. The net increase/decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the PFCC.
- **Cash Flow Statement** – this summarises the inflows and outflows of cash with third parties. The statement shows how the PFCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the PFCC are funded by way of taxation and grant income or from recipients of the services provided by the PFCC. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PFCC's future service delivery.

## Narrative Report

### v) **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.

### vi) **Glossary of Terms**

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

16.2 A review of the Statement of Accounts has taken place with the view of providing clearer, simpler and more transparent information. The accounts have been streamlined and the main changes are:

- Heritage assets note: the note has been removed as it is not a material disclosure
- Intra group adjustments note: the table showing the movement has been removed and replaced by a bullet point list providing more relevant information.
- Police Pension Fund: the table showing the net assets and liabilities of the Fund has been removed as it is not a material disclosure and had nil values.

## **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  
26th July 2019

### **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<sup>st</sup> March 2019 and its income and expenditure for the year then ended.



Abbey Gough (ACCA)  
Acting Treasurer to the PFCC for Essex  
26th July 2019

## Annual Governance Statement

### Introduction

This statement sets out the Police, Fire and Crime Commissioner's (PFCC's) arrangements with the Chief Constable 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 is 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 Issues

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 one-to-one 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 PFCC 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 Finance 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, Fire and Crime Commissioner for Essex
  4. Information Sharing Agreement: Police, Fire 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 and Procurement 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.uk](http://www.essex.pfcc.police.uk) or can be obtained from the PFCC, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB.

During 2018/19, a number of these documents, including the Constitution, Information Sharing Agreements, Code of Conduct and Anti-Fraud & Bribery policy, have been thoroughly reviewed and updated.

- 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.



## Annual Governance Statement

### 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the PFCC is directed and controlled and the activities through which it accounts to and engages with the community. It enables the PFCC to monitor the achievement of its Police and Crime Plan and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing 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.

## Annual Governance Statement

**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. The scheme of delegation, financial regulations and contract regulations are in accordance with the FMCP to enable effective accountability and to govern the relationship between the PFCC and Essex Police. There is 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.

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

The PFCC has signed up to a Code of Conduct incorporating the 7 Nolan principles relating to public life and also the Police Code of Ethics. The Code of Conduct has been updated this financial year as part of the review of the Constitution and the wider policy and strategy framework that supports this.

The PFCC has also adopted an Ethics and Integrity Framework which has likewise been subject to review during 2018/19. At the time of writing, an updated Framework is due to come forward to SMT for consultation later in March 2019, prior to formal approval by the PFCC.

Moreover, the PFCC has approved and adopted a policy on anti-fraud and bribery 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. Alongside this, Essex Police adopts the “Four Ps” approach to tackle corruption:

*Prevent* – Incorporates recommendations from the Independent Office for Police Conduct (IOPC) and HMICFRS and seeks innovative approaches to identifying vulnerability factors, reporting them and educating staff on how to identify and manage vulnerable members of staff.

*Protect* – Incorporates improvements and investment in protective monitoring capability across all areas of business and working with partners to mitigate risk through their own performance frameworks.

*Pursue* – Prosecuting and disrupting people engaged in corruption, including working in partnership with internal and external stakeholders to achieve these goals.

*Prepare* - Introducing work flows and processes to ensure that the threat of corruption is mitigated in a methodical, efficient manner, making use of identified best practice.

An Integrity and Anti-Corruption Board chaired by the Deputy Chief Constable meets quarterly to understand integrity and anti-corruption issues across Essex Police to ensure that the force is adopting a balanced and proportionate response to them, and also to ensure that Essex Police is operating within an ethical framework that promotes, reinforces and supports the highest standards expected of staff.

## Annual Governance Statement

The College of Policing has issued the Code of Ethics, which sets and defines the exemplary standards of behaviour for everyone who works in policing. The Chief Constable also has several policies which cover discipline, standards, use of social media and an anonymous e-mail for confidential reporting to the Professional Standards Department. All staff employed by the Police, Fire and Crime Commissioner are bound by the Essex Police terms and conditions and staff policies.

Essex Police's Professional Standards Department (PSD) deals with public complaints and matters relating to the conduct of police officers and staff, in liaison with the IOPC where necessary.

Essex Police introduced an Ethics Committee in October 2017 and its PSD has now joined a new Regional Ethics Board which met for the first time in August 2018. The Essex Police Learning the Lessons Board was introduced in November 2017 to bring together the College of Policing with EP's Legal, HR and Strategic Change teams as well as PSD on a quarterly basis to consider common themes surrounding complaint / conduct matters and litigation and to explore what more can be done to address these issues.

The Police, Fire and Crime Panel's Ethics and Integrity Sub-Committee scrutinises compliance with the PFCC's Ethics and Integrity Framework and with the Police Code of Ethics. The Sub-Committee received a detailed presentation from the Chief Constable on this topic at its meeting in September 2018.

#### **4) *Making informed and transparent decisions which will stand up to risk management and robust scrutiny by the public, the Police, Fire and Crime Panel (PFCCP) 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. During 2018/19 the Decision Report template has been updated to set out very clearly the range of alternative options considered in arriving at the decision, and also to specify any governance boards that have considered and / or approved in principle the decision prior to the Decision Report being submitted to the PFCC for sign off.

The PFCC has a duty to ensure that it acts in accordance to the law and legislation. This has been fulfilled through the Financial and Procurement Regulations (including contract standing orders), and supporting policies and procedures were produced to ensure officers and staff within both the PFCC and Force understood their responsibilities. Compliance with them was and will continue to be reviewed. In January 2019 the PFCC and Chief Constable signed the Seven Force Procurement Function S22a agreement, this includes new procurement thresholds and new governance arrangements for the joint procurement of goods and services. Work will continue to ensure oversight of this function, including by the PFCC's Section 151 Officer being a member of the Strategic Governance Board overseeing this stream of work.

The PFCC complied with a clear decision making policy that requires the oversight of both statutory officers within the PFCC, 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 PFCCP for its challenge and support as appropriate.

The independent JAC has 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.

## **Annual Governance Statement**

The JAC meets formally at least 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 PFCC and Essex Police.

The Terms of Reference of the JAC were previously 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.

The JAC has made a significant contribution in providing a first class level of independent assurance to the PFCC and Chief Constable during the year and has not hesitated to address important and sometimes very challenging issues. This has included briefings and assurance on significant Essex Police IT programmes and the ongoing Police and Fire collaboration programme. It is anticipated that its contribution will not only continue but be enhanced during 2019/20 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 PFCC. 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 PFCC and Chief Constable continue to use the risk management policy and framework that complies with CIPFA guidance. During 2018/19, the PFCC moved away from a 4x4 risk scoring matrix to a 5x5 matrix, thus making the impact of mitigations on individual risk scores more apparent. Essex Police is due to move towards a 5x5 matrix later in 2019.

### **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 14 districts and unitary areas, 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 6<sup>th</sup> November and 27<sup>th</sup> November 2018 the PFCC undertook a survey to understand the views of Essex residents about raising the level of policing precept in Essex. There were 4,187 responses to the survey. Over two-thirds (71%) of people said that in general they would be prepared to invest more in policing to help improve the service provided. Almost three-quarters (73%) of those who gave a view said they would be prepared to contribute at least £20 more per year to invest in policing. The full 'Report on Survey Findings' can be found on the PFCC website.

## Annual Governance Statement

### **4. Value for Money Arrangements**

- 4.1 The PFCC has responsibility for ensuring that the governance arrangements support good value for money and thereby conducted 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 ongoing 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.
- 4.3 The roles and processes applied in maintaining and reviewing effectiveness of the governance framework are outlined as follows:

#### ***PFCC***

- 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 PFCC in a close working relationship with his Chief Executive and Monitoring Officer, the Chief Constable and his senior staff including the Chief Finance 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 carries out an annual compliance and review programme. The rationale for this work is to assist senior managers to:
- Evaluate the reliability and integrity of specific data created and held by the force
  - Evaluate the force's compliance with legislation and associated national standards
  - Evaluate compliance with the force policies and authorised professional practice
  - Provide recommendations that improve force performance and compliance levels
  - Reduce the likelihood of personal and corporate financial and reputational risk
  - Assist in assessing the effectiveness of the force's risk mitigation and control(s)
  - Identify potential inappropriate, unethical and non-compliant activity
  - 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.

## Annual Governance Statement

### **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 2018/19 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."

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 with the option to extend.

### **External Audit**

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

4.13 Following a competitive procurement process the PFCC and Chief Constable have appointed a new External Auditor. Grant Thornton will act as the External Auditor for a five year period commencing from the 2018/19 financial year.

### **Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)**

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

4.15 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.

4.16 HMICFRS's review of Police Effectiveness, Efficiency and Legitimacy (PEEL) assessed Essex Police in 2018 as follows:

- How effectively does the force reduce crime and keep people safe? – good
- How efficiently does the force operate and how sustainable are its services to the public? – good
- How legitimately does the force treat the public and its workforce? - good



## Annual Governance Statement

4.17 HMICFRS noted that:

*“The force is good at preventing crime and anti-social behaviour. It is good at investigating crime and has continued to improve how it identifies and protects vulnerable people. It does this through more effective joint working with partners and greater use of protective powers.*

*Essex Police is ambitious in its planning for the future and wants to be at the forefront of innovative practice. The force understands its demand well. It uses this information to develop robust financial and workforce plans to make sure it uses its resources as efficiently as possible.*

*The force continues to uphold an ethical culture and promote standards of professional behaviour well. But it has more to do to assure itself that it has the capacity and capability to root out corruption.”*

4.18 HMICFRS PEEL assessment in 2018 saw Essex Police awarded a ‘Good’ across the board, this is consistent with the previous review in 2017.

4.19 HMICFRS noted that;

*“Essex Police is good at reducing crime and keeping people safe.*

*The force is good at investigating crime. Its investigations give satisfactory results. In 2017, we found the force should supervise investigations better. Its specialist departments have got better at guiding and supervising investigations. But investigations by uniformed response officers could be improved with better guidance.*

*Essex Police is good at protecting vulnerable people. It identifies vulnerability when people first contact the police. It actively looks for hidden harm. Increasing demand has stretched the force’s ability to respond to emergency and non-emergency calls. But it is working to rectify this by increasing capacity and improving efficiency.*

*In 2017, we assessed the force as good at:*

- *preventing crime and tackling anti-social behaviour; and*
- *tackling serious and organised crime.”*

4.20 In addition to the above HMICFRS highlighted the following area for improvement;

*“The force needs to improve how it ensures its workforce behaves ethically and lawfully. We saw the force has an ethical culture. But it failed to vet its workforce before the national deadline, despite hard work by the vetting unit. It says it will be up to date by late spring 2019.”*

## Annual Governance Statement

### 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 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. This work is presented and monitored by the PFCC through the Strategic Board. The governance structure to support this work is being further enhanced and will be incorporated into the new Scheme of Governance.
- 5.3 The Emergency Services Strategic Collaboration Board has been established to consider collaborative options with Essex Police, Essex County Fire and Rescue Service and other blue light partners such as the East of England Ambulance Service. The board oversees the development of collaborative opportunities and the long term strategic direction of the collaboration programme.
- 5.4 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.
- 5.5 During 2018/19, two governance issues were identified:
- 1) It came to the attention of the PFCC that a Decision Report classified as Restricted had been published on the PFCC's website. The document was immediately taken down and a thorough review instigated to ensure that the same was not true of any other document published on the website. As a result of this incident, more stringent checks and balances have been introduced into the existing procedures for publication of decision sheets; approval of redactions and publication of documents to the PFCC's website. The PFCC's Publication Protocol is also under review, with an updated version due to be approved in Quarter 1 of 2019/20.
  - 2) Whilst not constituting a breach, a review by the incoming Monitoring Officer identified that a large proportion of the policies and strategies governing the business of the PFCC had expired and that multiple versions of some such documents were published to the PFCC's website and / or on the shared drive used by staff. Furthermore, a small number of policies and strategies that had previously been formally decommissioned had been inappropriately re-instigated by officers without following the appropriate approval process. In response to this, a thorough policy review plan was put in place to ensure that all expired policies and strategies are updated by the end of the 2018/19 financial year.
- 5.6 The progress made in addressing the governance matters from the 2018/19 AGS is shown below.
- 5.7 On 1<sup>st</sup> October 2018, the PFCC marked the one year anniversary of joint governance of Essex Police and Essex County Fire and Rescue Service. The PFCC is responsible for ensuring that arrangements are in place to deliver an efficient and effective fire and rescue service as well as an efficient and effective police force for the county.

## Annual Governance Statement

**Table 1: Progress made against the 2018/19 governance matters**

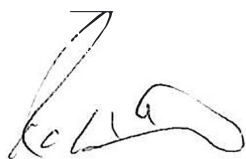
<b>Title</b>	<b>Action</b>	<b>Expected delivery</b>	<b>Position at 31<sup>st</sup> March 2019</b>
Overall demand on policing	The ability of the Force to manage existing and future demand, with an effective operating model of policing using the efficiency gains enabled by investment in new technology.	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.	The 2018/19 approved budget outlined plans to recruit 150 additional officers in Essex funded by the increased precept. During the year these officers have been recruited, trained and are being deployed across Essex.
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.	The 2019/20 Police Settlement granted the PFCC the freedom to increase the precept up to £24; in Essex the precept was increased by 14.16% to £192.96, an increase of £23.94 for a 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.	Full year comparison of commissioned survey of public confidence and user satisfaction data available March 2019.	Results on a rolling 12 months basis in 2018 compared to 2017 show a high degree of stability across all measures; confidence at a local level has remained stable.
Fire collaboration	To continue to promote collaboration work streams between Essex Police and Essex County Fire and Rescue Service, achieving greater efficiencies across both services.	Detailed collaboration plans and savings to be in place by March 2019.	Collaboration projects are monitored through the Emergency Services Strategic Collaboration Board and other governance arrangements. A number of outline business cases have been developed at March 2019.

## Annual Governance Statement

Significant governance issues that are relevant for 2019/20 are shown in Table 2 below:

**Table 2: Governance considerations for 2019/20**

Title	Action	Expected delivery
Demand Management	The ability of the Force to manage existing and future demand, with an effective operating model of policing using the efficiency gains enabled by investment in new technology.	Additional 215 officers to be recruited through the additional policing precept. Further improvements in demand management to be demonstrated by March 2020 as impact of additional officers is seen.
Comprehensive Spending Review 2019	To continue to promote the case for an improved Government police grant allocation by working with the APCC, NPCC, and PACCTS to deliver an evidence based response to the Home Office. This response will inform the HM Treasury decision.	Provisional grant settlement for 2020/21 to be announced in December 2019 and outcome of the CSR is expected in 2019/20
Public confidence and victim satisfaction	To ensure that public confidence in local communities continues to improve through increasing police performance and effective communication and public engagement.	Public and victims satisfaction in local policing to maintain a positive trend throughout 2019/20.
Blue light collaboration	To promote collaborative working across blue light services, including greater efficiencies between Essex Police and Essex County Fire and Rescue Service and the successful transition to the 7Force Procurement Function	Plans for collaborative procurement savings through the 7Force Procurement to be developed by March 2020
Police Misconduct Regulations	Changes to police complaint system are expected to take effect in 2019/20 as part of the Home Office Improving Police Integrity Programme. Discussions are taking place between the PFCC and Chief Constable to establish the most effective system for Essex.	Legislation is expected to be enacted in 2019/20 by parliament and following this the PFCC and Chief Constable will implement the agreed approach.



**The Police, Fire & Crime Commissioner for Essex**



**Acting Treasurer to the PFCC for Essex**

## **Independent Audit Report**

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

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of the Police, Fire and Crime Commissioner for Essex (the 'Police, Fire and Crime Commissioner') and its subsidiary the Chief Constable for Essex (the 'group') for the year ended 31 March 2019. The financial statements comprise the Comprehensive Income and Expenditure Statement for the Police, Fire and Crime Commissioner for Essex Group, the Comprehensive Income and Expenditure Statement for the Police, Fire and Crime Commissioner for Essex, the Balance Sheet for the Police, Fire and Crime Commissioner for Essex Group and the Police, Fire and Crime Commissioner for Essex, the Cash Flow Statement for the PFCC for Essex Group, the Cash Flow Statement for the PFCC, the Movement in Reserves Statement for the Police, Fire and Crime Commissioner for Essex Group, the Movement in Reserves Statement for the Police, Fire and Crime Commissioner for Essex and notes to the financial statements, including a summary of significant accounting policies, and include the Police Officer Pension Fund financial statements comprising the Fund Account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police, Fire and Crime Commissioner as at 31 March 2019 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

##### **Basis for opinion**

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

##### **Conclusions relating to going concern**

We 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 Acting Treasurer to the PFCC for Essex's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Acting Treasurer to the PFCC for Essex has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Police, Fire and Crime Commissioner'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 Audit Report**

### **Other information**

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police, Fire and Crime Commissioner gained through our work in relation to the Police, Fire and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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



## **Independent Audit Report**

### **Responsibilities of the Police, Fire and Crime Commissioner and the Acting Treasurer to the PFCC for Essex for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts for the PFCC for Essex and the PFCC for Essex Group, the Police, Fire and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Acting Treasurer to the PFCC for Essex. The Acting Treasurer to the PFCC for Essex is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Acting Treasurer to the PFCC for Essex determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Acting Treasurer to the PFCC for Essex is responsible for assessing the group's and 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 there is an intention by government that the services provided by the group or the Police, Fire and Crime Commissioner will no longer be provided.

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

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

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

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

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Police, Fire and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

## **Independent Audit Report**

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police, Fire and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police, Fire and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We 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 in November 2017, as to whether in all significant respects the Police, Fire and Crime Commissioner 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 put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 be satisfied that the Police, Fire and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements 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.

#### **Use of our report**

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

*Paul Grady*

Paul Grady, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

31 July 2019

## 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.

	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
Employee expenses	303,987	0	303,987	402,978	0	402,978
Premises	11,237	0	11,237	11,064	0	11,064
Transport	4,588	0	4,588	5,759	0	5,759
Other Service expenditure	28,895	0	28,895	31,561	0	31,561
Third party payments	5,357	0	5,357	6,648	0	6,648
Depreciation amortisation and impairment	11,409	0	11,409	6,697	0	6,697
Contribution to reserves and provisions	1,726	0	1,726	1,821	0	1,821
Fees charges and other service income	0	(23,520)	(23,520)	0	(23,980)	(23,980)
Government grants and contributions	0	(7,220)	(7,220)	0	(8,613)	(8,613)
<b>Provision of Police Services - PFCC Group</b>	<b>367,199</b>	<b>(30,740)</b>	<b>336,459</b>	<b>466,528</b>	<b>(32,593)</b>	<b>433,935</b>
(Gain)/loss on the disposal of non current assets	0	(1,888)	(1,888)	0	(8,926)	(8,926)
<b>Other Operating Expenditure</b>	<b>0</b>	<b>(1,888)</b>	<b>(1,888)</b>	<b>0</b>	<b>(8,926)</b>	<b>(8,926)</b>
External interest payable	4	0	4	2	0	2
Net interest on the defined benefit pensions liability						
- Police Officers	81,331	0	81,331	71,290	0	71,290
- Police Staff	5,485	0	5,485	4,550	0	4,550
Interest receivable and similar income	0	(64)	(64)	0	(167)	(167)
<b>Financing and Investment Income and Expenditure</b>	<b>86,820</b>	<b>(64)</b>	<b>86,756</b>	<b>75,842</b>	<b>(167)</b>	<b>75,675</b>
<b>Taxation and Non Specific Grant Income</b>						
Police grant	0	(101,347)	(101,347)	0	(101,347)	(101,347)
Formula funding	0	(55,149)	(55,149)	0	(55,149)	(55,149)
Council tax precept	0	(99,013)	(99,013)	0	(107,521)	(107,521)
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	(41,183)	(41,183)	0	(40,465)	(40,465)
Capital grant	0	(935)	(935)	0	(935)	(935)
	<b>0</b>	<b>(310,752)</b>	<b>(310,752)</b>	<b>0</b>	<b>(318,542)</b>	<b>(318,542)</b>
<b>(Surplus)/Deficit on Provision of Police Services - PFCC Group</b>	<b>454,019</b>	<b>(343,444)</b>	<b>110,575</b>	<b>542,370</b>	<b>(360,228)</b>	<b>182,142</b>
<b>Other Comprehensive Income and Expenditure</b>						
(Surplus)/deficit on revaluation of fixed assets	(1,463)	0	(1,463)	(102)	0	(102)
Remeasurement of the net defined benefit liability						
- Police Officers	0	(193,341)	(193,341)	74,535	0	74,535
- Police Staff	0	(37,995)	(37,995)	0	(19,888)	(19,888)
	<b>(1,463)</b>	<b>(231,336)</b>	<b>(232,799)</b>	<b>74,433</b>	<b>(19,888)</b>	<b>54,545</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>452,556</b>	<b>(574,780)</b>	<b>(122,224)</b>	<b>616,803</b>	<b>(380,116)</b>	<b>236,687</b>

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.

	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
Employee expenses	3,480	0	3,480	3,934	0	3,934
Premises	11,237	0	11,237	11,064	0	11,064
Transport	3,605	0	3,605	4,610	0	4,610
Other service expenditure	28,513	0	28,513	31,118	0	31,118
Third party payments	5,355	0	5,355	5,781	0	5,781
Depreciation amortisation and impairment	11,409	0	11,409	6,697	0	6,697
Contribution to reserves and provisions	1,726	0	1,726	1,821	0	1,821
Fees charges and other service income	0	(21,024)	(21,024)	0	(23,980)	(23,980)
Government grants and contributions	0	(6,906)	(6,906)	0	(8,613)	(8,613)
<b>Provision of Police Services - PFCC (before Intra-Group Funding)</b>	<b>65,325</b>	<b>(27,930)</b>	<b>37,395</b>	<b>65,025</b>	<b>(32,593)</b>	<b>32,432</b>
Intra Group Funding for Chief Constable's Net Service Cost	284,668	0	284,668	294,335	0	294,335
<b>Net Cost of Provision of Police Services - PFCC</b>	<b>349,993</b>	<b>(27,930)</b>	<b>322,063</b>	<b>359,360</b>	<b>(32,593)</b>	<b>326,767</b>
(Gain)/loss on the disposal of non current assets	0	(1,888)	(1,888)	0	(8,926)	(8,926)
<b>Other Operating Expenditure</b>	<b>0</b>	<b>(1,888)</b>	<b>(1,888)</b>	<b>0</b>	<b>(8,926)</b>	<b>(8,926)</b>
External interest payable	4	0	4	2	0	2
Net interest on the defined benefit pensions liability						
- Police Staff	35	0	35	32	0	32
Interest receivable and similar income	0	(64)	(64)	0	(167)	(167)
<b>Financing and Investment Income and Expenditure</b>	<b>39</b>	<b>(64)</b>	<b>(25)</b>	<b>34</b>	<b>(167)</b>	<b>(133)</b>
Police grant	0	(101,347)	(101,347)	0	(101,347)	(101,347)
Formula funding	0	(55,149)	(55,149)	0	(55,149)	(55,149)
Council tax	0	(99,013)	(99,013)	0	(107,521)	(107,521)
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	(41,183)	(41,183)	0	(40,465)	(40,465)
Capital grant	0	(935)	(935)	0	(935)	(935)
<b>Taxation and Non Specific Grant Income</b>	<b>0</b>	<b>(310,752)</b>	<b>(310,752)</b>	<b>0</b>	<b>(318,542)</b>	<b>(318,542)</b>
<b>(Surplus)/Deficit on Provision of Police Services - PFCC</b>	<b>350,032</b>	<b>(340,634)</b>	<b>9,398</b>	<b>359,394</b>	<b>(360,228)</b>	<b>(834)</b>
<b>Other Comprehensive Income and Expenditure</b>						
(Surplus)/deficit on revaluation of fixed assets	(1,463)	0	(1,463)	(102)	0	(102)
Remeasurement of the net defined benefit liability						
- Police Staff	0	(206)	(206)	(105)	(105)	(105)
	<b>(1,463)</b>	<b>(206)</b>	<b>(1,669)</b>	<b>(102)</b>	<b>(105)</b>	<b>(207)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>348,569</b>	<b>(340,840)</b>	<b>7,729</b>	<b>359,292</b>	<b>(360,333)</b>	<b>(1,041)</b>

With effect from 2018/19 the decision has been taken to reclassify all income previously recognised in the Chief Constable accounts, in respect of recharges and funding for Police Officers and staff, to the PFCC accounts. Based on materiality the 2017/18 figures have not been restated for this change and therefore the income shown in the Comprehensive Income and Expenditure Statement for 2018/19 is not comparable to the previous year in either sets of these accounts. The figures will be comparable and consistent going forward.

## 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 2018		31st March 2019	
	£000	£000	£000	£000
<b>Non current assets</b>	<b>PFCC</b>	<b>Group</b>	<b>PFCC</b>	<b>Group</b>
18 Property, plant & equipment	86,713	86,713	87,501	87,501
19 Intangible assets	2,133	2,133	2,122	2,122
22 Long term debtors	42	42	37	37
<b>Non current assets total</b>	<b>88,888</b>	<b>88,888</b>	<b>89,660</b>	<b>89,660</b>
<b>Current assets</b>				
23 Short term investments	8,000	8,000	8,520	8,520
21 Inventories	703	703	852	852
22 Short term debtors	32,168	33,694	30,046	30,833
24 Cash and cash equivalents	6,130	6,130	7,903	7,903
25 Assets held for sale	3,521	3,521	1,137	1,137
<b>Current assets total</b>	<b>50,522</b>	<b>52,048</b>	<b>48,458</b>	<b>49,245</b>
<b>Current liabilities</b>				
26 Short term creditors	(28,001)	(33,229)	(25,013)	(28,827)
<b>Current liabilities total</b>	<b>(28,001)</b>	<b>(33,229)</b>	<b>(25,013)</b>	<b>(28,827)</b>
<b>Non current liabilities</b>				
27 Provisions	(2,384)	(2,384)	(3,374)	(3,374)
40 Pensions liabilities - Police Officers	0	(2,830,260)	0	(3,067,043)
40 Pensions liabilities - Police Staff	(1,288)	(179,994)	(1,430)	(181,756)
15 Capital grants-receipts in advance	(491)	(491)	(14)	(14)
<b>Non current liabilities total</b>	<b>(4,163)</b>	<b>(3,013,129)</b>	<b>(4,818)</b>	<b>(3,252,187)</b>
<b>Net assets/(liabilities)</b>	<b>107,246</b>	<b>(2,905,422)</b>	<b>108,287</b>	<b>(3,142,109)</b>
<b>Usable reserves</b>				
33 General Reserve	(12,221)	(12,221)	(9,226)	(9,226)
33 Earmarked revenue reserves	(7,822)	(7,822)	(6,273)	(6,273)
33 Future Capital Funding Reserve	0	0	(1,255)	(1,255)
34 Usable capital receipts	(1,852)	(1,852)	(6,055)	(6,055)
<b>Usable reserves total</b>	<b>(21,895)</b>	<b>(21,895)</b>	<b>(22,809)</b>	<b>(22,809)</b>
<b>Unusable reserves</b>				
Revaluation Reserve	(9,106)	(9,106)	(8,675)	(8,675)
Capital Adjustment Account	(74,505)	(74,505)	(75,520)	(75,520)
Deferred Capital Receipts Reserve	0	0	0	0
Pensions Reserve - Police Officers	0	2,830,260	0	3,067,043
Pensions Reserve - Police Staff	1,288	179,994	1,430	181,756
Collection Fund Adjustment Account	(3,046)	(3,046)	(2,728)	(2,728)
Accumulating Compensated Absences Adjustment Account	18	3,720	15	3,042
<b>Unusable reserves total</b>	<b>(85,351)</b>	<b>2,927,317</b>	<b>(85,478)</b>	<b>3,164,918</b>
<b>Total reserves</b>	<b>(107,246)</b>	<b>2,905,422</b>	<b>(108,287)</b>	<b>3,142,109</b>

I certify that the statement of accounts give a true and fair view of the financial position of the PFCC/Group and its income and expenditure for the year ended 31st March 2019.

These financial statements replace the unaudited financial statements certified by Abbey Gough, Acting Treasurer to the PFCC for Essex on 24th May 2019.



Abbey Gough (ACCA), Acting Treasurer to the PFCC for Essex  
26th July 2019

## Core Financial Statements

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

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

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

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

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

	2017/18		2018/19	
	£000	£000	£000	£000
	Group		Group	
<b>Net Surplus/Deficit on the provision of services:-</b>		<b>110,575</b>		<b>182,142</b>
Adjustment to surplus or deficit on the provision of services for noncash movements		(116,081)		(191,962)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		9,154		13,785
<b>Net cash flows from operating activities</b>		<b>3,648</b>		<b>3,965</b>
<b>Net cash flows from investing activities</b>		<b>(4,166)</b>		<b>(5,419)</b>
<b>Net cash flows from financing activities</b>		<b>(223)</b>		<b>(319)</b>
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(741)</b>		<b>(1,773)</b>
Cash and cash equivalents at the beginning of the reporting period		5,388		6,130
Cash and cash equivalents at the end of the reporting period		6,130		7,903
<b>Movement in cash equivalents</b>		<b>742</b>		<b>1,773</b>

### Cash Flow Statement for the PFCC

	2017/18		2018/19	
	£000	£000	£000	£000
	PFCC		PFCC	
<b>Net Surplus/Deficit on the provision of services:-</b>		<b>9,398</b>		<b>(834)</b>
Adjustment to surplus or deficit on the provision of services for noncash movements		(14,903)		(8,986)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		9,154		13,785
<b>Net cash flows from operating activities</b>		<b>3,649</b>		<b>3,965</b>
<b>Net cash flows from investing activities</b>		<b>(4,166)</b>		<b>(5,419)</b>
<b>Net cash flows from financing activities</b>		<b>(223)</b>		<b>(319)</b>
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(740)</b>		<b>(1,773)</b>
Cash and cash equivalents at the beginning of the reporting period		5,388		6,130
Cash and cash equivalents at the end of the reporting period		6,130		7,903
<b>Movement in cash equivalents</b>		<b>742</b>		<b>1,773</b>



## 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.

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	£000
<b>Balance at 1st April 2017</b>	<b>(13,157)</b>	<b>(8,959)</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>(22,219)</b>	<b>3,049,865</b>	<b>3,027,646</b>
(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>110,575</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>110,575</b>	<b>(232,799)</b>	<b>(122,224)</b>
Adjustments between accounting basis and funding basis under regulations	(108,399)	0	0	(1,852)	1,632	(110,251)	110,251	0
<b>Net (Increase) /Decrease before Transfers to Earmarked Reserves</b>	<b>2,176</b>	<b>0</b>	<b>0</b>	<b>(1,852)</b>	<b>0</b>	<b>324</b>	<b>(122,548)</b>	<b>(122,224)</b>
Transfers (to)/from Earmarked Reserves	(1,240)	1,137	103	0	0	0	0	0
<b>(Increase) /Decrease in year</b>	<b>936</b>	<b>1,137</b>	<b>103</b>	<b>(1,852)</b>	<b>0</b>	<b>324</b>	<b>(122,548)</b>	<b>(122,224)</b>
<b>Balance at 31st March 2018 carried forward</b>	<b>(12,221)</b>	<b>(7,822)</b>	<b>0</b>	<b>(1,852)</b>	<b>0</b>	<b>(21,895)</b>	<b>2,927,317</b>	<b>2,905,422</b>

## Core Financial Statements

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

2018/19 Group									
	Usable Reserves						Total Usable	Total Unusable	Total Reserves
	Held for revenue purposes		Held for capital purposes						
	General	Earmarked	Future Capital Funding	Capital Receipts	Capital Grants Unapplied				
£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 1st April 2018</b>	<b>(12,221)</b>	<b>(7,822)</b>	<b>0</b>	<b>(1,852)</b>	<b>0</b>	<b>(21,895)</b>	<b>2,927,317</b>	<b>2,905,422</b>	
(Surplus)/ Deficit on provision of services (accounting basis)	182,142	0	0	0	0	182,142	0	182,142	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	54,545	54,545	
<b>Total Comprehensive Income and Expenditure</b>	<b>182,142</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>182,142</b>	<b>54,545</b>	<b>236,687</b>	
Adjustments between accounting basis and funding basis under regulations	(178,853)	0	0	(4,203)	0	(183,056)	183,056	0	
<b>Net (Increase) /Decrease before Transfers to Earmarked Reserves</b>	<b>3,289</b>	<b>0</b>	<b>0</b>	<b>(4,203)</b>	<b>0</b>	<b>(914)</b>	<b>237,601</b>	<b>236,687</b>	
Transfers (to)/from Earmarked Reserves	(294)	1,549	(1,255)			0	0	0	
<b>(Increase) /Decrease in year</b>	<b>2,995</b>	<b>1,549</b>	<b>(1,255)</b>	<b>(4,203)</b>	<b>0</b>	<b>(914)</b>	<b>237,601</b>	<b>236,687</b>	
<b>Balance at 31st March 2019 carried forward</b>	<b>(9,226)</b>	<b>(6,273)</b>	<b>(1,255)</b>	<b>(6,055)</b>	<b>0</b>	<b>(22,809)</b>	<b>3,164,918</b>	<b>3,142,109</b>	

## 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.

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

## Core Financial Statements

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

2018/19 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	
<b>Balance at 1st April 2018</b>	<b>(12,221)</b>	<b>(7,822)</b>	<b>0</b>	<b>(1,852)</b>	<b>0</b>	<b>(21,895)</b>	<b>(85,351)</b>	<b>(107,246)</b>	
(Surplus)/ Deficit on provision of services (accounting basis)	(834)	0	0	0	0	(834)	0	(834)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(207)	(207)	
<b>Total Comprehensive Income and Expenditure</b>	<b>(834)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(834)</b>	<b>(207)</b>	<b>(1,041)</b>	
Adjustments between accounting basis and funding basis under regulations	4,123	0	0	(4,203)	0	(80)	80	0	
<b>Net (Increase) /Decrease before Transfers to Earmarked Reserves</b>	<b>3,289</b>	<b>0</b>	<b>0</b>	<b>(4,203)</b>	<b>0</b>	<b>(914)</b>	<b>(127)</b>	<b>(1,041)</b>	
Transfers (to)/from Earmarked Reserves	(294)	1,549	(1,255)	0	0	0	0	0	
<b>(Increase) /Decrease in year</b>	<b>2,995</b>	<b>1,549</b>	<b>(1,255)</b>	<b>(4,203)</b>	<b>0</b>	<b>(914)</b>	<b>(127)</b>	<b>(1,041)</b>	
<b>Balance at 31st March 2019 carried forward</b>	<b>(9,226)</b>	<b>(6,273)</b>	<b>(1,255)</b>	<b>(6,055)</b>	<b>0</b>	<b>(22,809)</b>	<b>(85,478)</b>	<b>(108,287)</b>	

## Notes relating to the PFCC Accounts

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## 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, reflected the powers and responsibilities of the PCC as designated by the Act and the Home Office Financial Management Code of Practice for the Police Service, England and Wales 2012. This accounting relationship is also underpinned by the relationships as defined by local regulations, local agreement and practice. On 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.

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

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

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

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



## Notes Relating to the Accounts: General

### 2. Summary of Significant Accounting Policies

These are categorised as follows:-

#### Policies applying to the PFCC Group

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

#### **2.1 General Principles**

The Statement of Accounts summarises the PFCC's and the CC's financial transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. 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 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance, issued under Section 12 of the 2003 Act.

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

#### **2.2 Accruals of Income and Expenditure 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.
- Adoption of IFRS 15 - Revenue from contracts with customers is recognised when goods and or services are delivered and title passed. Activity is accounted for in the year that it takes place.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **2.3 Overhead and Support Services**

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

## Notes Relating to the Accounts: General

### **2.4 Employee Benefits**

#### Short Term Benefits

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

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

- outstanding annual leave entitlements
- time off in lieu

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

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

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

#### Long Term Benefits

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

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

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

### **2.5 Prior Period Adjustments, Changes in Accounting Policy and Estimates & Errors**

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

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

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

### **2.6 Revenue Recognition**

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

## Notes Relating to the Accounts: General

### 2.7 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:-

- a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- b) those that are an indication of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### 2.8 Retirement Benefits - Police Staff

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

The Scheme is accounted for as follows:

- The liabilities of the LGPS are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits, based on the same set of assumptions as identified for police officers.
- 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.

## **Notes Relating to the Accounts: General**

- g) Contributions paid to the Essex Council Pension Fund: cash paid as employer's contributions to the pension fund.

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

### **2.9 Contingent Assets and Liabilities**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **Policies applying to the PFCC**

- 2.10 Income
- 2.11 Council tax Income
- 2.12 Reserves
- 2.13 Provisions
- 2.14 Value Added Tax
- 2.15 Provision for Bad Debts
- 2.16 Inventories
- 2.17 Property, Plant and Equipment
- 2.18 Intangible assets
- 2.19 Assets held for sale
- 2.20 Non-current assets out of use
- 2.21 Capital grants and contributions
- 2.22 Donated Assets
- 2.23 Minimum revenue provision
- 2.24 Revenue expenditure funded from capital
- 2.25 Leases
- 2.26 Financial Instruments
- 2.27 Cash and Cash Equivalents

### **2.10 Income**

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

### **2.11 Council Tax Income**

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

## Notes Relating to the Accounts: General

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.

### Balance Sheet

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

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

### **2.12 Reserves**

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

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

### **2.13 Provisions**

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

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

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

### **2.14 Value Added Tax**

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

### **2.15 Provision for Bad Debts**

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

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

## Notes Relating to the Accounts: General

### **2.16 Inventories and Long Term Contracts**

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

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

### **2.17 Property, Plant and Equipment**

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

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

The PFCC operates a de minimis limit below which items will not be charged to capital on the grounds of materiality. The limit for individual items is £10,000 except for vehicles where a £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 five 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.



## Notes Relating to the Accounts: General

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

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

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

Depreciation is calculated on the following basis:

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

The residual value, useful life and depreciation method are reviewed at each financial year end.

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

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

## Notes Relating to the Accounts: General

### 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.

### 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.

## Notes Relating to the Accounts: General

### 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.

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.

### **2.18 Intangible assets**

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

## **Notes Relating to the Accounts: General**

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

### **2.19 Assets held for sale**

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

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

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

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

### **2.20 Non-current assets out of use**

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

### **2.21 Capital grants and contributions**

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

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

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

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

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

### **2.22 Donated assets**

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

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

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

## Notes Relating to the Accounts: General

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

### **2.23 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.

### **2.24 Revenue expenditure funded from capital**

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

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

### **2.25 Leases**

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

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

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

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

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

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

## Notes Relating to the Accounts: General

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

### **2.26 Financial Instruments**

#### Adoption of IFRS 9

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

#### Classifications

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

#### Financial Assets

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

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

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

#### Financial Liabilities

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



## Notes Relating to the Accounts: General

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

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

### Fair Values

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

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

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

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

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

### **2.27 Cash and Cash Equivalents**

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

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

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

## Notes Relating to the Accounts: General

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

Paragraph 3.3.2.13 of The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 2018/19 and 2019/20 financial statements in respect of accounting changes that are introduced in the 2019/20 code are:-

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014 - 2016 Cycle*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

It is not expected that any of the above changes will have a material impact upon the financial statements.

In respect of IFRS 16 *Leases* it was previously expected that changes and additional disclosures resulting from this standard would be incorporated into the 2019/20 code. However, in December 2018 CIPFA issued a statement from the CIPFA/LASSAC Local Authority Accounting Board announcing that the implementation of IFRS 16 would be deferred until 1st April 2020. The current proposals from this standard will require lessees to recognise most leases on their balance sheets as right of use assets with corresponding lease liabilities (some low-value and short-term leases may be exempt). Further work will be undertaken during 2019/20 in anticipation of the new requirements ahead.

### **4 Critical judgements in applying accounting policies**

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

The critical judgements made in the Statement of Accounts are:

- 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 39.
- b) **Impairment of Assets:** Further information can be found in notes 16 and 18.
- c) On the 1 October 2017 the PFCC took on the governance of the Essex County Fire and Rescue Service (ECFRS), under the joint governance model. Under this model the Police, Fire and Crime Commissioner (PFCC) forms two legal entities the PFCC and the Police, Fire and Crime Commissioner Fire and Rescue Authority (PFCCFRA) which are separate corporation soles. ECFRS is a brand name only for operational activities of the PFCCFRA, where as the Chief Constable and their service remain a separate corporation sole.

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

## Notes Relating to the Accounts: General

The accounts of the PFCCFRA remain separate and are not included within the PFCC Group Accounts, this is because the PFCC entity does not have control over the activities of PFCCFRA. All financial and governance decisions relating to ECFRS are made by the PFCCFRA and this control is embodied within the Commissioner.

In making this judgement the PFCC has considered section 9.1 of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which sets out the requirement for accounting for Group Accounts. Paragraph 9.1.2.30 of 'The Code' sets out the criteria which must be met to control an entity; the PFCC does not meet these requirement for PFCCFRA and therefore no group is activities.

### 5 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.

### 6 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation of uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the PFCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.019m for every year that useful lives had to be reduced, however that figure is subject to timings in respect of estates disposals.</p> <p>The valuation date is currently the 31st December with a market review process undertaken at the 31st March to ensure:- a) these assets have not changed value materially in the subsequent three months, and b) the remainder of the assets in the rolling programme have not changed value materially during the accounting period. There is not expected to be a material swing between the 31st December and 31st March valuations, however if this does occur this information would be incorporated into the Statement of Accounts.</p>
<b>Insurance Provision</b>	The PFCC has made a provision of £2.580m 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.	2018/19 saw a decrease in actual in-year claims expenditure of circa £0.7m but based on the estimated value of outstanding claims in progress at the end of the financial year, the provision value still recognised an overall increase of £0.2m. Based on a similar claims profile trend continuing in 2019/20 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 £0.336m to the provision required.

## Notes Relating to the Accounts: General

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the 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 £12.121m. 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 £116.512m. It should be noted, however, that the various assumptions interact in complex ways.
<b>Legal Claims</b>	The PFCC has made a provision of £0.794m for the settlement of outstanding claims in respect of the 'Allard & Ors v Devon & Cornwall Constabulary' legal cost. For further background of this issue please refer to note 7 contingent liabilities.	The uncertainty of future claims in respect of this case means that there is potential for this provision to need to be increased in the coming year. Based on the current quantified value of 99 claims equating to £1.213m in the 2018/19 accounts, a 10% rise in further claims would equate to an additional liability of £0.121m.

### **7 Contingent Liabilities**

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

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

In respect of the 2018/19 accounts, the Force has assessed the financial value of 99 claims at the balance sheet date, some of which have already been paid and some of which are still outstanding. In respect of the outstanding element these claims can all be reliably measured and a provision has therefore been created in the 2018/19 accounts. However, there is still uncertainty in respect of further claims arising and as these liabilities cannot be reliably measured at the present time, due to both the timings and amounts not yet being ascertained, no provision has been made for this element in the accounting statements.

The Independent Office for Police Conduct has been managing a number of cases into alleged failings in child abuse investigations carried out by Essex Police officers which has resulted in the conviction of two officers for misconduct in public service and a number of other officers receiving internal admonishments. The Force Legal Department has received two civil claims arising out of these investigations. The claims are brought under the Human Rights Act which have not been and are not currently covered by our insurance provisions. Due to the amount of variables it is not possible to determine how many additional civil claims might be received or their potential value and for this reason a provision has not yet been provided for in the 2018/19 Accounting Statements.

### **8 Date of Authorisation of the Statement of Accounts for Issue**

The Statement of Accounts was authorised for issue on 26th July 2019 by Abbey Gough (ACCA), Acting Treasurer to the PFCC for Essex.

## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

### 9 Expenditure and Funding Analysis

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

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

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

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

	2017/18 Net Expenditure Chargeable to the General Reserve	2017/18 Adjustment between Funding & Accounting Basis	2017/18 Net Expenditure in the CIES	2018/19 Net Expenditure Chargeable to the General Reserve	2018/19 Adjustment between Funding & Accounting Basis	2018/19 Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000
<b>Provision of Police Services - PFCC Group</b>	<b>271,034</b>	<b>65,425</b>	<b>336,459</b>	<b>280,749</b>	<b>153,186</b>	<b>433,935</b>
Income from Council Tax	(99,237)	225	<b>(99,012)</b>	(107,839)	318	<b>(107,521)</b>
Non-Specific Government Grant Income	(169,620)	(42,120)	<b>(211,740)</b>	(169,621)	(41,400)	<b>(211,021)</b>
Other Income and Expenditure	0	84,868	<b>84,868</b>	0	66,749	<b>66,749</b>
<b>(Surplus)/Deficit on Provision of Police Services - PFCC Group</b>	<b>2,177</b>	<b>108,398</b>	<b>110,575</b>	<b>3,289</b>	<b>178,853</b>	<b>182,142</b>
Opening General Reserve and Earmarked Revenue Reserves at 1st April	(22,117)			(20,043)		
Reallocation to/(from) Capital Funding Reserves	(103)			1,255		
Less (Surplus)/Deficit on Provision of Police Services	2,177			3,289		
<b>Closing General Reserve and Earmarked Revenue Reserves at 31 March</b>	<b>(20,043)</b>			<b>(15,499)</b>		

## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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

	2017/18 Net Expenditure Chargeable to the General Reserve	2017/18 Adjustment between Funding & Accounting Basis	2017/18 Net Expenditure in the CIES	2018/19 Net Expenditure Chargeable to the General Reserve	2018/19 Adjustment between Funding & Accounting Basis	2018/19 Net Expenditure in the CIES
	£000	£000	£000	£000	£000	£000
<b>Provision of Police Services - PFCC (before Intra-Group Funding)</b>	27,550	9,845	37,395	26,879	5,553	32,432
Intra Group adjustment for CC's Net Service Cost	243,485	41,183	<b>284,668</b>	253,870	40,465	<b>294,335</b>
<b>Net Cost of Provision of Police Services - PFCC</b>	<b>271,035</b>	<b>51,028</b>	<b>322,063</b>	<b>280,749</b>	<b>46,018</b>	<b>326,767</b>
Income from Council Tax	(99,237)	225	<b>(99,012)</b>	(107,839)	318	<b>(107,521)</b>
Non-Specific Government Grant Income	(169,621)	(42,119)	<b>(211,740)</b>	(169,621)	(41,400)	<b>(211,021)</b>
Other Income and Expenditure	0	(1,913)	<b>(1,913)</b>	0	(9,059)	<b>(9,059)</b>
<b>(Surplus)/Deficit on Provision of Police Services - PFCC</b>	<b>2,177</b>	<b>7,221</b>	<b>9,398</b>	<b>3,289</b>	<b>(4,123)</b>	<b>(834)</b>

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.

#### 10 Note to the Expenditure and Funding Analysis

2017/18 - Group				
	Adjustment for Capital Purposes (see note 1)	Net change for Pension Adjustment (see note 2)	Other Differences (see note 3)	Total Adjustments
	£000	£000	£000	£000
<b>Provision of Police Services - PFCC Group</b>	<b>9,637</b>	<b>56,127</b>	<b>(339)</b>	<b>65,425</b>
Other Income and Expenditure	(2,823)	45,633	163	<b>42,973</b>
<b>(Surplus)/Deficit on Provision of Police Services - PFCC Group</b>	<b>6,814</b>	<b>101,760</b>	<b>(176)</b>	<b>108,398</b>

## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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
<b>Provision of Police Services - PFCC (before intra-group funding)</b>	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)
<b>(Surplus)/Deficit on Provision of Police Services - PFCC</b>	<b>6,814</b>	<b>176</b>	<b>231</b>	<b>7,221</b>

2018/19 - Group				
	Adjustment for Capital Purposes (see note 1)	Net change for Pension Adjustment (see note 2)	Other Differences (see note 3)	Total Adjustments £000
<b>Provision of Police Services - PFCC Group</b>	5,176	148,524	(514)	153,186
Other Income and Expenditure	(9,861)	35,375	153	25,667
<b>(Surplus)/Deficit on Provision of Police Services - PFCC Group</b>	<b>(4,685)</b>	<b>183,899</b>	<b>(361)</b>	<b>178,853</b>

2018/19 - PFCC				
	Adjustment for Capital Purposes (see note 1)	Net change for Pension Adjustment (see note 2)	Other Differences (see note 3)	Total Adjustments £000
<b>Provision of Police Services - PFCC (before intra-group funding)</b>	5,176	215	162	5,553
Intra-group funding adjustment	0	40,465	0	40,465
Other Income and Expenditure	(9,861)	(40,433)	153	(50,141)
<b>(Surplus)/Deficit on Provision of Police Services - PFCC</b>	<b>(4,685)</b>	<b>247</b>	<b>315</b>	<b>(4,123)</b>

### 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: Comprehensive Income & Expenditure Statements

### 11 Intra group adjustments

This note provides an explanation for an intra group adjustment within the respective accounts. These adjustments reflect the financial resources consumed by the Chief Constable on behalf of the PFCC. The corresponding recharge to the PFCC accounts includes a further adjustment to ensure the intra-group recharge is calculated on a funding basis rather than accounting regulations. This includes adjustments for IAS 19 pensions costs and movements in respect of compensated absences accruals. 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.

For the 2018/19 accounting statements the value of the intra-group adjustment is £294.335m (2017/18, £284.668m). This figure is represented as follows:-

- : Financial resources consumed = £401.502m
- : Funding basis adjustment (IAS 19) = (£107.842m)
- : Funding basis adjustment (Compensated Absences) = £0.675m
- : Intra-group adjustment 2018/19 = £294.335m

### 12 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 2018/19. 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	2017/18			2018/19		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
£50,000 - £54,999	251	23	274	250	18	268
£55,000 - £59,999	170	5	175	198	16	214
£60,000 - £64,999	41	4	45	48	2	50
£65,000 - £69,999	18	1	19	22	4	26
£70,000 - £74,999	9	2	11	16	2	18
£75,000 - £79,999	8	1	9	3	1	4
£80,000 - £84,999	8	2	10	10	0	10
£85,000 - £89,999	4	0	4	2	2	4
£90,000 - £94,999	0	1	1	3	0	3
£95,999 - £99,999	0	0	0	0	1	1
£100,000 - £104,999	0	0	0	0	0	0
<b>Total for Group</b>	<b>509</b>	<b>39</b>	<b>548</b>	<b>552</b>	<b>46</b>	<b>598</b>

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 and one police officer has an element of pay in both tables for 2018/19. These relate to Chief Superintendents that were Acting Assistant Chief Constable and Temporary Assistant Chief Constables for a period of 2017/18 or 2018/19. The element of remuneration for the period they were Chief Officers has been removed for the purposes of calculating the above table.

The increase in police officers included in the above table includes officers paid following the settlement of claims linked to the Allard & Ors v Devon and Cornwall Constabulary legal case.

## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

### PFCC for Essex

Remuneration Band	2017/18	2018/19
	Police Staff	Police Staff
£50,000 - £54,999	0	0
£55,000 - £59,999	2	1
£60,000 - £64,999	0	1
<b>Total for PFCC</b>	<b>2</b>	<b>2</b>

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

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

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

## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

### 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
<b>Total for PFCC</b>	<b>313,381</b>	<b>0</b>	<b>1,995</b>	<b>34,942</b>	<b>350,318</b>

### 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.

## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

- 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 above. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

## Group - 2018/19

### NPCC rank officers' remuneration

<b>2018/19</b>					
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension Contributions (note 4)	Total Remuneration
	£	£	£	£	£
Chief Constable - S Kavanagh (note 5)	87,359	6,375	22,620	0	116,354
Chief Constable - BJ Harrington (note 6)	82,060	896	2,440	19,859	105,255
Deputy Chief Constable (note 7)	118,255	7,044	8,412	28,438	162,149
Deputy Chief Constable (note 8)	12,483	854	190	3,021	16,548
Assistant Chief Constable (note 9)	95,764	8,055	1,810	23,175	128,804
Assistant Chief Constable	105,710	0	8,895	25,582	140,187
Acting Assistant Chief Constable (note 10)	9,572	0	285	2,316	12,173
Chief Finance Officer of the Chief Constable	91,485	0	5,400	13,997	110,882
Director of Strategic Change and Performance	118,009	0	0	18,055	136,064
Police, Fire & Crime Commissioner (note 11)	89,308	0	0	0	89,308
Deputy Police, Fire & Crime Commissioner (note 12)	62,257	0	10,800	9,525	82,582
Chief Executive (note 13)	52,007	0	0	7,957	59,964
Treasurer (note 14)	75,935	0	2,459	11,618	90,012
Acting Treasurer (note 15)	42,050	0	25,374	6,434	73,858
<b>Total for Group</b>	<b>1,042,254</b>	<b>23,224</b>	<b>88,685</b>	<b>169,977</b>	<b>1,324,140</b>

## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

### PFCC - 2018/19

<b>2018/19</b>					
	<b>Salary (note 1)</b>	<b>Benefits in Kind (note 2)</b>	<b>Allowances (note 3)</b>	<b>Employers Pension Contributions (note 4)</b>	<b>Total Remuneration</b>
	£	£	£	£	£
Police, Fire & Crime Commissioner (note 11)	89,308	0	0	0	<b>89,308</b>
Deputy Police, Fire & Crime Commissioner (note 12)	62,257	0	10,800	9,525	<b>82,582</b>
Chief Executive (note 13)	52,007	0	0	7,957	<b>59,964</b>
Treasurer (note 14)	75,935	0	2,459	11,618	<b>90,012</b>
Acting Treasurer (note 15)	42,050	0	25,374	6,434	<b>73,858</b>
<b>Total for PFCC</b>	<b>321,557</b>	<b>0</b>	<b>38,633</b>	<b>35,534</b>	<b>395,724</b>

#### 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) Chief Constable Stephen Kavanagh left the force on the 3rd October 2018. During the period of 1st April 18 - 3rd October 18 he was paid an uplift of 10% which is awarded at the discretion of the PCC upon appointment. The Chief Constable was 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 £12,570 includes £9,054 stipend and £3,516 housing allowance.
- 6) Chief Constable Harrington started in post on the 4th October 2018. The costs shown are his salary and allowances from this date. During this period he was paid an uplift of 10% which is awarded at the discretion of the PFCC upon appointment. Had he been in post for the full year, his salary would have been £157,570 plus allowances.
- 7) The Deputy Chief Constable returned to force from secondment on the 1st April 2018 and left force on the 24th February 2019. The costs shown are their salary and allowances up until this date. Had they been in post for the full year their costs would have been £129,996 plus allowances.
- 8) The current Deputy Chief Constable started in post on the 25th February 2019. The costs shown are their salary and allowances from this point. Had they been in post for the full year their costs would have been £129,996 plus allowances.
- 9) The Assistant Chief Constable left post on 24th February 2019 and the costs shown are their salary and allowances up to this point. Had they remained in post for the full year their costs would have been £105,954 plus allowances.
- 10) The Acting Assistant Chief Constable started in post on 25th February 2019 and the costs shown are their salary and allowances from this point. Had they been in post for the full year their costs would have been £99,688 .
- 11) During the year costs relating to the Police, Fire and Crime Commissioner, Deputy Police, Fire and Crime Commissioner, Chief Executive and Treasurer have had an element of their costs recharged to the Essex County Fire and Rescue Service.
- 12) The Deputy Police, Fire & Crime Commissioner was Interim Chief of Staff from 1st April 2018 until 10th September 2018 when the substantive Chief Executive post holder was appointed. The Deputy Police, Fire & Crime Commissioner received an honoraria payment during this period.

## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

- 13) The Chief Executive started in post on the 10th September 2018 and the costs shown are from this date. Had they been in post for the full period their costs would have been £92,386 plus allowances.
- 14) The Treasurer to the PFCC was on long term sick leave throughout the 2018/19 financial year, until their death in service on 8th March 2019.
- 15) An Acting Treasurer has held this position with effect from 26 March 2018 and has been in receipt of an honoraria payment for this period.

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 2018/19. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

b) Deputy Chief Constable

The post holder was seconded into force from 10th April 2017 until 3rd October 2018. During this period 100% of their costs were recharged to Essex Police.

c) Assistant Chief Constable

This post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2018/19. This post holder has been on secondment to Operation Magenta from 4th September 2018. Their costs are recovered by Kent Police, with 50% reimbursed to Essex Police. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

d) Acting Assistant Chief Constable

This post holder is covering the secondment of the ACC in note c) above. The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2018/19. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

e) Director of Human Resources

The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2018/19. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

### 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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	0	5	0	0	0	5
£20,001 - £40,000	0	2	0	1	0	3
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	1	1	0	1	1
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	1	1	0	0	1	1
<b>Total</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>10</b>

## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

Cost of Exit Packages						
	2017/18			2018/19		
	Severance	Pension Strain	Total	Severance	Pension Strain	Total
£0 - £20,000	£0	£0	£0	£28,967	£0	£28,967
£20,001 - £40,000	£0	£0	£0	£68,461	£32,346	£100,807
£40,001 - £60,000	£0	£0	£0	£0	£0	£0
£60,001 - £80,000	£28,177	£47,104	£75,281	£24,838	£53,227	£78,065
£80,001 - £100,000	0	0	£0	£0	£0	£0
£100,001 - £150,000	£42,722	£83,985	£126,707	£45,353	£91,018	£136,371
<b>Total</b>	<b>£70,899</b>	<b>£131,089</b>	<b>£201,988</b>	<b>£167,619</b>	<b>£176,591</b>	<b>£344,210</b>

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

### 13 Termination benefits

There were ten employees contracts terminated in 2018/19 (two employees in 2017/18), incurring the following liabilities:

- £0.168m severance payments (£0.071m in 2017/18)
- £0.177m enhancement of pension strain (£0.131m in 2017/18).

### 14 External audit costs

	2017/18 £000 PFCC	2017/18 £000 Group	2018/19 £000 PFCC	2018/19 £000 Group
<u>Fees payable</u> - with regard to external audit services carried out by the appointed	41	60	32	44
	<b>41</b>	<b>60</b>	<b>32</b>	<b>44</b>

In 2017/18 the external auditors were Ernst & Young. With effect from 1st April 2018 the external auditors are Grant Thornton.

### 15 Grant income

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

	2017/18 £000	2018/19 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Police Grant	(101,347)	(101,347)
Formula Funding	(55,149)	(55,149)
Council Tax Precepts	(99,013)	(107,521)
Council Tax Support Grant	(10,992)	(10,992)
Council Tax Freeze Grant	(2,133)	(2,133)
Pension Top Up Grant	(41,183)	(40,465)
Capital Grants	(935)	(935)
<b>Total</b>	<b>(310,752)</b>	<b>(318,542)</b>
<b>Credited to services</b>		
Local Partnership Funding	(1,988)	(3,024)
Other Grants	(5,232)	(5,589)
<b>Total</b>	<b>(7,220)</b>	<b>(8,613)</b>



## Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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:

	2017/18	2018/19
	£000	£000
<b>Capital Grants Receipts in Advance</b>		
ANPR project 5	(18)	0
Home Office - IT Mobile Communications upgrade	(386)	0
Safer Essex Roads Partnership - Document Management System	(60)	(14)
Safer Essex Roads Partnership - Motorcycle and Vehicle	(27)	0
<b>Total</b>	<b>(491)</b>	<b>(14)</b>

### 16 Impairment of assets

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

A review of property assets which were not formally revalued in 2018/19 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 2018/19 where capital expenditure on completed minor improvements works to property assets was not considered to have made any material change to the assets' value. Impairment disclosures are consolidated in notes 18 and 19 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

### 17 Leases

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

	2017/18	2018/19
	£000	£000
Not later than one year	1,227	1,020
Later than one year and not later than five years	2,037	1,987
Later than five years (per annum)	616	261
<b>Total</b>	<b>3,880</b>	<b>3,268</b>

The total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the 31st March 2019 is £0.382m (£0.776m at 31st March 2018). The figures do not include a number of non-cancellable leases in respect of radio masts on police buildings which are currently subject to negotiation.

Expenditure charged into the Comprehensive Income and Expenditure Statement during 2018/19 are:

- £1.022m minimum lease payments
- £0.335m contingent rents
- (£0.394m) sub-lease receivables

## Notes Relating to Accounts: Balance Sheet

### 18 Property, Plant and Equipment

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
<b>Cost or Valuation</b>						
<b>At 1st April 2017</b>	<b>77,801</b>	<b>25,401</b>	<b>13,857</b>	<b>10,322</b>	<b>139</b>	<b>127,520</b>
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	0	(7,368)	0	(10,336)
- Intangibles	0	(1,895)	0	2	0	(1,893)
Other movements in Depreciation and Impairment	0	0	0	0	0	0
<b>At 31st March 2018</b>	<b>73,418</b>	<b>24,021</b>	<b>13,474</b>	<b>3,829</b>	<b>35</b>	<b>114,777</b>

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1st April 2017</b>	<b>(2,767)</b>	<b>(18,316)</b>	<b>(8,184)</b>	<b>(1,232)</b>	<b>0</b>	<b>(30,499)</b>
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 and Impairment	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>(1,637)</b>	<b>(16,883)</b>	<b>(8,044)</b>	<b>(1,500)</b>	<b>0</b>	<b>(28,064)</b>
<b>Net Book Value</b>						
<b>At 31st March 2018</b>	<b>71,781</b>	<b>7,138</b>	<b>5,430</b>	<b>2,329</b>	<b>35</b>	<b>86,713</b>
<b>At 31st March 2017</b>	<b>75,034</b>	<b>7,085</b>	<b>5,673</b>	<b>9,090</b>	<b>139</b>	<b>97,021</b>

## Notes Relating to Accounts: Balance Sheet

The following two tables show the movements for 2018/19 as at 31st March 2019.

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
<b>Cost or Valuation</b>						
<b>At 1st April 2018</b>	<b>73,418</b>	<b>24,021</b>	<b>13,474</b>	<b>3,829</b>	<b>35</b>	<b>114,777</b>
Additions	208	3,861	2,062	0	1,174	7,305
Revaluation increases/(decreases) recognised in the Revaluation Reserve	100	0	0	0	0	100
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	271	0	0	654	0	925
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(648)	0	0	0	0	(648)
Derecognition - Disposals	0	(850)	(1,931)	(19)	0	(2,800)
Derecognition - Other	0	(15)	(43)	(10)	0	(68)
Assets reclassified (to)/from						
- Within PPE	611	(796)	0	833	(648)	0
- Held for Sale	(450)	0	0	(752)	0	(1,202)
- Intangibles	0	0	0	52	0	52
Other movements	0	0	0	0	0	0
<b>At 31st March 2019</b>	<b>73,510</b>	<b>26,221</b>	<b>13,562</b>	<b>4,587</b>	<b>561</b>	<b>118,441</b>

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1st April 2018</b>	<b>(1,637)</b>	<b>(16,883)</b>	<b>(8,044)</b>	<b>(1,500)</b>	<b>0</b>	<b>(28,064)</b>
Depreciation Charge	(1,292)	(2,699)	(1,826)	(51)	0	(5,868)
Depreciation written out to the Revaluation Reserve	2	0	0	0	0	2
Depreciation written out to the Surplus/Deficit on the Provision of Services	382	0	0	96	0	478
Derecognition - Disposals	0	832	1,641	19	0	2,492
Derecognition - Other	0	7	41	10	0	58
Assets reclassified (to)/from						
- Within PPE	0	701	0	(701)	0	0
- Held for Sale	14	0	0	0	0	14
- Intangibles	0	0	0	(52)	0	(52)
Other movements in Depreciation and Impairment	0	0	0	0	0	0
<b>At 31st March 2019</b>	<b>(2,531)</b>	<b>(18,042)</b>	<b>(8,188)</b>	<b>(2,179)</b>	<b>0</b>	<b>(30,940)</b>
<b>Net Book Value</b>						
<b>At 31st March 2019</b>	<b>70,979</b>	<b>8,179</b>	<b>5,374</b>	<b>2,408</b>	<b>561</b>	<b>87,501</b>
<b>At 31st March 2018</b>	<b>71,781</b>	<b>7,138</b>	<b>5,430</b>	<b>2,329</b>	<b>35</b>	<b>86,713</b>

### 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 17 of the PFCC's existing land and building assets were revalued as at 31st December 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, Kent Police and the Seven Forces Programme, a number of assets have been jointly purchased specifically for joint/collaborative operations. The following table sets out jointly controlled assets that were held at 31st March 2019 and which are included in the above PPE note.

Jointly Controlled Assets with Kent Police and Seven Forces Programme	Total value of the Joint Assets as at 31st March 2019	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 - Specialist Equipment	284	50
SCD - Fingerprint Cabinet	14	50
Single Desktop Programme	87	50
Storm Gazetter	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
Eastern Region Special Operations Unit (ERSOU) - Building Purchase	1,647	12.6
ERSOU - Specialist Equipment	39	50
<b>Total</b>	<b>3,767</b>	

### Fair Value Disclosures for Surplus Assets

Details of the PFCC's surplus property assets as at 31st March 2019 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 2019
	£000	£000	£000	£000
Surplus Operational Buildings	0	1,253	0	1,253
Surplus Land	0	1,040	0	1,040
<b>Total</b>	<b>0</b>	<b>2,293</b>	<b>0</b>	<b>2,293</b>

## Notes Relating to Accounts: Balance Sheet

### 19 Intangible Assets

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

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:

	2017/18 Purchased Software Licences £000	2018/19 Purchased Software Licences
<b>Gross book value at start of year</b>	<b>8,076</b>	<b>10,101</b>
<b>Movement in Year</b>		
Additions	383	873
Disposals and deletions	(251)	(27)
Transfers	1,893	(52)
<b>Gross book value at end of the year</b>	<b>10,101</b>	<b>10,895</b>
<b>Accumulated depreciation and amortisation at start of year</b>	<b>(5,825)</b>	<b>(7,968)</b>
<b>Movement in Year</b>		
Depreciation on disposals and deletions	230	27
Depreciation on transfers	(1,439)	52
Amortisation for the year	(934)	(884)
<b>Accumulated depreciation and amortisation at end of the year</b>	<b>(7,968)</b>	<b>(8,773)</b>
<b>Net book value at end of the year</b>	<b>2,133</b>	<b>2,122</b>

### Carrying Amount (Major Software Suites only)

	31st March 2018 £000	31st March 2019 £000	Remaining Amortisation Period at 31st March 2019
Athena	92	13	-
SAP Systems Licences	591	341	1 year
Single Desktop Programme	26	7	-
SAP Systems Licences	45	35	3 years
ESMCP ICCS Replacement	0	210	4 years
SCD Replacement Software	0	122	4 years

## Notes Relating to Accounts: Balance Sheet

### 20 Capital Expenditure and Financing

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

	2017/18 £000	2018/19 £000
<b>Opening Capital Financing Requirement</b>	<b>9,255</b>	<b>8,755</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	7,049	7,305
Intangible Assets	383	873
<b>Total Capital Investment</b>	<b>7,432</b>	<b>8,178</b>
<b>Sources of Finance</b>		
Capital receipts	(5,254)	(7,946)
Government Grants and Contributions	(2,075)	(1,636)
Revenue funding (incl. use of internal funds)	(103)	(286)
Minimum revenue provision	(500)	(500)
<b>Total Sources of Finance</b>	<b>(7,932)</b>	<b>(10,368)</b>
<b>Closing Capital Financing Requirement</b>	<b>8,755</b>	<b>6,565</b>
<b>Explanation of movements in year</b>		
Net increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(500)	(2,190)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(500)</b>	<b>(2,190)</b>

At 31st March 2017 there was an in-year shortfall in capital reserves of £1.690m carried forward to 2017/18, which has been financed 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 £0.8m at 31st March 2019 (£0.050m at 31st March 2018).

### 21 Inventories

	Vehicle Parts		Uniform		CS Spray Prisoner Supplies General Stock		Total	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
<b>Balance outstanding at start of year</b>	125	88	519	575	31	40	675	703
Purchases	1,051	1,178	460	514	20	17	1,531	1,710
Recognised as an expense in the year	(1,088)	(1,110)	(404)	(431)	(11)	(20)	(1,503)	(1,561)
<b>Balance outstanding at year end</b>	<b>88</b>	<b>156</b>	<b>575</b>	<b>658</b>	<b>40</b>	<b>37</b>	<b>703</b>	<b>852</b>



## Notes Relating to Accounts: Balance Sheet

### 22 Debtors

#### Long term debtors

The long-term debtors' figure of £0.037m (2017/18 £0.042m) 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:-

	2017/18 £000	2017/18 £000	2018/19 £000	2018/19 £000
	PFCC	Group	PFCC	Group
Trade receivables	2,967	4,493	6,349	7,136
Payments in advance	6,052	6,052	5,715	5,715
Income accruals	17,501	17,501	12,125	12,125
Council Tax-related	4,793	4,793	4,823	4,823
VAT-related	859	859	1,007	1,007
Other debtors	18	18	44	44
	<b>32,190</b>	<b>33,716</b>	<b>30,063</b>	<b>30,850</b>
Less loss allowance for doubtful debts	(22)	(22)	(17)	(17)
<b>Balance at year end</b>	<b>32,168</b>	<b>33,694</b>	<b>30,046</b>	<b>30,833</b>

The classification of short-term debtors has been updated for the 2018/19 accounts based on the revised guidance in the Code which permits classifications based on the judgement of the PFCC.

### 23 Short-Term Investments

The table below shows the PFCC's year-end short-term investments, which typically have a fixed maturity date which is no longer than twelve months from the end of the accounting period.

Please refer to the Financial Instruments section in note 38 for further details.

	2017/18 £000	2018/19 £000
Central government bodies	8,000	3,500
Local authorities	0	5,020
	<b>8,000</b>	<b>8,520</b>

### 24 Cash and Cash Equivalents

Cash and Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

These funds are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The balance is made up of the following elements:

	2017/18 £000	2018/19 £000
<u>Current Assets</u>		
Liquid investments	2,000	8,484
Operational bank accounts	3,880	(774)
Petty cash advances	250	193
<b>Total as per Balance Sheet</b>	<b>6,130</b>	<b>7,903</b>
Less accrued interest on net short term deposits	0	(10)
<b>Total excluding accrued interest</b>	<b>6,130</b>	<b>7,893</b>
<b>Balance at year end</b>	<b>6,130</b>	<b>7,893</b>

For 2018/19 £2.147m of funds relating to third party balances have been omitted from the Cash & Cash Equivalents total. The previous year figures have not been amended but these will be comparable going forward.

## Notes Relating to Accounts: Balance Sheet

### 25 Assets Held for Sale

	2017/18	2018/19
	£000	£000
<b>Balance outstanding at start of year</b>	<b>771</b>	<b>3,521</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	9,963	1,188
Revaluation gains / (losses)	(2,543)	(701)
Assets sold	(4,670)	(2,871)
<b>Balance outstanding at year end</b>	<b>3,521</b>	<b>1,137</b>

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

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

At 31st March 2019, six assets met the above criteria (31st March 2018, twelve properties).

### 26 Creditors

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

	2017/18	2017/18	2018/19	2018/19
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
Trade payables	(10,697)	(10,697)	(11,051)	(11,051)
Expenditure accruals	(12,346)	(12,346)	(9,798)	(9,798)
Receipts in advance	(470)	(860)	(1,247)	(1,247)
Council Tax-related	(1,746)	(1,746)	(2,095)	(2,095)
Compensated absences	(18)	(3,720)	(15)	(3,042)
Other employee-related	(359)	(1,495)	(481)	(1,268)
Other creditors	(2,365)	(2,365)	(326)	(326)
<b>Balance at year end</b>	<b>(28,001)</b>	<b>(33,229)</b>	<b>(25,013)</b>	<b>(28,827)</b>

The classification of short-term creditors has been updated for the 2018/19 accounts based on the revised guidance in the Code which permits classifications based on the judgement of the PFCC. For 2018/19 £2.147m of funds relating to third party balances have been omitted from the Creditors total. The previous year figures have not been amended but these will be comparable going forward.

### 27 Provisions

The PFCC maintains two provisions as follows:

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

	2017/18	2018/19
	£000	£000
<b>Balance outstanding at start of year</b>	<b>(2,273)</b>	<b>(2,384)</b>
Additional provisions made in-year	(1,738)	(1,031)
Amounts used in-year	1,627	835
<b>Balance outstanding at year-end</b>	<b>(2,384)</b>	<b>(2,580)</b>

#### b) Legal Claims Provision

	2017/18	2018/19
	£000	£000
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>
Additional provisions made in-year	0	(794)
Amounts used in-year	0	0
<b>Balance outstanding at year-end</b>	<b>0</b>	<b>(794)</b>

## Notes Relating to the Accounts: Cash Flow Statement

### 28 Operating Activities

	2017/18 £000 PFCC	2017/18 £000 Group	2018/19 £000 PFCC	2018/19 £000 Group
Interest received	27	27	136	136
Interest paid	0	0	(2)	(2)
Dividends received	0	0	0	0
	<b>27</b>	<b>27</b>	<b>134</b>	<b>134</b>

	2017/18 £000 PFCC	2017/18 £000 Group	2018/19 £000 PFCC	2018/19 £000 Group
<b>The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:</b>				
Depreciation	(3,879)	(3,879)	(5,390)	(5,390)
Impairment and valuation changes	(6,596)	(6,596)	(422)	(422)
Amortisation	(934)	(934)	(884)	(884)
(Increase)/decrease in impairment for bad debts	0	0	0	0
(Increase)/decrease in creditors	1,803	2,209	3,763	4,440
Increase/(decrease) in debtors	124	124	(1,777)	(1,777)
Increase/(decrease) in inventories	28	28	149	149
Movement in pension liability	(176)	(101,760)	(246)	(183,899)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(5,162)	(5,162)	(3,189)	(3,189)
Other non-cash items charged to the net surplus or deficit on the provision of services	(111)	(111)	(990)	(990)
	<b>(14,903)</b>	<b>(116,081)</b>	<b>(8,986)</b>	<b>(191,962)</b>

	2017/18 £000 PFCC	2017/18 £000 Group	2018/19 £000 PFCC	2018/19 £000 Group
<b>The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:</b>				
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,080	7,080	12,149	12,149
Any other items for which the cash effects are investing or financing cash flows	2,074	2,074	1,636	1,636
	<b>9,154</b>	<b>9,154</b>	<b>13,785</b>	<b>13,785</b>

Having assessed the additional requirements within the 2018/19 Code relating to the accounting standard IAS 7 Statement of Cash Flows, it has not been deemed necessary to provide additional disclosures reconciling opening and closing liabilities arising from financing activities. This assessment has been based on materiality.

## Notes Relating to the Accounts: Cash Flow Statement

### 29 Investing Activities

	2017/18	2017/18	2018/19	2018/19
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
Purchase of property, plant and equipment, investment property and intangible assets	7,213	7,213	8,488	8,488
Purchase of short-term and long-term investments	0	0	500	500
Other payments for investing activities	433	433	18	18
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,467)	(6,467)	(12,149)	(12,149)
Proceeds from short-term and long-term investments	(3,500)	(3,500)	0	0
Other receipts from investing activities	(1,845)	(1,845)	(2,276)	(2,276)
<b>Net cash flows from investing activities</b>	<b>(4,166)</b>	<b>(4,166)</b>	<b>(5,419)</b>	<b>(5,419)</b>

### 30 Financing Activities

	2017/18	2017/18	2018/19	2018/19
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
Cash receipts of short- and long-term borrowing	0	0	0	0
Other receipts from financing activities	0	0	0	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	0	0	0	0
Repayments of short- and long-term borrowing	0	0	0	0
Other payments for financing activities	0	0	0	0
Net cash flows from financing activities	(223)	(223)	(319)	(319)
<b>Net cash flows from investing activities</b>	<b>(223)</b>	<b>(223)</b>	<b>(319)</b>	<b>(319)</b>

### Notes Relating to the Accounts: Movement in Reserves Statement

#### 31 Adjustments between accounting basis and funding basis under regulations

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

PFCC Group - 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
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(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
Net write off of revaluation gains in respect of asset disposals in year				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
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	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
<b>Adjustments involving the Capital Receipts Reserve</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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
<b>Adjustments involving the IAS19 Pensions Reserve</b>													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(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
<b>Adjustments involving the Collection Fund Adjustment Account</b>													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(225)			(225)						225		225	0
<b>Adjustments involving the Accumulating Absences Account</b>													
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	400			400							(400)	(400)	0
<b>Total</b>	<b>(108,399)</b>	<b>(1,852)</b>	<b>0</b>	<b>(110,251)</b>	<b>2,037</b>	<b>6,602</b>	<b>27</b>	<b>84,517</b>	<b>17,243</b>	<b>225</b>	<b>(400)</b>	<b>110,251</b>	<b>0</b>

### 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
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(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
Net write off of revaluation gains in respect of asset disposals in year				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
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	2,074		(2,074)	0		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
<b>Adjustments involving the Capital Receipts Reserve</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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
<b>Adjustments involving the IAS19 Pensions Reserve</b>													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(285)			(285)					285			285	0
Employers' pension contributions and direct payments to pensioners payable in the year	109			109					(109)			(109)	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	(225)			(225)						225		225	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	(7)			(7)							7	7	0
<b>Total</b>	<b>(7,222)</b>	<b>(1,852)</b>	<b>0</b>	<b>(9,074)</b>	<b>2,037</b>	<b>6,602</b>	<b>27</b>	<b>0</b>	<b>176</b>	<b>225</b>	<b>7</b>	<b>9,074</b>	<b>0</b>



## Notes Relating to the Accounts: Movement in Reserves Statement

PFCC Group - 2018/19	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(5,812)			(5,812)		5,812						5,812	0
Amortisation of intangible assets	(884)			(884)		884						884	0
Revaluation losses on Property, Plant & Equipment												0	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,189)			(3,189)		3,189						3,189	0
Net write off of revaluation gains in respect of asset disposals in year				0	533	(533)						0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>												0	0
Statutory provision for the financing of capital investment	500			500		(500)						(500)	0
Capital Expenditure charged against the General Reserve	285			285		(285)						(285)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>												0	0
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to usable reserves	1,636		(1,636)	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			1,636	1,636		(1,636)						(1,636)	0
<b>Adjustments involving the Capital Receipts Reserve</b>												0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,149	(12,149)		0								0	0
Release of deferred capital receipts				0								0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		7,946		7,946		(7,946)						(7,946)	0
<b>Adjustments involving the IAS19 Pensions Reserve</b>												0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(263,909)			(263,909)				231,849	32,060			263,909	0
Employers' pension contributions and direct payments to pensioners payable in the year	80,011			80,011				(69,601)	(10,410)			(80,011)	0
<b>Adjustments involving the Collection Fund Adjustment Account</b>												0	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	(318)			(318)						318		318	0
<b>Adjustments involving the Accumulating Absences Account</b>												0	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	678			678							(678)	(678)	0
<b>Total</b>	<b>(178,853)</b>	<b>(4,203)</b>	<b>0</b>	<b>(183,056)</b>	<b>533</b>	<b>(1,015)</b>	<b>0</b>	<b>162,248</b>	<b>21,650</b>	<b>318</b>	<b>(678)</b>	<b>183,056</b>	<b>0</b>

### Notes Relating to the Accounts: Movement in Reserves Statement

PFCC- 2018/19	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account</b>													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(5,812)			(5,812)		5,812						5,812	0
Amortisation of intangible assets	(884)			(884)		884						884	0
Revaluation losses on Property, Plant & Equipment				0								0	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,189)			(3,189)		3,189						3,189	0
Net write off of revaluation gains in respect of asset disposals in year				0	533	(533)						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	285			285		(285)						(285)	0
<b>Adjustments involving the Capital Grants Unapplied Account</b>													
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to usable reserves	1,636		(1,636)	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			1,636	1,636		(1,636)						(1,636)	0
<b>Adjustments involving the Capital Receipts Reserve</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,149	(12,149)		0								0	0
Release of deferred capital receipts		7,946		7,946		(7,946)						(7,946)	0
Use of the Capital Receipts Reserve to finance new capital expenditure				0								0	0
<b>Adjustments involving the IAS19 Pensions Reserve</b>													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(374)			(374)					374			374	0
Employers' pension contributions and direct payments to pensioners payable in the year	127			127					(127)			(127)	0
<b>Adjustments involving the Collection Fund Adjustment Account</b>													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(318)			(318)						318		318	0
<b>Adjustments involving the Accumulating Absences Account</b>													
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	3			3							(3)	(3)	0
<b>Total</b>	<b>4,123</b>	<b>(4,203)</b>	<b>0</b>	<b>(80)</b>	<b>533</b>	<b>(1,015)</b>	<b>0</b>	<b>0</b>	<b>247</b>	<b>318</b>	<b>(3)</b>	<b>80</b>	<b>0</b>

## Notes Relating to the Accounts: Movement in Reserves Statement

### **32 Purpose of earmarked reserves**

The following notes explain the purpose of the earmarked reserves on which there was a movement during or a balance at the end of 2018/19:-

- 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 2018/19. See the Related Party note 39 for more details of the Athena system.
- 2) The Estates Reserve was created in 2013/14 to fund improvements to the Essex Police estate. The balance on this reserve was fully utilised during 2018/19 and the year-end balance is now zero.
- 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 2018/19 are as follows:-
  - £0.332m
- 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 helps 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. The balance on this reserve was fully utilised during 2018/19 and the year-end balance is now zero.
- 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.

### Notes Relating to the Accounts: Movement in Reserves Statement

- 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. The balance on this reserve is now zero.
- 17) The Operational Transformation Reserve was created in 2018/19 to fund one-off investments that will enable the enhancement and transformation of our future capability, capacity and effectiveness in delivering our ambitions.
- 18) A new reserve for the Special Constabulary has been set up to support the expenditure required to increase the number of Specials.

### 33 Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Reserve in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet revenue expenditure in 2018/19.

See note 32 for details of the purpose of earmarked reserves.

	Balance at 31-Mar-17	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31- Mar 18	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31-Mar 19
	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked Reserves</b>							
<b>Held for revenue purposes</b>							
Athena Reserve (1)	0	0	85	85	(85)	0	0
Estates Programme (2)	217	0	0	217	(217)	0	0
Carry Forward Reserve (3)	1,075	(1,075)	385	385	(385)	332	332
Forfeiture Monies Reserve (4)	154	0	199	353	(377)	55	31
Transformation Reserve (5)	2,408	(1,527)	1,086	1,967	(1,597)	227	597
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	(262)	0	0	0	0	0
POCA Reserve (9)	331	(129)	166	368	(21)	390	737
Redundancy & Relocation Reserve (10)	1,387	(382)	0	1,005	(529)	0	476
Major Operational Reserve (11)	486	0	500	986	0	514	1,500
Recruitment Uplift Reserve (12)	883	(291)	0	592	(592)	0	0
Legal Claims Reserve (13)	900	0	0	900	(900)	0	0
Seven Forces Collaboration Reserve (14)	144	(144)	35	35	0	0	35
ERSOU Reserve (16)	0	0	219	219	(219)	0	0
Operational Transformational Reserve (17)	0	0	0	0	(964)	2,700	1,736
Special Constabulary Reserve (18)	0	0	0	0	0	119	119
<b>Sub total</b>	<b>8,957</b>	<b>(3,810)</b>	<b>2,675</b>	<b>7,822</b>	<b>(5,886)</b>	<b>4,337</b>	<b>6,273</b>
<b>Held for capital purposes</b>							
Future Capital Funding Reserve (15)	103	(103)	0	0	(216)	1,471	1,255
<b>Sub total</b>	<b>9,060</b>	<b>(3,913)</b>	<b>2,675</b>	<b>7,822</b>	<b>(6,102)</b>	<b>5,808</b>	<b>7,528</b>
<b>General Reserve</b>	<b>13,157</b>	<b>(936)</b>	<b>0</b>	<b>12,221</b>	<b>(3,400)</b>	<b>405</b>	<b>9,226</b>
<b>Total Specific &amp; General</b>	<b>22,217</b>	<b>(4,849)</b>	<b>2,675</b>	<b>20,043</b>	<b>(9,502)</b>	<b>6,213</b>	<b>16,754</b>

## Notes Relating to the Accounts: Movement in Reserves Statement

### 34 Usable Capital Receipts

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

	2017/18 £000	2018/19 £000
<b>Opening balance at start of year</b>	<b>0</b>	<b>(1,852)</b>
<b>Capital receipts received</b>		
In-year receipts	(7,079)	(12,149)
Deferred receipts realised in year	(27)	0
	<b>(7,106)</b>	<b>(14,001)</b>
<b>Capital receipts applied</b>		
Used for financing capital expenditure	5,254	7,946
	<b>5,254</b>	<b>7,946</b>
<b>Closing balance at end of year</b>	<b>(1,852)</b>	<b>(6,055)</b>

### 35 Usable reserves

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

### 36 Unusable reserves

The tables on the following pages describe the unusable reserves.

#### 36.1 Revaluation Reserve

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

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

	2017/18 £000	2018/19 £000
<b>Balance at 1st April</b>	<b>(9,680)</b>	<b>(9,106)</b>
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		
Upward revaluation of assets	(8,658)	(2,448)
Downward revaluation of assets and impairment losses	7,196	2,346
<b>Amount written off to the Capital Adjustment Account</b>		
Depreciation of revaluation gains	178	137
Accumulated gains on assets sold or scrapped	1,858	396
<b>Balance at 31st March</b>	<b>(9,106)</b>	<b>(8,675)</b>

## Notes Relating to the Accounts: Movement in Reserves Statement

### 36.2 Capital Adjustment Account

The Capital Adjustment Account is a reserve account used to adjust the accounting items related to non-current assets that have been recognised in the 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 31 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £000	2018/19 £000
<b>Balance at 1st April</b>	<b>(81,107)</b>	<b>(74,505)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non current assets	10,474	5,812
Revaluation (gains)/losses on Property, Plant and Equipment	0	0
Amortisation of Intangible Assets	934	884
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	5,162	3,189
Capital contributions written out	0	0
<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(2,036)</b>	<b>(533)</b>
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(66,573)</b>	<b>(65,153)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(5,254)	(7,946)
Capital Grants and Other Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(2,075)	(1,636)
Application of Grants to Capital Financing from the Capital Grants Unapplied account	0	0
Statutory provision for the financing of Capital Investment charged against the General Reserve	(500)	(500)
Capital Expenditure charged against the General Reserve	(103)	(285)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
<b>Balance at 31st March</b>	<b>(74,505)</b>	<b>(75,520)</b>

### 36.3 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.

	2017/18 £000	2018/19 £000
<b>Balance at 1st April</b>	<b>(27)</b>	<b>0</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	27	0
<b>Balance at 31st March</b>	<b>0</b>	<b>0</b>



### Notes Relating to the Accounts: Movement in Reserves Statement

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 was £0.711m, including the final instalment of £0.027m which was paid in 2017/18.

#### **36.4 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.

	2017/18 Group			2018/19 Group		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
<b>Balance at 1st April</b>	<b>2,939,083</b>	<b>200,746</b>	<b>3,139,829</b>	<b>2,830,260</b>	<b>179,994</b>	<b>3,010,254</b>
Actuarial (gains)/losses on pensions assets and liabilities	(193,340)	(37,995)	(231,335)	74,535	(19,888)	54,647
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	153,836	27,245	181,081	231,849	32,060	263,909
Employer's pensions contributions and direct payments to pensioners payable in the year	(69,319)	(10,002)	(79,321)	(69,601)	(10,410)	(80,011)
<b>Balance at 31st March</b>	<b>2,830,260</b>	<b>179,994</b>	<b>3,010,254</b>	<b>3,067,043</b>	<b>181,756</b>	<b>3,248,799</b>

## Notes Relating to the Accounts: Movement in Reserves Statement

	2017/18			2018/19		
	PFCC			PFCC		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
<b>Balance at 1st April</b>	0	1,318	1,318	0	1,288	1,288
Actuarial (gains)/losses on pensions assets and liabilities	0	(206)	(206)	0	(105)	(105)
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	285	285	0	374	374
Employer's pensions contributions and direct payments to pensioners payable in the year	0	(109)	(109)	0	(127)	(127)
<b>Balance at 31st March</b>	<b>0</b>	<b>1,288</b>	<b>1,288</b>	<b>0</b>	<b>1,430</b>	<b>1,430</b>

### 36.5 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.

	2017/18 £000	2018/19 £000
<b>Balance at 1st April</b>	(3,271)	(3,046)
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	318
<b>Balance at 31st March</b>	<b>(3,046)</b>	<b>(2,728)</b>

### 36.6 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.

	2017/18 PFCC £000	2017/18 Group £000	2018/19 PFCC £000	2018/19 Group £000
<b>Balance at 1st April</b>	11	4,120	18	3,720
Settlement or cancellation of accrual made at the end of the preceding year	(11)	(4,120)	(18)	(3,720)
Amounts accrued at the end of the current year	18	3,720	15	3,042
<b>Balance at 31st March</b>	<b>18</b>	<b>3,720</b>	<b>15</b>	<b>3,042</b>

## Notes Relating to the Accounts: Supplementary Notes

### 37 Financial Instruments - Overview

#### Introduction

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

#### Financial Instruments – Balances

##### a) Financial Assets

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

<b>Financial Assets</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000's</b>	<b>£000's</b>
<i>At amortised cost:</i>		
Principal	8,000	8,500
Accrued interest	0	20
<b>Total Investments</b>	<b>8,000</b>	<b>8,520</b>
<i>At amortised cost:</i>		
Principal	6,130	2,028
Accrued interest	0	6
<i>At fair value through profit &amp; loss:</i>		
Fair Value	0	5,859
<b>Total Cash and Cash Equivalents</b>	<b>6,130</b>	<b>7,893</b>
<i>At amortised cost:</i>		
Receivables	10,542	9,887
Accrued interest	6	0
Loss allowance	(21)	(17)
<b>Included in Debtors</b>	<b>10,527</b>	<b>9,870</b>
<b>Total Financial Assets</b>	<b>24,658</b>	<b>26,283</b>

All of the above financial assets are classified as short-term. There were no long-term financial assets.

There were no financial assets classified at fair value through other comprehensive income.

The short-term investment balance held at amortised cost relates to two fixed-term investments held at year-end, with the Debt Management Office and Rotherham Council.

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

The debtors lines on the Balance Sheet include £20.9m (2017/18, £23.2m) short-term and £0.037m (2017/18, £0.042m) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

For 2018/19 accrued interest in respect of investments has been amalgamated into the value of the financial instrument concerned. For 2017/18 this interest was recognised within short-term debtors.

##### b) Financial Liabilities

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

<b>Financial Liabilities</b>	<b>Short Term</b>		<b>Long Term</b>	
	<b>2017/18</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<i>At amortised cost:</i>				
Payables	(18,646)	(18,996)	0	0
<b>Included in Creditors</b>	<b>(18,646)</b>	<b>(18,996)</b>	<b>0</b>	<b>0</b>
<i>At amortised cost:</i>				
Provisions	0	0	(2,384)	(3,374)
Capital grants	0	0	(491)	(14)
<b>Total Long-term Liabilities</b>	<b>0</b>	<b>0</b>	<b>(2,875)</b>	<b>(3,388)</b>
<b>Total Financial Liabilities</b>	<b>(18,646)</b>	<b>(18,996)</b>	<b>(2,875)</b>	<b>(3,388)</b>

## Notes Relating to the Accounts: Supplementary Notes

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

The creditors lines on the Balance Sheet include £9.8m (2017/18, £9.9m) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The PFCC does not hold any external borrowings at the 31st March 2019 but has an internal borrowing requirement of £6.565m (as per note 20). This comprises unfinanced amounts in respect of capital expenditure incurred before 1st April 2008.

### Gains and Losses

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

	Financial Assets		Financial Liabilities	
	2017/18 £000's	2018/19 £000's	2017/18 £000's	2018/19 £000's
Gains and Losses				
<i>At amortised cost:</i>				
Interest income	(64)	(129)		
Gains from changes in fair value	0	(38)		
<b>Interest and Investment income</b>	<b>(64)</b>	<b>(167)</b>		
<i>At amortised cost:</i>				
Interest expense			4	2
<b>Interest Payable and Similar Charges</b>			<b>4</b>	<b>2</b>

	2017/18 £000's	2018/19 £000's
Net impact on (surplus)/deficit on provision of services / Net (gain)/loss for the year	(60)	(165)

### **38 Financial Instruments - Risks**

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

In line with the Treasury Management Code, the PFCC approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The PFCC also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The PFCC's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the PFCC.
- **Liquidity Risk:** The possibility that the PFCC might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### **Credit Risk: Treasury Investments**

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

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

## Notes Relating to the Accounts: Supplementary Notes

The table below summarises the credit risk exposure during 2018/19 in respect of the PFCC's treasury investment portfolio by credit rating and remaining time to maturity:

### Approved investment counterparties

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

There have been no significant issues or concerns in respect of credit risk for treasury investments during 2018/19, and the PFCC does not expect any losses from non-performance for these investments in the future.

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

Trade Receivables	2017/18	2018/19
	£000's	£000's
Neither past due or impaired	3,824	6,844
Between 31 and 60 days	449	31
Between 61 and 90 days	35	54
Over 90 days	185	207
<b>Total</b>	<b>4,493</b>	<b>7,136</b>

Loss allowances on trade receivables have been calculated by reference to the PFCC's historic experience of default (currently assessed at 0.05%). Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit impaired where they are 90 or more days past due.

Trade receivables are written off to the Surplus or Deficit on the Provision of Services when they are past due, with a bad debt being recognised. There was no charges of this nature during 2018/19 with the only movements in the value of the Loss Allowance being carried in the Balance Sheet (2017/18 £21k, 2018/19 £17k) relating to historic write offs being directly allocated to the provision.

### Liquidity Risk

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

The PFCC has ready access to borrowing at favourable rates from the Public Works Loan Board and UK local authorities, and at higher rates from banks and building societies. There is no perceived risk that the PFCC will be unable to raise finance to meet its commitments. Further detail in respect of the PFCC's borrowing approach is set out in the Treasury Management Strategy document.

### Market Risk: Interest Rate

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

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

## Notes Relating to the Accounts: Supplementary Notes

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31st March 2019, £8.5m (31st March 2018: £8m) of short-term investments were exposed to fixed rates and £10.6m (31st March 2018: £2m) of liquid investments (within Cash & Cash Equivalents) exposed to variable rates.

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

	2017/18 £000's	2018/19 £000's
Increase in interest receivable on variable rate investments (based on year-end Balance Sheet position)	20	106

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

### **Market Risk: Price Risk**

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

### **Market Risk: Foreign**

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

### **Transition to IFRS 9**

There has been no material impact on the PFCC's financial statements from the additional requirements of IFRS 9, with the only changes relating to the reclassification of financial assets into the new categories required.

There has been no requirement to use any transitional provisions available in this accounting standard to avoid restating the prior year's financial statements, and therefore no further supporting information has been provided in respect of providing a reconciliation to the IAS 39-based opening Balance Sheet position from 2017/18.

### **39 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 22) and creditors (note 26).



### Notes Relating to the Accounts: Supplementary Notes

During the year the PFCC and Deputy PFCC were responsible for the governance of the Essex County Fire and Rescue Service alongside their responsibilities for Essex Police. The amount paid to the Essex Fire and Rescue Service was £0.875m and the amount received was £0.370m.

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

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.

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

#### a) 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.

The amount received from Kent Police during 2018/19 in respect of contributions to joint departments was £11.036m (2017/18 £10.260m). The amount paid to Kent Police for the year 2018/19 in respect of contributions to joint departments was £11.033m (2017/18 £10.912m).

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:

	2017/18 £000	2018/19 £000
<b>Collaborative Activity</b>		
Joint Serious Crime Directorate	28,503	27,640
Joint Support Services Directorate:		
Director of Support Services	94	95
Business Services	7,883	7,488
Estates Services	8,584	0
Human Resources	2,599	3,148
IT Services	13,927	16,396
Learning and Development	6,102	5,776
Payroll Services	126	167
Procurement Services	684	655
Support Services Project Team	72	96
Transport Services	2,376	2,219
<b>Total</b>	<b>70,950</b>	<b>63,680</b>

#### b) 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 2018/19 the net expenditure for Essex was £1.636m.

## Notes Relating to the Accounts: Supplementary Notes

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

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

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:-

	2017/18		2018/19	
	Share of Athena system costs £	Recharge of AMO Management costs £	Share of Athena system costs £	Recharge of AMO Management costs £
Bedfordshire	197,708	142,594	130,377	454,133
Cambridgeshire	250,173	179,949	165,479	547,760
Hertfordshire	365,505	263,079	241,581	752,883
Kent	624,627	397,691	364,213	1,197,038
Norfolk	284,959	205,473	187,968	597,174
Suffolk	219,750	158,049	145,367	485,410
Essex	515,664	371,202	340,783	998,295
Warwickshire	358,311	86,958	74,438	191,373
West Mercia	422,357	196,496	167,748	317,820
<b>Total</b>	<b>3,239,053</b>	<b>2,001,491</b>	<b>1,817,954</b>	<b>5,541,886</b>

**Notes Relating to the Accounts: Supplementary Notes**

d) Athena Development Fund

Warwickshire and West Mercia joined the seven founder forces in 2015 as part of a Wave 2 agreement. Due to the system development work that had already been undertaken and funded by the founder forces it was agreed that both of the new forces would be charged to compensate the founder forces. Therefore a lump sum was paid in March 2016 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. In addition to this the SAMB have agreed that any service credits (relating to service performance) received from Northgate will also be contributed.

	2018/19 Development Fund £
Balance brought forward	274,214
Contributions	451,559
Less expenditure	(367,167)
<b>Carried forward</b>	<b>358,606</b>

e) Athena Digital Case File

The Digital Case File (DCF) project aims to design and deliver an application across all Athena forces to allow Police, CPS and HM Courts & Tribunal Services to capture, share and use prosecution files in a structured data format throughout the Criminal Justice System. Home Office grant funding is currently in dispute regarding the percentage award with Home Office advising a percentage of 79.37% rather than the full 100%. A contingency has been placed in the development fund in 2018/19 for the remaining 20.63% (£27,854.63). This was agreed at the Athena Management Board (AMB) December 2018.

	2018/19 Digital Case File £
Balance brought forward	0
Contributions	(114,077)
Less expenditure	249,097
<b>Carried forward</b>	<b>135,020</b>

f) 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 the costs shared based on Net Revenue Expenditure (NRE). T/DCC Wortley retired during 2017/18 and from February 2018 her Seven Forces duties were undertaken by the Strategic Collaboration Programme Director Karen Georgiou. The programme of work is currently budgeted up to March 2020, with the Section 22a extended until the end of March 2021 to review new collaborative working possibilities.

During the year, a temporary Strategic Head of Procurement post was appointed to scope and deliver the business case for a collaborated regional procurement function. The post was initially recruited to from Bedfordshire and is now currently established by Kent Police with the associated pay costs reapportioned across the 7 Forces on an NRE basis.

The initial transition to 7 Force Firearms Training Compliance function commenced on 1st April 2018. The costs associated with the posts of 7 Force CFI, 7 Force Deputy CFI and Training Delivery Manager were shared (on a NRE apportionment basis) by the Norfolk, Suffolk, Bedfordshire, Cambridgeshire, Hertfordshire and Essex forces during the transition period. The Strategic Risk Assessment (STRA) Coordinator role was also established during the transition period, with the cost of this post being shared (on a NRE apportionment basis) by all 7 Forces. Other costs incurred to enable the longer term development of the 7 Force Function (i.e. 7 Force Chronicle and Airbox/Mosaic) were shared (on a NRE apportionment basis) by all 7 Forces.

	2018/19 Share of Seven Forces Strategic Collaboration costs £
Bedfordshire	150,154
Cambridgeshire	190,214
Hertfordshire	267,171
Kent	339,635
Norfolk	218,184
Suffolk	165,984
Essex	376,153
<b>Total</b>	<b>1,707,495</b>

## Notes Relating to the Accounts: Supplementary Notes

### g) 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 and Strategic Governance Board. A grant was received in 2018/19 from the Home Office Police Transformation Fund (PTF). The amount received from ECFRS during 2018/19 was £0.141m and the amount paid to ECFRS during 2018/19 was £0.382m. The PTF grant in 2018/19 was £0.127m and was split equally between PFCC and ECFRS.

## **40 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	
	2017/18 £000	2018/19 £000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Cost of Services:		
Service cost	72,505	160,559
Financing and Investment Income & Expenditure:		
Net interest on the defined liability	81,331	71,290
<b>Total Post Employment Benefit charged to the Deficit on the Provision of Services</b>	<b>153,836</b>	<b>231,849</b>
<b><u>Other Post-Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</u></b>		
Remeasurement of the net defined benefit liability comprising:		
Change in financial assumptions	(98,913)	153,078
Change in demographic assumptions	108,844	(78,543)
Experience (gain)/loss on defined benefit obligation	(203,272)	0
<b>Remeasurements</b>	<b>(193,341)</b>	<b>74,535</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(39,505)</b>	<b>306,384</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	<b>(153,836)</b>	<b>(231,849)</b>
<b><u>Actual amount charged against the General Reserve for pensions in the year</u></b>		
Retirement benefits payable to retired police officers	<b>69,319</b>	<b>69,601</b>

### Actuarial gains and losses

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £74.535m (gains of £193.341m in 2017/18) have been included in the Comprehensive Income & Expenditure Statement.

## Notes Relating to the Accounts: Supplementary Notes

### Local Government Pension Scheme

	Local Government Pension Scheme			
	2017/18 £000 PFCC	2017/18 £000 Group	2018/19 £000 PFCC	2018/19 £000 Group
<b>Comprehensive Income &amp; Expenditure Statement</b>				
Service cost	250	21,652	342	27,372
Financing and Investment Income & Expenditure:				
Net interest on the defined liability	35	5,485	32	4,550
Administration expenses	0	108	1	138
	<b>35</b>	<b>5,593</b>	<b>33</b>	<b>4,688</b>
<b>Total Post Employment Benefit charged to the (Surplus)/Deficit on the Provision of Services</b>	<b>285</b>	<b>27,245</b>	<b>375</b>	<b>32,060</b>
<b>Other Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets in excess of interest	(66)	(13,950)	(99)	(19,060)
Other actuarial (gains)/losses on assets	0	0	0	0
Change in financial assumptions	(140)	(24,045)	189	30,117
Change in demographic assumptions	0	0	(195)	(30,945)
Experience (gain)/loss on defined benefit obligation	0	0	0	0
<b>Total Remeasurements</b>	<b>(206)</b>	<b>(37,995)</b>	<b>(105)</b>	<b>(19,888)</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>79</b>	<b>(10,750)</b>	<b>270</b>	<b>12,172</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	<b>(285)</b>	<b>(27,245)</b>	<b>(375)</b>	<b>(32,060)</b>
<b>Actual amount charged against the General Reserve for pensions in the year</b>				
Employer's contribution payable to scheme	<b>109</b>	<b>10,002</b>	<b>128</b>	<b>10,410</b>

#### Actuarial gains and losses – Local Government Pension Scheme

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, an actuarial surplus of £19.888m for the Group and £0.105m surplus for the PFCC (an actuarial surplus of £37.995m for the Group and £0.206m surplus for the PFCC in 2017/18) have been included in the Comprehensive Income & Expenditure Statement.

#### Total actuarial gains and losses

The total actuarial losses recognised in the Comprehensive Income & Expenditure Statement for Police Officer and Police Staff schemes are £54.647m (£231.336m gains in 2017/18).

#### **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	
	2017/18 £000	2018/19 £000
Present value of the defined benefit obligation	(2,830,260)	(3,067,043)
<b>Defined benefit obligation at start of year</b>	<b>(2,830,260)</b>	<b>(3,067,043)</b>
Unrecognised past service cost	0	0
<b>Net liability in Balance Sheet</b>	<b>(2,830,260)</b>	<b>(3,067,043)</b>

	Local Government Pension Scheme			
	2017/18 £000 PFCC	2017/18 £000 Group	2018/19 £000 PFCC	2018/19 £000 Group
Present value of funded obligation	(2,949)	(516,517)	(3,399)	(550,201)
Fair value of scheme assets (bid value)	1,661	338,075	1,969	369,912
<b>Net liability</b>	<b>(1,288)</b>	<b>(178,442)</b>	<b>(1,430)</b>	<b>(180,289)</b>
Present value of unfunded obligation	0	(1,552)	0	(1,467)
<b>Net liability in Balance Sheet</b>	<b>(1,288)</b>	<b>(179,994)</b>	<b>(1,430)</b>	<b>(181,756)</b>

## 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	
	2017/18 £000	2018/19 £000
<b>Defined benefit obligation at start of year</b>	<b>(2,939,083)</b>	<b>(2,830,260)</b>
Current service cost	(72,505)	(65,815)
Past service cost	0	(94,744)
Interest cost	(81,331)	(71,290)
Change in financial assumptions	98,913	(153,078)
Change in demographic assumptions	(108,844)	78,543
Experience gain/loss on defined benefit obligation	203,272	0
Estimated benefits paid net of transfers in	82,702	83,171
Contributions by scheme participants	(13,384)	(13,570)
<b>Defined benefit obligation at end of year</b>	<b>(2,830,260)</b>	<b>(3,067,043)</b>

	Police Officer Pension Scheme	
	2017/18 £000	2018/19 £000
Contributions by employer	69,319	69,602
Contributions by participants	13,383	13,569
Net benefits paid out	(82,702)	(83,171)
<b>Closing Fair Value of Assets</b>	<b>0</b>	<b>0</b>

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			
	2017/18 £000	2017/18 £000	2018/19 £000	2018/19 £000
	PFCC	Group	PFCC	Group
<b>Balance at start of year</b>	<b>(2,738)</b>	<b>(511,373)</b>	<b>(2,949)</b>	<b>(518,069)</b>
Current service cost	(250)	(21,399)	(285)	(21,306)
Past service cost	0	(253)	(57)	(6,066)
Interest cost	(77)	(14,249)	(77)	(13,392)
Change in financial assumptions	140	24,045	(189)	(30,117)
Change in demographic assumptions	0	0	195	30,945
Contributions by scheme participants	(50)	(3,629)	(59)	(3,831)
Benefits/transfers paid	26	8,702	22	10,080
Unfunded pension payments	0	87	0	88
<b>Balance at end of year</b>	<b>(2,949)</b>	<b>(518,069)</b>	<b>(3,399)</b>	<b>(551,668)</b>

<u>Assets</u>	Local Government Pension Scheme			
	2017/18 £000	2017/18 £000	2018/19 £000	2018/19 £000
	PFCC	Group	PFCC	Group
<b>Balance at start of year</b>	<b>1,420</b>	<b>310,626</b>	<b>1,661</b>	<b>338,075</b>
Interest on assets	42	8,765	45	8,842
Return on assets less interest	66	13,950	99	19,060
Administration expenses	0	(108)	(1)	(138)
Employer contributions including unfunded	109	10,002	128	10,410
Contributions by scheme participants	50	3,629	59	3,831
Benefits paid	(26)	(8,789)	(22)	(10,168)
<b>Balance at end of year</b>	<b>1,661</b>	<b>338,075</b>	<b>1,969</b>	<b>369,912</b>
<b>Net liability at start of year</b>	<b>(1,318)</b>	<b>(200,747)</b>	<b>(1,288)</b>	<b>(179,994)</b>
<b>Net liability at end of year</b>	<b>(1,288)</b>	<b>(179,994)</b>	<b>(1,430)</b>	<b>(181,756)</b>



## 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:

	2017/18 PFCC		2017/18 Group		2018/19 PFCC		2018/19 Group	
	£000	%	£000	%	£000	%	£000	%
Equities	1,084	65%	220,646	66%	1,225	62%	230,302	63%
Government bonds	110	7%	22,490	7%	105	5%	19,634	5%
Other bonds	62	4%	12,559	4%	115	6%	21,619	6%
Property	158	10%	32,069	9%	175	9%	32,890	8%
Cash/Liquidity	57	3%	11,626	3%	52	3%	9,742	3%
Alternative assets	123	7%	24,973	7%	192	10%	36,068	10%
Other managed funds	67	4%	13,712	4%	105	5%	19,657	5%
<b>Total</b>	<b>1,661</b>	<b>100%</b>	<b>338,075</b>	<b>100%</b>	<b>1,969</b>	<b>100%</b>	<b>369,912</b>	<b>100%</b>

The liabilities show the underlying commitments that the PFCC has in the long term to pay retirement benefits. The total liability of £3,248.8m 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 2020 is £0.141m for the PFCC and £10.319m for the Group. The expected contributions for the Police Officer Pension Schemes in the year to 31st March 2020 by the employer is £26,726m.

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			
	2017/18 PFCC	2017/18 Group	2018/19 PFCC	2018/19 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	n/a	23.7	n/a	23.0
Female	n/a	26.1	n/a	25.5
Retiring today:				
Male	n/a	21.9	n/a	21.3
Female	n/a	24.2	n/a	23.7
Rate of Inflation (RPI)	n/a	3.3%	n/a	3.4%
Rate of Inflation (CPI)	n/a	2.3%	n/a	2.4%
Rate of Increase in Salaries	n/a	3.8%	n/a	3.9%
Rate of Increase in Pensions	n/a	2.3%	n/a	2.4%
Discount Rate	n/a	2.6%	n/a	2.4%

	Local Government Pension Scheme			
	2017/18 PFCC	2017/18 Group	2018/19 PFCC	2018/19 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	24.4	24.4	22.9	22.9
Female	27.0	27.0	25.4	25.4
Retiring today:				
Male	22.2	22.2	21.3	21.3
Female	24.7	24.7	23.6	23.6
Rate of Inflation (RPI)	3.3%	3.3%	3.4%	3.4%
Rate of Inflation (CPI)	2.3%	2.3%	2.4%	2.4%
Rate of Increase in Salaries	3.8%	3.8%	3.9%	3.9%
Rate of Increase in Pensions	2.3%	2.3%	2.4%	2.4%
Discount Rate	2.6%	2.6%	2.5%	2.5%

The following assumptions have also been made:

- Police officers and staff will exchange half of their commutable pension for cash at retirement.
- Police officers will retire when they are first eligible to do so without reduction.
- Police officers and 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 the membership 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	3,318	3,399	3,483	539,421	551,669	564,208
Projected service cost	317	325	333	21,544	22,131	22,735
<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	3,411	3,399	3,387	553,301	551,669	550,052
Projected service cost	325	325	325	22,131	22,131	22,131
<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	3,470	3,399	3,330	562,570	551,669	541,021
Projected service cost	333	325	317	22,734	22,131	21,543
<u>Adjustment to mortality age rating assumption</u>	+1 year	None	-1 Year	+1 year	None	-1 Year
Present value of total obligation	3,514	3,399	3,288	570,774	551,669	533,209
Projected service cost	336	325	315	22,856	22,131	21,430

Police Officers	Police Officer Pension Scheme		
	£000	£000	£000
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	3,003,737	3,067,042	3,131,836
Projected service cost	93,631	96,375	99,206
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	3,075,700	3,067,042	3,058,473
Projected service cost	97,339	96,375	95,423
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	3,123,114	3,067,042	3,012,245
Projected service cost	98,239	96,375	94,580
<u>Adjustment to mortality age rating assumption</u>	+ 1 Year	None	-1 Year
Present value of total obligation	3,186,605	3,067,042	2,952,102
Projected service cost	99,449	96,375	93,396

#### Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMP's between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities.

The valuation assumptions for GMP adopted within the 2018/19 accounts is that the fund will pay limited increases for members that have reached the state pension age (SPA) by the 6th April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the assumption is that the Fund will be required to pay the entire inflationary increase.

Therefore, based on the above assumptions already being included within the IAS 19 figures disclosed within the 2018/19 accounts, the PFCC has not made any further financial adjustments in respect of GMP.

## **Notes Relating to the Accounts: Supplementary Notes**

### **Transitional Provisions in the Police Pension Regulations 2015**

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 December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. The government respects the Court's decision and going forward will engage fully with the Employment Tribunal to agree how the discrimination will be remedied. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for PFCC for Essex Group to be approximately 3.1% or £94.744m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

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

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure has been made for the McCloud judgment. This corresponds to a 3.2% or £5.736m increase in liabilities. The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

## 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.

	2017/18		2018/19	
	£000	£000	£000	£000
<b>Contributions receivable</b>				
Employer (21.3% of Pensionable Pay)	(20,983)		(21,457)	
Serving police officers	(13,384)		(13,568)	
Capital equivalent payment for ill health	(821)		(1,006)	
<b>Transfers in</b>				
Individual transfers in from other schemes	(447)		(609)	
<b>Total Receipts</b>		<b>(35,635)</b>		<b>(36,640)</b>
<b>Benefits payable</b>				
Pensions	61,005		64,702	
Commutations and lump sum payments	18,489		14,296	
Annual and lifetime allowance tax payments	0		713	
Lump sum death benefits	108		0	
NIC on pension funds	4		0	
Interest on commutations and lump sum payments	0		12	
<b>Payments to and on account of leavers</b>				
Refund of contributions	43		106	
Individual transfers out to other schemes	25		195	
<b>Total Payments</b>		<b>79,674</b>		<b>80,026</b>
<b>Sub total for the year before transfer from the PFCC of amount equal to the deficit</b>		<b>44,040</b>		<b>43,386</b>
Transfer of amount from the PFCC of amount equal to the deficit - annual benefits (21.3%)	(41,183)		(40,465)	
Transfer of amount from the PFCC of amount equal to the deficit - additional funding payable (2.9%)	(2,857)		(2,921)	
<b>Transfer of amount from the PFCC of amount equal to the deficit - Total</b>		<b>(44,040)</b>		<b>(43,386)</b>
<b>Net Amount Payable for the year</b>		<b>0</b>		<b>0</b>

## Police Officer Pension Fund

### **Pension Schemes**

There are currently three schemes in operation which feed into the Police Officer Pension Fund.

- The Police Pension Scheme 1987 – a defined benefit statutory scheme administered in accordance with the Police Pensions Regulations 1987. This is the oldest scheme currently in operation and is based on final salary. Membership will gradually be phased out over the medium term as officers are tapered into the CARE scheme (see below). 1987 scheme members had the choice to move to the 2006 scheme (also see below) when this was introduced, but the number of transfers were minimal.
- The Police Pension Scheme 2006 – a defined benefit statutory scheme administered in accordance with the Police Pensions Regulations 2006. This is an additional final salary-based scheme which is also being slowly phased out and tapered into the CARE scheme. Membership eligibility for both the 1987 and 2006 schemes is now closed.
- The Police Pension Scheme 2015 or 'CARE' (Career Average Revalued Earnings) scheme - a defined benefit statutory scheme administered in accordance with the Police Pensions (Consequential Provisions) Regulations 2015. This was introduced from 1st April 2015 and is the only scheme open to new officers. Existing officers were brought into the scheme on 1st April 2015 unless they had full transitional protection or tapered protection. Injury and ill-health awards continue to be paid from the Chief Constable's operating account. The employer rate is 21.3% (with an additional 2.9% top-up contribution payable by the Chief Constable, directly to the Home Office).

The table on the previous page showing the movements on the Police Officer Pension Fund for the year does not include liabilities to pay pensions and other benefits after the Balance Sheet date. The liabilities for future retirements benefits are disclosed in note 40 of the PFCC/Group accounts.

## 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

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

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

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

**NCTPHQ** – National Counter Terrorism Policing Headquarters

**NON CURRENT ASSETS** – Tangible or intangible assets that yield benefits to the PFCC for a period of more than one year.

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

**NPCC** – National Police Chiefs' Council.

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

**OUTTURN** – The actual amount spent in the financial year.

**PAST SERVICE COST** – For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

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

## Glossary of Terms

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

**PFCC** – Police Fire and Crime Commissioner.

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

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

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

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

**PROPERTY, PLANT & EQUIPMENT (PPE)** – Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

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

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

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

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

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

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

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

**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:

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