

Essex Police

**The 2019/20 Statement of Accounts for the
Police, Fire and Crime Commissioner for Essex
Group and the Police, Fire and Crime
Commissioner**



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Narrative Report

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

Police, Fire and Crime Commissioner's Report

Foreword from the Police, Fire and Crime Commissioner

At the time of writing this report, our county, our country and indeed the entire world is in the grips of a global pandemic. This challenge is demanding more from policing. As a key emergency service, Essex Police are currently heavily involved in managing the response to COVID-19 through their role in the Essex Resilience Forum and through their vital role in enforcing law and order, promoting community safety and reassuring the public at this turbulent time.

It is often during crises that we get to see the true strength of the organisations that we have built. In Essex we have supported significant increases in funding to enable the Chief Constable to recruit more officers and this has seen the force grow at its fastest rate in a generation. This increased strength has enabled the force to provide more visible patrols, more reassurance and to respond more effectively to the emerging challenges we have seen over the last few weeks and months.

The huge impact COVID-19 has had on our society has also required a response that is as equally broad and all-encompassing. This has meant collaboration and joint working. It has meant shared responsibility and coordination. In Essex we have put a significant amount of effort into building strong, sustainable partnerships. We recognised a long time ago that the challenges policing faced, such as youth violence, domestic abuse and anti-social behaviour could not be solved by the police alone, so partnerships, collaboration and joint working have been embraced. The strength of those relationships have been tested during the COVID-19 pandemic and have proven to be incredibly strong. This is a huge strength and a reflection of the hard work invested in the partnerships over the last few years.

Over the last year Essex Police has grown as a force and will continue to grow in the coming years until it is stronger and larger than it has ever been before. As set out in this report, the growth this year has included the introduction of Town Centre Teams that provide a strong, visible and recognisable presence within town centres across Essex. These teams have further strengthened the connection between local communities and the police, that has been a focus of our work over the last few years. It is anticipated that once these teams and the overall growth in officer numbers is embedded and starting to have an impact on crime figures this will translate through to greater confidence in policing. We will continue to watch this closely.

This increased visibility has been supported by many councils across the county who have invested in better, more visible community safety activity. This partnership approach has improved visibility and delivered a reduction of 11.2% in anti-social behaviour year-on-year. This is the fourth year in a row that we have achieved a reduction in anti-social behaviour and this closely corresponds to the inclusion of anti-social behaviour as a priority within the Police and Crime Plan 2016-2020.

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As with all areas across the country, Essex has experienced an increase in overall crime. In Essex we have seen a 5.4% increase in overall crime a much smaller increase than in many other areas in the country. This increase has, in part, been driven by an increase in levels of violent crime across the country as well as a continued increase in the reporting of domestic abuse.

To tackle the rise in violence crime and specifically violence fuelled by drug and gang activity we have continued to invest in our violence and vulnerability programme. As set out later in this document, this long-term programme is investing in a wide range of interventions to help keep young people and the vulnerable away from a life of crime and help those who have started down this path to get out. Essex was one of the first counties to establish a specialist unit looking at this work and the fact this model has now been replicated across the country indicates the value that it is seen to provide.

Working together with partners, Essex Police have continued to develop their approach to tackling crime in our county. Extra officers and stronger partnership working are helping to increase the capacity of the force while specialist teams are helping the force face the challenges of new and developing forms of crime.

I would like to thank all the officers, staff and partners who have worked together over the year to help create the safe and secure communities we all want to live in. I would also like to thank BJ Harrington and his senior team for their continued strong leadership and the positive impact they are having in Essex.

Chief Constable's Report

Essex Police has continued building on the successes of the previous year and, in the full 2019/20 financial year, more than 460 officers joined our force.

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 whilst supporting each other and maintaining the trust of the public. These key objectives in our Force Plan are clearly understood by the workforce as evidenced by our staff survey results. Along with the supporting behaviours has resulted in a further reduction of offences including robbery, burglary, theft of and theft from vehicles, theft offences and anti-social behaviour.

A dedicated team of our detectives from the Serious Crime Directorate have undertaken the UK's largest ever homicide investigation, Operation Melrose. On October 23 2019 the bodies of 39 Vietnamese people were found in the back of a lorry in Grays. The complex investigation spans across a number of countries and involves close working with key partners including the National Crime Agency, Crown Prosecution Service, Thurrock Council, the Home Office and law enforcement and government agencies in Vietnam, Ireland, Belgium and France. It is only through this holistic partnership approach that we will effectively prosecute those responsible, disrupt the organised crime networks involved in these types of offences and protect existing and future victims. To date six individuals have been arrested and charged and one individual has pleaded guilty to 39 counts of manslaughter.

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Essex Police continues to effectively and efficiently manage our response to the COVID-19 pandemic, working with partners across the county, both in local government, blue-light services and the health sector, to operate a co-ordinated approach to ensuring people stay home, protect the NHS and save lives. Our response includes a dedicated command structure which ensures our entire workforce, from officers to support staff, are working to protect and serve during these challenging times, are effectively resourced and are carrying out their policing duties in a way that protects their health and wellbeing, as well as that of the local community. Our force has successfully adopted the nationally recommended approach of explaining and engaging with our residents around the new legislation and guidelines and officers use enforcement as a very last resort. As a result our relations and interactions with the people of Essex remain positive.

The work of our Operation Raptor teams in leading the activity to tackle gangs and county line drug activity continues to see success. In the last year our teams have seized nearly £780,000 of drugs and arrested 428 people involved in drug supply.

We have also seen success with Operation Sceptre, our drive to tackle serious violence and knife-related crime. In the last year we have seized nearly 500 knives, carried out nearly 700 arrests and over 2,000 hours of targeted patrols.

We are progressing with our recruitment activity to attract new officers, staff and volunteers from all of the communities in Essex. The more than 460 new officers that have joined in the last year include new constables and officers recruited directly into our detective programme (Investigate First), transferees, re-joiners and Police Now graduates. In 2019/20 Essex Police had an officer establishment of 3,218 FTEs increasing to 3,369 for 2020/21 in line with government plans to uplift officer numbers nationally. In June 2019, 73 officers, our largest intake in the modern history of Essex Police, formally passed out after swearing their oaths to protect and serve the county. We continue to build on the success of our recruitment campaigns and, since December 2019, every week we continue to receive in excess of 50 applications from those wanting to be part of the Essex Police family.

Building on the success of 'The 5,500 conversations tour' in 2018/19, I and the Chief Officer team started 'The Next Conversation Tour' in February 2020 to continue the force's engagement strategy for officers, staff and Specials. We held six events (out of the original 13 planned), travelling to various locations across the county, and reaching more than 500 officers, staff and Specials. The purpose of the tour was to provide an opportunity for our people to discuss key strategic objectives, as outlined in our Force Plan, with each other and the Chief Officer Group, and to embed the force's values and behaviours. We also held a dedicated session at each event about being an advocate for Essex Police to support our recruitment programme. The feedback across the six events was overwhelmingly positive, with nearly 90% of participants responding to say that they were motivated to become an ambassador for the force, as a result of the tour.

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.

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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.

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. Work is already well underway on the £5.7m refurbishment of Chelmsford police station which will create an open plan modern environment fit for the needs of policing both now and in the future.

Our collaborative work has also seen us go live with a new approach to procurement across the Seven Forces (Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, Norfolk and Suffolk). Procurement services have been collaborated to a single 7F Procurement function, which is the first full Seven Force function to go live across the eastern region. As a partnership of seven forces, we have created the second largest contracting body in police procurement nationally. This provides greater economies of scale and better presence and 'buying power' for value for money contracts in the marketplace. The 7F Procurement vision is to enable the delivery of an effective police service and provide support for victims of crime in the eastern region by procuring and managing a high quality, value for money supply chain.

We continue to use technology to improve our effectiveness and efficiency and our service level offer to the public. We have now successfully moved over to the new national Single Online Home website (SOH) which has enabled us to increase the online services we offer to the public. SOH is taking us further along our journey to manage our demand and prioritise those crimes which cause the most threat, harm and risk. Some of the new functionality the website now offers includes: the ability to increase the type of transactions the public can carry out online, providing nationally consistent advice to the public around general themes, such as staying safe and online services, which recognise the location of the member of the public using them. As part of the modernisation of the IT infrastructure we are in the early stages of rolling out the Office 365 digital platform across the force, which will transform the way we work. We have already seen improved email performance. This new platform will put us on the front foot when it comes to collaborative working with a modern and secure system and enhance our agile working capability.

Police and Crime Plan

Local, Visible and Accessible Policing

Our public want to see more officers in their communities, they want a closer relationship between themselves and officers and they want reassurance that when they need the police they will be there. We also know that public confidence and local, visible policing has a powerful preventative impact on crime. This is especially true where officers can work proactively with local communities to resolve issues caused by persistent offenders and stop those on the edge of criminality stepping into a criminal lifestyle.

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Within the 2016-2020 Police and Crime Plan we set out to improve the Local, Visible and Accessible nature of policing in Essex at a time when local policing numbers had seen a significant reduction across the country.

More officers in our communities

Working hard with central government and partners locally we were able to recruit over 368 additional officers over the last two years bringing the total number of officers to over 3,200. These officers were largely paid for through increases in the policing precept. While increasing tax is always a difficult choice to make, the support shown by the public and illustrated both through our regular public engagements, public surveys and the support of the Police, Fire and Crime Panel shows that in Essex this was the right choice.

The officers recruited over the last two years have already started making an impact and over the last year Essex Police has strengthened its local policing teams across the county, bolstered its community policing teams and introduced new Town Centre Teams. These extra officers are providing a more local and visible presence in our communities and are linking in well with their Community Safety Partnerships to identify and proactively deal with issues important to the local communities.

Twenty two Town Centre Teams were introduced to towns across Essex in July 2019 and include 12 Sergeants and 58 constables. These highly visible officers are targeted at Town Centres where we know that proactive, visible activity can have a big positive impact on crime and anti-social behaviour as well as increasing public confidence. Town Centres are also key priorities for partners and communities as well as being a focus for street-based violence and vulnerability, so these extra officers are able to make a big difference, working with partners in a highly visible way.

The uplift in officers has also allowed us to establish a new Business Crime Team, which will work closely with the Town Centre Teams, to work with business to create greater resilience within the business community in Essex, prevent crime and protect and safeguard the vulnerable. The development of this team has gone hand in hand with the development of a Crime Against Business Strategy, the first in the country to be developed in partnership with businesses. The strategy has been built together with the Business Crime Strategic Board, chaired by the Essex Chamber of Commerce.

The additional officers has also resulted in the continued growth of the Rural Engagement Team, an increase in officers to tackle gangs and serious violence, roads policing and the introduction of Children and Young People Officers.

In September the government also announced an uplift of 20,000 extra officers, so over the 2020/21 financial year this means we will be recruiting a further 151 officers. These extra officers are only the 1st wave of new officers coming to Essex as part of the 20,000 national uplift. Once all of the 20,000 have been recruited we are anticipating that Essex Police will be well over 3,600 officers making it bigger and stronger than it has ever been before.

It is anticipated that these extra officers will lead to a reduction in overall crime, which has increased by 5.4%, and result in improved level of public confidence.

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While the increase in overall crime in Essex is lower than in many other areas of the country we know we need to do more and will be keeping a close eye on these metrics as we see the full impact of increased officer numbers start to be reflected.

Supporting Officers to be more visible in communities

Local officers are better equipped than ever before, helping them to be out in their communities for longer per shift and more effective in how they work. All front-line officers now have a smart phone or tablet. In 2019/2020 this has saved over 125,158 hours of front line officer time. This has a financial value of over £3.2 million and is the equivalent of over 13,000 nine hours shifts. During the year increased functionality has also been developed allowing officers to take interviews, undertake vehicle checks and record Stop and Search activity. This programme will continue to deliver value as officers are supported to do more while out in the communities and are freed from having to spend time in stations undertaking paperwork.

Strengthening community relations

As set out in the Public Engagement Strategy, local District Commanders have continued to develop and refine the public engagement in their areas as they have found what works for their specific communities. This has resulted in a wide range of creative activities ranging from online engagement, youth advisory boards, coffee with cops and innovative partnerships with local media.

The impact of this engagement programme has been shown through the Public Perception and User Experience Survey. This independent assessment of public perception indicates that the public have a growing perception that the police understand community issues. The year-on-year increase indicates an improved ability for the police to be able to listen and understand the public's concerns. While a huge amount of work is currently underway, the survey results shows that further work is required to translate this improved level of understanding into action and demonstrate to the public that their views matter. Ultimately this will be shown through increased levels of confidence in Essex Police which continues to remain stubbornly low. Further work is being planned for 2020/21 including the implantation of a new communications strategy and a clearer engagement focus across the force with a view to further enhancing the understanding of the work of Essex Police and the successes that they have, in turn positively increasing public perception of their work.

The community are the police and the police are the community

The growth in the Essex Police Special Constabulary has been a huge achievement over the last few years, especially when so many of our Specials have taken the opportunity presented by our substantial regular officer recruitment programme to switch from being a Special to being a Regular Officer.

Essex Police now have the joint fastest growing alongside West Midlands Police Force and the second largest Special Constabulary in the country, second only to the London Metropolitan Police Force. There are over 500 Specials with a growth rate of 9% per year. This is against a national reduction in Specials of 9% during the 2018/19 year.

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The growth in the Specials has been supported by the Employer Supported Policing Scheme which encourages employers to release staff to undertake Special duties and the Community Specials Scheme which partners with Parish and Town Councils to identify and secure Specials to work in villages and towns across the county. These have proved to be very popular and have significant potential for further growth in the future. During 2019/20, Specials contributed a total of 195,813 hours which is an increase of 37,707 hours (increase of 23.8%) from the previous year. The hours worked by the Special Constabulary across this period is equivalent to having an additional 110 full time officers, who would attract an annual salary cost of £5.7m.

Volunteering has also been boosted across the Force with increased participation in Active Citizens, Police Support Volunteers and Police Cadets. There are now over 150 Active Citizens/Police Support Volunteers and 400 cadets, 80 cadet leaders and 13 Units across the Country. There has also been a continued growth in number of organisations signed up to our Community Safety Accreditation Scheme with 545 people from 46 accredited organisations having delegated police powers to tackle lower level incidents such as anti-social behaviour (ASB). This is by far the biggest scheme of its kind in the country.

Working in partnership

At a community level, Community Safety Partnerships (CSP) have a vital role in developing multi-agency responses to issues such as anti-social behaviour, drug or alcohol misuse and re-offending. As a result of the increased investment in Community Policing more policing resources have been made available to CSPs. Each CSP continues to engage with their local community to develop and prioritise their areas of focus and develop creative solutions to improving community safety in their locality.

Over the last few years we have found that effective multi-agency working improves the services provided and the impact these teams can have within their communities. Community Safety Hubs have been rolled out across the county since 2016, though often with important local variations to ensure they work in the specific community. Co-located Community Safety Hubs are now up and working in Tendring, Colchester, Chelmsford & Maldon, Braintree & Uttlesford, Southend, Castle Point & Rochford, Basildon, Epping Forest & Brentwood. Even where partners aren't physically co-located closer working relationships have been embedded and prioritised within each Policing District with distinct benefits, and as a result include joint tasking and close operational coordination.

Making it easier to contact the police

101 continues to be a challenge nationally and while significant progress is being made in Essex there is still more to do. At the beginning of the year we improved our call handling systems which has allowed us to better manage the way we actively monitor 101 services. We can now pinpoint areas of stress on the system including those points where people are choosing to leave the queue.

In the period 2019/20 the Force Control Room received over 292,000 101 calls and over 350,000 999 calls. Whilst this is a slight reduction on the previous year for 101 (4%), emergency / 999 calls rose by more than 10%.

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From this, 39% of 101 calls were answered on time (3% less than last year) and nearly 23% were abandoned (3% increase). In contrast, for 999 calls, there was an increase of nearly 10% (up to nearly 83%) answered within the time limit and a reduction to less than 2% being abandoned.

An important element of improving the public's access to policing is continuing to encourage members of the public to report crime online. In June 2019 13,488 crimes were recorded by the Force and 2,130 of these were recorded online (15.8%). This shows an increase both in absolute numbers and as a percentage of the total number of calls, but much more is possible. A key element of the continued growth of online reporting is the launch of Single Online Home which brings together several Forces around the country and provides increased functionality and a common public facing platform. As with any large-scale technology programme it will take time for the change to be have an effect, for new functionality to become available and for the full benefits of the system to be realised, however, it is an important step towards a significantly improved service.

Anti-social behaviour

Anti-social behaviour (ASB) is falling in Essex and has been since 2016. During 2019/20 there were 41,262 incidents compared to 46,441 in 2018/19 and 49,329 in 2017/18. Since 2016/17 there has been a 20.9% (10,908 fewer incidents) reduction in anti-social behaviour across the country. These numbers are significant. In October 2019 Her Majesty's' Inspectorate of Constabularies and Fire and Rescue Services undertook an independent review of Essex Police and found their crime data reporting to be outstanding, showing that the public can have confidence in the reported crime data. This improvement in crime data reporting may have impacted overall ASB numbers, as crimes previously categorised as ASB are now correctly being categorised as a crime but it also provides reassurance that the data reported is accurate

Anti-social behaviour is defined as "any behaviour where the victim is suffering harassment, alarm, distress, nuisance or annoyance." Responsibility for tackling anti-social behaviour sits with local councils and Essex Police. Between 40% and 50% of ASB incidents are attended by police with 8% being assessed as high risk.

ASB is split into three categories; environmental, nuisance and personal. While Essex has a very low amount of personal ASB issues compared with the national average (8.9% compared with 21.1%) it has a much higher proportion of environmental ASB (18.9% compared to 6.5%). This is in line with other largely rural counties which have a large geographic area.

In Essex Police, Community Policing Teams lead on managing and tackling ASB and in rural areas this is also supported by the Rural Engagement Team.

HMICFRS assessed Essex Police as Good at dealing with ASB in 2016, 2017 and 2019. Over the last two years significant investment has been made into Community Policing Teams as extra officers recruited as a result of the increase in the Police Precept have largely been focused on building capacity in these teams. As set out in the Local, Visible and Accessible section earlier in this document, these teams have been further supported by the introduction of Town Centre Teams.

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

The expansion of the Police Support Volunteers, Active Citizen Scheme and Volunteer Police Cadets across Essex has also enabled the local Community Policing Teams to increase their visible patrols, build stronger links with the community and provide reassurance where required.

Community Safety Partnerships

All 14 districts or unitary councils in Essex have a Community Safety Partnership (CSP), either on their own or shared with a neighbouring council. All CSPs in Essex have identified ASB as a local priority.

Within these partnerships, agencies including the council, Social Housing providers and Fire and Rescue Service work together to proactively identify persistent cases and resolve them through a range of measures. The most successful response to ASB currently being used is the use of Community Protection Warning / Notices. These are used throughout Essex and can lead to a full Criminal Behaviour Order being gained through the courts.

While the number of ASB incidents has reduced and our public perception survey shows that the public believe that police better understand the issues that affect the community, the public's perception that the policing respond effectively to ASB has not improved. This indicating that there is still more to do for the public to feel the difference the reduction of ASB incidents is having in their communities.

Restorative Justice

A successful and growing approach to tackling anti-social behaviour and reducing reoffending, is through restorative justice. This is a voluntary process where parties come together to discuss the incident and have the opportunity to ask questions. For victims, this is a chance to explain the impact the crime has had on them, for the offenders, it provides an opportunity to make amends (such as a potential apology) and to find a mutually agreed, positive way forward for both parties.

This type of activity has proven to be very effective in resolving often prolonged and difficult problems for individuals and communities.

In Essex we recruited a fulltime coordinator in 2016 and a fulltime admin assistant in 2020 to help build capacity within the team. Utilising a pool of around 40 volunteers, our Restorative Justice Team now manage over 300 referrals per year, a reduction of just under 150 since 2018/19, but an increase from 2016/17. The cases they manage range from neighbour disputes, community concerns around street drinking or prostitution to some of the most serious cases that happen in our community such as murder or sexual assault.

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Satisfaction levels from those people who have participated in the programme is 93% with 78% of participants stating the programme had a positive impact on them and 100% of people would choose to use the programme again.

2016/17 – 298 referrals

2017/18 – 426 referrals

2018/19 – 449 referrals

2019/20 – 301 referrals

Sharing best practice and promoting what works

While the response to local anti-social behaviour is managed at a local level, sharing what works across the county is an effective way of tackling these incidents.

Early Intervention – The Essex Police Youth Justice Team is focused on diverting those who participate in minor criminal behaviour towards agencies that can provide an early intervention for behaviour that is causing harm. The interventions being used across Essex can range from Acceptable Behaviour Contracts, referral to Restorative Justice, verbal or written warnings and encouraging young people into diversionary activity.

Coercive and Developmental Interventions – This method of intervention is a way of prohibiting or modifying certain behaviours by using tactics such as Community Protection Notices, Community Protection Warnings and Criminal Behaviour Orders. These are actively used in Essex with a high degree of success. For wider community issues Community Safety Partnerships are actively using Dispersal Powers, Gang Injunctions, Closure Orders and License Conditions.

While these interventions direct certain behaviours, using them in conjunction or alongside developmental interventions, such as referrals to Restorative Justice or the Youth Offending Service, or referring to parenting support has proven to be popular across the county.

Situational Interventions – These types of interventions focus on reducing the opportunity for offending to take place and have been shown to be effective at a community level where patterns of behaviour are causing a problem. The specific nature of the intervention will depend on the individual circumstances but examples of what this can involve includes:

- The Licensing Team working with pubs and clubs to remove glasses or bottles, closing problematic premises and ensuring taxis are available when venues close.
- The Designing Out Crime Team working with Councils and developers to create safer environments via the national Secured By Design Accreditation Scheme.
- Working in partnership with charities such as Street Pastors to provide pastoral care in high risk anti-social behaviour hot spots.
- High visibility patrols in certain hot spots and the use of Dispersal Powers.
- Working in partnership to put in place Public Spaces protection Orders and taking positive action where these are breached.
- The development of Neighbourhood Watch, Farm Watch and Watch Schemes countywide.

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Breaking the cycle of domestic abuse

The number of Domestic Abuse incidents recorded in Essex and nationally has grown consistently over the last decade. Over the last year we have seen a 2.2% increase. This longer-term trend is the result of more victims being willing to come forward and report incidents, greater confidence that reported incidents will be dealt with sensitively and appropriately and the introduction of new legislation.

Domestic abuse is defined as “Any incident or pattern of incidents of controlling, coercive, threatening behaviour, violence or abuse between those aged 16 or over who are, or have been, intimate partners or family members regardless of gender or sexuality. The abuse can encompass, but is not limited to: psychological, physical, sexual, financial and emotional.”

Work carried out between August 2018 and August 2019 showed that during this period there was a 36.7% increase in reported Domestic Abuse cases. When analysed 27.1% of this increase was driven by improvements in accuracy of our crime data and changes to the way stalking and harassment are counted while 9.6% were seen as a genuine rise in reported incidents.

The increased visibility and accuracy of how we record Domestic Abuse is an important step in understanding and then tackling these offences. If we don't know the true volume and nature of incidents, we can't prevent it.

While the number of recorded cases of domestic abuse increased, the number of cases solved decreased by 3.6% over the same period. This indicates that while significant progress is being made in making these incidents visible, much more needs to be done to find ways to prevent these crimes happening in the first place, and improving our response once they are reported.

The Operation ENCOMPASS pilot in Thurrock was launched in January 2020. This is a referral pathway enabling Essex Police to directly inform schools that a child has been present, or ordinarily resides at an address, where a medium risk domestic abuse incident has occurred. The aim is to reduce the harmful adverse impact of Domestic Abuse on children, and protect their emotional wellbeing. The benefits of the pilot are already being corroborated by schools engaged in the pilot. Essex Police has agreed, with the Southend, Essex, Thurrock (SET) children's boards, social services and education partners, to launch Operation ENCOMPASS with schools around the county across the 2020/21 school year.

Tackling Domestic Abuse is a complex task and one that requires a strong multi agency approach. In Essex this multi-agency approach is led by the Southend, Essex and Thurrock Domestic Abuse Board (SETDAB). This is chaired by the Deputy Police, Fire and Crime Commissioner, Jane Gardner. The SETDAB is currently consulting on a refresh of its strategy but during the 2019/20 financial year its priorities included:

- Young people enjoy healthy relationships
- Victims (Adults and Children) and those at risk of experiencing domestic abuse feel and are safe
- Victims (Adults and Children) are able to recover and move on to live independently

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- 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 safer

Early consultation suggests that partners and stakeholders feel these priorities still reflect the required outcomes for the partnership and are likely to be retained for the updated strategy.

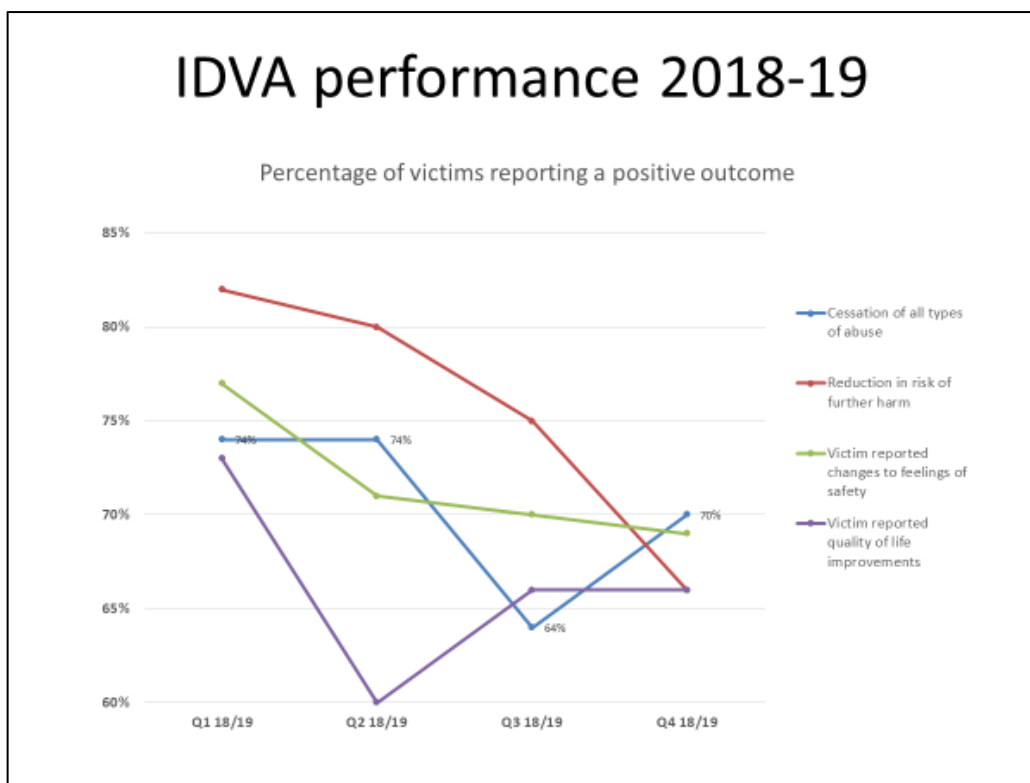
In September 2019, to coincide with the new legislation and guidance around stalking SETDAB launched a Stalking Awareness Media Campaign which has helped to drive awareness and build public understanding of the support available for victims or those in fear of becoming victims.

Essex Police also work closely with other agencies through the County's MARAC (Multi Agency Risk Assessment Conference) meetings where individual, high-risk cases are considered and managed. Through these arrangements all the agencies involved produce a coordinated action plan to improve timely risk identification and safety planning for victims and their families. The MARACs across the county will also focus on perpetrator actions and Southend and Essex MARACs have recruited dedicated perpetrator caseworkers to progress referrals and contact suitable candidates for behaviour change support.

Due to the success of these arrangements there is a conscious effort by all the partners involved to increase the number of cases referred. This has resulted in a significant increase in referrals, rising from 115 between Jan 2018 and June 2018 to 186 during the same period in 2019.

The Police, Fire and Crime Commissioner also commissions the Essex Independent Domestic Violence Advisor (IDVA) Service which offers specialist support for those assessed to be at high-risk from Domestic Abuse.

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While significant work is undertaken at a multi-agency level, when an incident happens it is the Local Policing Teams who respond, make an initial risk assessment and undertake to safeguard the victim. The Local Policing Team are also responsible for targeting the most prolific domestic abuse offenders. Given the vital role these team have in breaking the cycle of domestic abuse there has been a significant investment in them over the last two years. As part of the additional officers recruited as a result of the increase in the policing precept there has been a significant uplift of officers (over 53 Officers) in Local Policing Teams and it is anticipated that these additional resources will make a positive impact both on investigations and safeguarding.

In each of the three Local Policing Areas there is also a dedicated specialist team. These Domestic Abuse Investigation Teams are responsible for the management and investigation of all high and medium risk Domestic Abuse crimes and undertake safeguarding of the medium risk victims. The recent uplift also added 21 specialist investigators to these teams, further boosting our capacity to successfully investigate and safeguard victims of Domestic Abuse and their families.

Using a risk-based approach to Domestic Abuse allows the right level of resources to be focused on the right cases and helps the victims at the most risk get the right level of support. The Central Referral Unit based within Public Protection Command is responsible for safeguarding high risk victims of domestic abuse with the most acute victims being allocated a dedicated Safeguarding Officer. These officers review individual cases and where appropriate help bring agencies together to provide a specific response. These plans are then fed to Local Policing Teams to ensure cases are well managed.

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These multi-agency safeguarding hubs or multi-agency risk assessment teams look at a case in its entirety, including family breakdown and any safeguarding issues with children or adults within the family.

Due to a significant investment over recent years all frontline officers now have access to Body Worn Video. While this technology was introduced to help bring offenders to justice across all crime types, early data indicates that it might have a positive impact when officers are investigating cases of domestic abuse. BWV are now used for all Domestic Abuse cases and officers must view the full Domestic Abuse footage prior to interviewing the suspect and consider showing the suspect the actual footage captured of the incident. A review of all Domestic Abuse cases interviewed in custody in August 2019 showed that where BWV was used there was a 20% increase in the number of cases resulting in a charge or caution.

The review of BWV has also led to the identification of how cases could be handled differently to improve outcomes for victims. One example of this is ensuring that the victim has enough time to consider their position before accepting a decision not to proceed with a case. Evidence shows that given enough time to consider their situation victims are more likely to support an investigation.

Recent legislation, changes to Home Office Counting Rules and a package of changes introduced by the Crown Prosecution Service and National Police Chiefs' Council have had a significant impact on how forces deal with Domestic Abuse and stalking and harassment. This increased focus is having a positive impact on those affected by these crimes and to ensure that officers adapt to these changes, force-wide training has been undertaken by all police staff and officers who may encounter members of the public at risk of stalking and harassment.

Once the government's current Domestic Abuse Bill is passed the significant changes to legislation will continue and new powers and a greater emphasis will be put on tackling domestic abuse. In particular, the introduction of a statutory definition of domestic abuse and a Domestic Abuse Commissioner, is likely to change the national response to Domestic Abuse for the better.

Reversing the trend in serious violence

Violent crime, and serious violent crime is an area of national focus and something that we all see reported by media across the country, and it is rising nationally and in Essex. A number of factors are driving the rising crime levels, most notably perhaps the increase in gang activity, the criminal drugs market and associated violence. Homicide is the most serious form of violence and in October 2019 there was the tragic incident where 39 Vietnamese nationals were discovered in a lorry trailer in Grays. It soon became apparent that this crime had international links and Essex Police have worked tirelessly, across multiple agencies and nations to both identify these victims and to bring the offenders to justice and disrupt the associated human trafficking.

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Whilst violent crime is widely reported to concern knife crime, robbery and night time economy (NTE) violence, it also comes from gang, organised crime groups (OCG) and domestic abuse (DA) related violence. Whilst gangs and organised crime, and Domestic Abuse have their own focussed chapters in this report, it should be noted that approximately one third of serious violence is driven through domestic abuse related incidents – showing just what an impact domestic abuse has on police resources and on victims of crime in Essex.

To combat the growing use of knives and violence Essex Police, along with partners from across the county, have used a coordinated range of measures to tackle the root causes of this increase. Together they have increased their work with schools and colleges, used targeted stop and search more frequently, and taken an innovative approach to the long-term causes of violence and vulnerability. The work of the Violence and Vulnerability Unit is detailed in the section on 'Targeting Gangs and Organised Crime' but has a strong relationship to how we look to reverse the trend in serious violence.

Knife Crime

Figures from the Office for National Statistics show that Knife crime in England and Wales increased by 7% to 45,627 offences in the year to December 2019. Home Office figures show that regionally the levels of knife crime offences vary considerably, with London and the major conurbations being the centres of activity. The National Statistics include selected offences in which a knife or sharp instrument has been used. In Essex there were 998 of the selected offences recorded in 2019, 2.2% of the national total. This figure represents a 44.4% increase for Essex on the previous year. These selected offences include the most serious offences involving a knife or sharp instrument including violence with injury and robbery. These are rare events, with just 54 offences per 100,000 population in the year to December 2019.

A key approach to knife crime in Essex is Operation SCEPTRE. This is a national operation, endorsed by the National Police Chiefs Council (NPCC) focused on the increase in knife crime in the Country. Essex Police participate in the national Op SCEPTRE weeks of action. Op SCEPTRE (Essex) is the Essex Police operation, focused on those who carry & use bladed weapons in Essex. The overarching intention of the operation is the protection of and preservation of life by targeting the criminal supply, possession & use of Knives within Essex. Op SCEPTRE has had notable successes in Essex including during the National Op Sceptre Week of Action – 73 weapons sweeps, 243 knives recovered, 89 engagement events, 22 test purchase operations.

Robbery

While robbery offences have increased in recent years, some Local Policing Areas have actually seen a decrease including Braintree, Maldon and Rochford. In the 12 months to February 2020 this saw an actual decrease overall of 31.8% in robbery of business property and a 4% reduction in robbery of personal property.

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Night Time Economy (NTE)

Overall, Essex is showing a modest reduction in NTE related offending, largely driven by a significant reduction in the South Local Policing Area (LPA), however, looking in more detail at Violence with Injury investigations (considering offences which occurred within designated NTE areas and between relevant times), a general downward trend across Essex (-12.8%) can be seen. However, against this backdrop of a decline in overall NTE violence the level of serious violent crimes committed in NTE is rising across the county. There have been disproportionate rises in Rape and Robbery of personal property in the NTE areas and is something that has become a focus for the force to address.

Sexual Violence

The PFCC continues to address key issues around sexual abuse; making support accessible, and creating innovative new ways to make support available for those that need it; developing a first-of-its-kind partnership strategy to address sexual violence and abuse; attracting additional government investment in local specialist support services; and investing more to ensure those support agencies have the resources they need to deliver help to those that need it.

The PFCC re-commissioned the local Synergy Rape Crisis Partnership to continue to provide specialist support services to all victims of sexual abuse. This support is provided regardless of when the abuse occurred, their age, gender, or whether they have reported to the Police. This support includes practical help, therapy, advocacy and counselling. The PFCC for Essex was also successful in bidding to become one of only 5 areas across the country to receive devolved Rape Support Funding allowing the investment of an additional £275k Home Office funding into the local support service.

The PFCC's office has led the development and publication of the Essex Sexual Abuse Strategy which identifies 5 priority areas for partners to respond to; prevent abuse, support victims, bring perpetrators to justice, improve the criminal justice response, and raise awareness of abuse. Through this strategy, the Essex Sexual Abuse Strategic Partnership will focus activity around these key themes ensuring there is progress on the overarching aim to reduce the volume and impact of sexual violence and abuse in Essex.

Protecting children and vulnerable people from harm

Protecting some of the most vulnerable in our society will always be a priority to policing and to partners, and this is an area where we come together to both protect and prevent harm to vulnerable people in Essex. This is also a broad area covering everything from victim support across the county, to multi-agency safeguarding and prevention.

Indeed, as this report is being drafted, we are in a situation socially where we have never been, isolating as a means to protect ourselves from a Coronavirus that targets all. In this isolation we are trying to ensure – across all agencies – that the most vulnerable in our society are protected. This is a daunting task in a period of social upheaval, but one that we are determined to succeed in, and ranges across the board, from ensuring children in families on low incomes who would have received school meals are being adequately fed, to using the

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experiences of nations that have already been in a 'lockdown' state regarding the impact of domestic abuse and what interventions are likely to be most effective at this time.

Over the last 3 years recorded crime in areas of abuse against vulnerable people in Essex, and nationally, has increased significantly. In the 12 months to February 2020 the force achieved nearly 100 more Child Abuse outcomes than in the previous 12 months, but also saw an increase in demand, recording an increase of over 50% in offences during the same period. This puts significant strain on the resources in place to address this and has an impact across policing, as the responsibility for responding to, investigating and safeguarding these offences rests with a number of teams within Crime and Public Protection (C&PP), Local Policing Areas (LPAs), Operational Policing Command (OPC) and the Serious Crime Directorate (SCD).

Sadly, we have seen significant increases in rape offences recorded over the past 5 years, from under 100 in March 2015 to over 150 in March 2019. To address this, and add focus on working with the CPS to progress prosecutions, an independent multi-agency Rape Scrutiny Panel has been convened, which will meet quarterly and is chaired by ACC Rachel Nolan from Essex Police. Panels are themed with partner agencies invited to identify cases within the theme they believe should be scrutinised, and the learning and improvement shared. Essex Police have also developed and implemented a Rape Prevention Strategy. The Force's 5-year plan formalises activity to prevent rape and serious sexual offending. Preventing crime is not a single agency endeavour and this strategy highlights the partnership approach required to tackle repeat victimisation, repeat offending and builds on the current partnership frameworks to encourage accurate sharing of data, pooling of resources and expertise to deliver a coordinated evidence-based approach in tackling and preventing rape.

As mentioned in the section focussing on reversing the trend in serious violence, Essex has also launched the Synergy Essex First Responder project, starting as a pilot in January 2019. The project ensures that every victim of rape in Essex will speak to an Independent Sexual Violence Advocate (ISVA) within 24 hours of reporting. Essex was the first force in the UK to offer this level of service with the ambition that this will decrease the number of victims that disengage and provide enhanced support for victims through the Criminal Justice System. Between January and June 2019 there were 425 referrals altogether, and the force are continuing to monitor the impact of this through to court proceedings. Further work has also been undertaken to support the voluntary sector's role in this area, with a joint training package being developed and rolled out between Essex Police and CARA (Centre for Action on Rape and Abuse in Essex) focusing on what to do if a person has been the victim of a sexual offence. Welcomed by the voluntary sector, some of the first to take this up were volunteers on the SOS bus in Colchester and Chelmsford, with nearly 40 going through the training programme. Since the successful launch of the pilot, the PFCC has made the required funding available to Synergy Essex to ensure this service is available as part of our standard offer to victims.

Leading the way in innovative ways to support and protect young people the Dot.com project was launched in Essex in June 2019, and received a national launch in January 2020.

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Essex Police worked with teachers and pupils at a primary school in South Ockenden in Essex, to identify the biggest risks facing young people and develop an online programme that helps them:

- Spot dangerous situations
- Tell their teacher if something is worrying them
- Feel confident about exploring the internet, in safety

The result, the creation of 'Dot Com', is an acknowledgement by the Police in Essex and by local teachers that we must all work together to protect young people and to tackle exploitation in all its forms before it takes place. The digital resource is available to all schools and over 1,000 schools from all over the UK have come forward in the space of just one month to find out how they can do more to protect children from online exploitation by county lines drugs gangs. Working with IT company 2Simple work is ongoing to create a mobile App version of the platform.

A project to support older children has also been developed between the force and the University of Essex. The Catalyst project looks at police data around child sexual exploitation and the University are in the process of mapping where patterns and trends occur relating to teenage rape offences. The anonymised data is fed into a secure online platform to allow mapping, charts, graphs and key findings to be explored and has the ability to overlay other external data to inform and manage interventions most effectively where trends are identified.

Mental Health

Mental health incidents are an area where policing is often required to provide support. In Essex this is mostly provided by the Local Policing Teams (LPTs) who respond to them as part of their core business. Across the force there are seven Mental Health Single Points of Contact (SPOCs), who are aligned geographically with their LPAs. There are 14 Mental Health in-patient establishments, which are a mixture of public and private units.

In addition there is a Mental Health Street Triage Team, which provides an immediate joint screening assessment and support to those who may be experiencing a major mental health crisis. This team consists of a police staff supervisor, six PCs, 25 Special Constables, one clinical lead nurse, three and a half clinical nurses and ten clinical bank nurses. They provide an improved response to people in crisis and help reduce demand on resources by avoiding S.136 (where possible) by providing an alternative framework of treatment and care. The force continue to develop initiatives in this area, for example, the SIM (Serenity Integrated Mentoring) project, in which a police officer is embedded in an NHS mental health team, continues in the North and Mid CCG area of the county. By the end of the first year the eight service users on the project have saved £111,000 on mental health in-patient stays and £43,700 on missing person searches.

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Southend High Intensity Focus Team (SHIFT Project) is a 12 month collaborative pilot funded by Public Health England to address demand created by high intensity users (HIU) across policing and health services and is based on focused early intervention to tackle key strategic demand drivers of mental health and vulnerability. This complex demand is projected to continue to increase over the next 4 years with mental health incidents in particular accounting for 40% overall Force demand. The SHIFT Project launched on 1st August 2019 with two mental health nurses recruited and co-located within the Community Safety Hub. An evidence based approach aligned to the principles of Serenity Integrated Management (SIM) which has been credited with achieving a 40% reduction in demand created by HIU with bespoke training delivered by the National SIM lead. The approach focused on identifying high intensity users then working with those individuals to address their complex patterns of behaviour, formulating bespoke clinical crisis care plans to encourage service users to better self-manage their behaviour, de-escalate situations and utilise coping mechanisms. While service users' testimonies on how the project has positively impacted on their lives will be captured as well as the demand reductions and cost savings, quarter 1 results were described by the National SIM lead as some of the best he had ever seen. Significant savings and reductions in demand will see this project expanded to the Castle Point and Rochford districts with an ambition to implement the model across Essex.

POLIT

The Police Online Investigation Team (POLIT) continue to see an increase in cases where indecent images of children (IIOC) are being created and/or shared on line. The United Nations reports that approximately 750,000 people are looking at IIOC at any one time, with 1,000,000 children featured in online child abuse material. In Essex demand for POLIT continues to grow. In 2016 POLIT investigated 151 crimes, this number grew to 294 in 2019, an increase of 44%. In response to this in 2019/20 five additional posts were created to form a Proactive Team. This team investigate IIOC crimes reported to Essex Police from non-traditional sources. Since its inception the team have investigated 83 crimes, executing 78 search warrants and safeguarding 73 children. In 2020/21 a further five officers will join the proactive Team to continue to respond to this ever-increasing crime.

Tackling gangs and organised crime

Gangs and organised crime can cause significant harm to our communities, exploit the vulnerable and increase levels of violence within society. In Essex the fight to tackle organised crime happens at a national, regional and county level with strong proactive enforcement activity. At the same time a countywide multi agency programme has been established with government and partner funding to reduce the risk of young and vulnerable people being exploited by gangs.

This two-pronged approach of enforcement and complimentary support for the vulnerable groups at risk of exploitation is bringing the county together to address this growing problem.

While the National Crime Agency leads on the enforcement at a national level, Essex Police works hard with its regional partners to identify, manage and disrupt organised crime groups across the county and within Essex.

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In response to this growing national problem the Essex Violence and Vulnerability Unit has been established with members seconded from Essex Police, the Youth Service, Prison Service and County Council. Working closely with strategic partners, £3.584m Home Office funding has been brought into Essex, in 2018/19 and 2019/20.

The Essex Violence and Vulnerability (V&V) partnership and the V&V Unit work to reduce serious violence and safeguard those being exploited and at risk of exploitation through gangs and 'county lines'. Following the development in 2018 of the Essex Violence and Vulnerability (V&V) Framework, work continues at pace to develop the approach to violence and vulnerability across the county.

Work includes activities to address 'county lines'; gang related crime including serious youth crime and drug related crime; child criminal exploitation through gangs; child sexual exploitation through gangs; the cuckooing of vulnerable adults; and the extent of school exclusions and their link to violence and vulnerability.

As well as causing violence within our communities, gangs exploit vulnerable people. County Line Gangs in particular use an operating model where young and vulnerable people are used to transport and sell drugs. This often starts by gang members grooming vulnerable people, buying them gifts, becoming their friends and then trapping them with debt, violence and fear.

This exploitation is used by County Line gangs as they move into new areas. Often moving out from a large city such as Liverpool or Manchester to smaller rural areas, where they can move in on local drug gangs. The resulting conflict fuels violence within those communities.

The use of exploited young or vulnerable people means that a lot of the visible gang members in County Line gangs are children and young people. The people are often themselves exploited and on the receiving end of some of the most serious violence or threats of violence, either from drug users and rival networks robbing them of cash, or from within their own network as punishment for failing to collect debts. This also creates a cycle where those people being exploited are drawn into a situation where they commit acts of violence themselves. It is these local drug dealers who are themselves the most common cohort to be involved in serious violence either during the course of trying to rob a drug line or as retribution after the fact, or as a consequence of an unpaid drugs debt.

A notable success over the last year has been the disruption of the C17 Gang in Thurrock where injunctions were used to limit their behaviour and activities. The gang had been operating in the Grays and Lakeside area and caused violent and drug related activity to reach unprecedented levels. The gang was known to be exploiting young people and the vulnerable getting them to run drugs and carry cash. Using the injunctions Essex Police were able to secure orders banning them from wearing hoodies and face coverings, making violent drill rap music and associating together online.

Other successful enforcement operations targeted other organised crime gangs across the county with a range of tactics. These have resulted in several successful prosecutions and the recovery of significant amounts of the proceeds of crime.

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To help prevent gang activity there is also a strong and concerted effort to work together at a district level to coordinate prevention activity. In Harlow, significant work has been undertaken with schools, partners and the council to prevent and pursue gang activity in the district, to protect the community from gang activity, to provide and share specialist expertise and raise awareness and understanding of gangs within the community.

Other areas of focus and success have included developing a co-ordinated and consistent training offer – supporting the development of the workforce across Essex. This training has included supporting frontline workers to ‘spot the signs’ through to practitioner development relating to stronger approaches to safeguarding. This work is closely aligned with children and adult safeguarding colleagues across Southend, Essex and Thurrock. The approach includes online learning, face-to-face delivery and conference style events.

We have also worked directly with over 600 children and young people to develop our understanding of the issues – working with and being informed by the voice of communities, discussing their feelings of safety and vulnerability. This forms part of a wider piece of work, to understand the experiences and perspectives of young people, including young people in prison who are or have been gang members; youth assemblies and groups; and engaging with groups with particular needs, including learning disabilities. These insights have and continue to help us to develop and deliver programmes which respond to the needs identified.

Building on this we are looking at delivering programmes of work at ‘reachable’ moments – in hospital and prison settings. The work in HMP Chelmsford, with young men, looking to address their offending behaviour through the written word and music is now being nominated for a Koestler award. The ability to have the time, in the ‘right’ place, with a vulnerable cohort, has proved to be successful. This includes the Youth Service project in Basildon hospital, where two skilled youth workers have been embedded in a hospital setting, and where over the last eight months, they have reached out to nearly 200 children and young people (and their families) at a moment of crisis.

We were able to bring all of this together at our ‘Perspective on Violence’ conference held in March 2020, which was attended by over 300 people, ranging from local partners and providers to national sector leaders and key note speakers. It is important that we all share our learning and allow an agile response to this threat if we are going to challenge the spread of violence and gang activity, and to protect some of the most vulnerable in our society.

Improve safety on our roads

Working within the Safer Essex Roads Partnership (SERP), Essex Police have made a huge difference to the number of people killed or seriously injured on our roads. The Roads Policing Team leads this work within the Force and is regarded both regionally and nationally as the police force with best practice in this area. The team now conduct training approved by the College of Policing to Senior Investigating Officers from across the country.

The Essex roads network includes some of the most strategically important roads in the country linking London with some of our major ports and provides a vital role for communities, businesses and the economic wellbeing of the country.

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As well as promoting improved safety on our roads the Roads Policing Team provide a strong level of support in tackling the other priorities in the Police and Crime Plan. It is now understood that those committing minor road offences are often the same people using the roads network to commit crime across the county, whether that is burglary, human trafficking and exploitation or drug-based county line activity. This is especially true around some of our strategic routes such as the M11, A13, A12, M25 and A127.

A proactive integrated approach to roads policing is proving useful in tackling crime across the county, protecting communities and bringing offenders to justice.

As part of the 2019/20 police precept uplift investment 21 additional officers will be added to the current Roads Policing Team. These extra officers will improve visibility, enhance proactive enforcement activity and provide additional capacity to reduce those killed or seriously harmed on our roads.

In Essex, the team is also supported by 16 dedicated roads policing Specials Constables. Each of these officers is highly trained and provides a significant amount of hours to the team. These officers are fully integrated into the Roads Policing Team and are provided with additional driving skills including Response, Initial Phase Pursuit and Advanced Driving. Two members of the team are also trained to ride police motorcycles. Together this team of Specials contribute over 12,000 operational hours per year, deliver over 1500 duties and arrest over 150 people.

Through SERP annual activities are planned and resourced which focus on those at most risk on our roads. While the number of deaths and serious injuries are reducing as a proportion of the number of people using the roads, those using motorbikes and road users between the ages of 16-25 remain the greatest risk groups.

Targeting these groups is a key element of the work undertaken by SERP with significant activity being undertaken in Schools and with those using motorbikes. Essex Fire and Rescue Service and Essex Police both run advance biking courses, over 1,700 riders have been involved in moped/ scooter rider education days and 25,100 riders are involved in pre-driving events held within schools.

Essex continues to attract car cruise enthusiasts from across the region, attracted by the connections between London and the South East. These events are often unplanned and can be mobilised through social media within hours. Working with partners across Essex, a proactive approach is taken with officers engaging with participants and taking robust action where necessary. Essex County, Fire and Rescue team also attend numerous events on behalf of the partnership, engaging with young drivers and offering road safety advice.

While many participants are simply enthusiasts and don't commit crime, there are elements at these meets who are intent on using the event to cause risk to themselves and spectators. Incidents of poor and dangerous driving also put other road users at risk. Significant work is undertaken with Local Policing Teams to tackle this offending and reduce the impact on the public.

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Community Speed Watch

The Community Speed Watch programme continues to offer a valuable and sizable contribution to roads policing across Essex. At present 94 Community Speed Watch Groups are active which includes 650 volunteers. Together these teams generate 14,000 warning letters each year and together provide a tough, community-based deterrent against poor driving.

In July 2019 the Harwich Community Speed Watch Group went live, following a successful pilot, with their TruCAM speed enforcement activity. This allows this group to enforce speed limits across the Tendring District using the TruCAM detection equipment. The team have all received training, accreditation and vetting and results have proved very positive.

Extra Eyes Campaign

Essex Police was one of the first forces in the country to utilise the growth in dashcam devices to gather evidence against poor drivers. The Extra Eyes Campaign encourages those using the roads to submit their dashcam footage where they spot an example of poor driving. This could be the use of mobile phones whilst driving, careless driving, dangerous driving or not following traffic rules. Members of the public upload and submit this evidence via the Safer Essex Roads website, and a member of the Roads Policing Team reviews each piece of evidence submitted.

During 2019 positive action has been taken on over 500 incidents, including over 100 cases of using a mobile while driving and 120 cases of passing too closely to a cyclist.

Drug driving

Since the introduction, in March 2015, of driving whilst under the influence of drugs, the number of people caught for this offence has steadily increased. In part, this is due to the improved use of testing and the growing focus from forces on the impact that this offending can have. During 2018 a research project undertaken by SERP showed that 56% of those arrested for this offence had been arrested on one or more occasions, with the most significant group linked to previous offences of violence. This highlights the link between road offences and more general forms of criminality and the positive contribution effective roads policing can have on other forms of crime.

Towards the end of the calendar year the number of people caught and prosecuted for drug driving overtook drink driving for the first time and this is a trend that we expect to see continue.

Performance Framework

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

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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/

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

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

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Police and Crime Plan Priorities	Police Priority Indicators	12 months to March 2019	12 months to March 2020	Number Difference	% Difference	Direction of Travel
Priority 1 - More local, visible and accessible policing	Percentage of people who have confidence in policing in Essex (internal survey Q13b) ¹	68.0	65.2	-2.8	-	Deteriorating
	<i>Confidence Interval</i> ²	1.0	1.1			
	Confidence in the local police (CSEW) ³	50.4	45.0	-5.4	-	Deteriorating
	<i>Confidence Interval</i> ²	4.3	3.5			
	Number of all crime offences	158,689	167,266	8,577	5.4	Deteriorating
Priority 2 - Crack down on anti-social behaviour	Number of anti-social behaviour incidents	46,441	41,262	-5,179	-11.2	Improving
	Percentage of people who have confidence that the policing response to ASB is improving (internal survey Q8a) ⁴	66.1	64.0	-2.1	-	Stable
	<i>Confidence Interval</i> ²	1.1	1.1			
Priority 3 - Breaking the cycle of domestic abuse	Number of incidents of domestic abuse	41,840	42,767	927	2.2	Deteriorating
	Number of repeat incidents of domestic abuse	19,133	20,776	1,643	8.6	Deteriorating
	Percentage of domestic abuse offences solved	12.9	9.8	-3.1	-	Deteriorating
Priority 4 - Reverse the trend in serious violence	Number of homicides ⁵	14	63	49	350.0	Deteriorating
	Number of violence with injury offences (new definition from Nov 2017)	14,731	15,262	531	3.6	Deteriorating
Priority 5 - Tackle gangs and organised crime	Number of Organised Criminal Group disruptions ⁵	17	37	20	117.6	Improving
	Trafficking of drugs arrests	1,498	1,877	379	25.3	Improving
Priority 6 - Protecting children & vulnerable people	Number of child abuse outcomes ⁶	205	306	101	49.3	Improving
	Child abuse solved rate	5.4	5.5	0.1	-	Improving
Priority 7 - Improve safety on our roads	Number of driving related mobile phone crime on Essex roads	2,620	1,493	-1,127	-43.0	Improving
	Number of driving under the influence of drink and/or drugs on Essex roads	3,024	3,694	670	22.2	Deteriorating
	All people killed or seriously injured (KSI) in road collisions ⁷	835	827	-8	-1.0	Improving

Note 1 - Question from Essex Police's own confidence and perception survey (Question 13b). Results are for the period 12 months September 2019 versus the 12 months to September 2018.

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

Note 3 - Crime Survey for England and Wales (CSEW): 12 months to September 2019 vs. 12 months to September 2018.

Note 4 - Question from Essex Police's own confidence and perception survey (Question 8a). Results are for the period 12 months to September 2019 versus the 12 months to September 2018.

Note 5 - The number of Organised Crime Group disruptions are a comparison of January to March 2019 and January to March 2020 only due to a change in counting rules that occurred in January 2019. From January 2019, activity has been 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.

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

Note 7 - 'Killed or Seriously Injured' (KSI) refers to all people killed or seriously injured on Essex's roads, regardless of whether any criminal offences were committed. 'Causing Death/Serious injury by Dangerous/Inconsiderate Driving' offences (detailed on p.10) refers to the number of crimes of this type.

Note 8 - On Wednesday 23 October 2019 the bodies of 39 Vietnamese nationals were discovered in a lorry trailer in Grays. This tragic incident is reflected in the Homicide numbers.

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Organisational Overview

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

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

Our Leadership and Workforce

The Role of the PFCC

The PFCC is responsible for the totality of policing in Essex. The public accountability for the delivery and performance of the police service is placed into the hands of the PFCC on behalf of the electorate of Essex. He must therefore secure the maintenance of the police force in Essex and ensure that the police force is efficient and effective.

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

The PFCC is also responsible for the scrutiny, support and challenge of overall performance of the force including against the policing priorities to protect Essex and holds the Chief Constable to account for the performance of the force's officers and staff.

The PFCC provides the local link between the police and communities, working to translate the legitimate desires and aspirations of the public into action. The PFCC publishes information specified by the Secretary of State and information that he considers necessary to enable the people who live in the force area to assess the performance of the PFCC and Chief Constable. He also prepares and issues an annual report to the Police Fire and Crime Panel on performance against the objectives set within the Plan.

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

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

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The Role of the Chief Constable

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

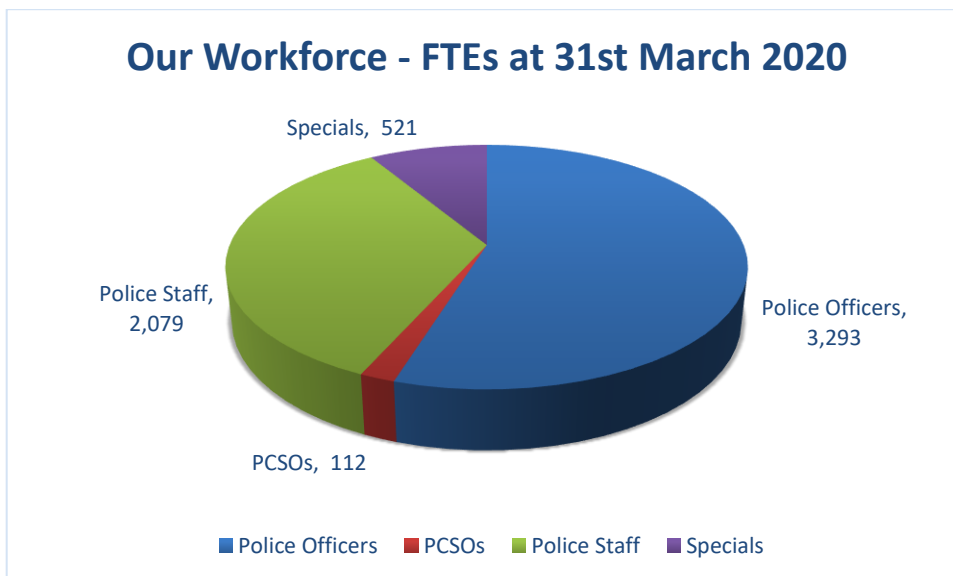
The Chief Constable supports the PFCC in the delivery of the strategy and objectives set out in the Plan, and in planning the force's budget. In agreement with the PFCC the Chief Constable enters collaboration agreements with other Chief Constables, other policing bodies and partners that improve the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

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

Our Workforce

During 2019/20 our police officer strength numbers increased by 229 FTEs to 3,293 FTEs.

The chart below shows the make-up of the workforce as at 31st March 2020.



Essex Police is growing and during the 2020/21 year the Police Officer establishment will grow by 151 additional officers, 135 of which are as a result of the governments ambition to recruit an additional 20,000 Police Officers nationally. At the end of 2019/20 the force had recruited 75 additional officers above the established budget to assist in meeting the 2020/21 target bringing the total number of officers to 3,369 FTE by March 2021.

The growth in officer numbers is expected to continue with an additional 180 officers in 2021/22 and 135 officers in 2022/23 funded by the government's national uplift programme.

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In 2020/21 there will also be investment of an additional 71 police staff to enable the recruitment and growth in police numbers and sustain a larger operational police force. This will grow the police staff establishment from 2,248 FTE to 2,319 FTE by March 2021.

The police staff FTE of 2,079 includes 18 directly employed by the PFCC.

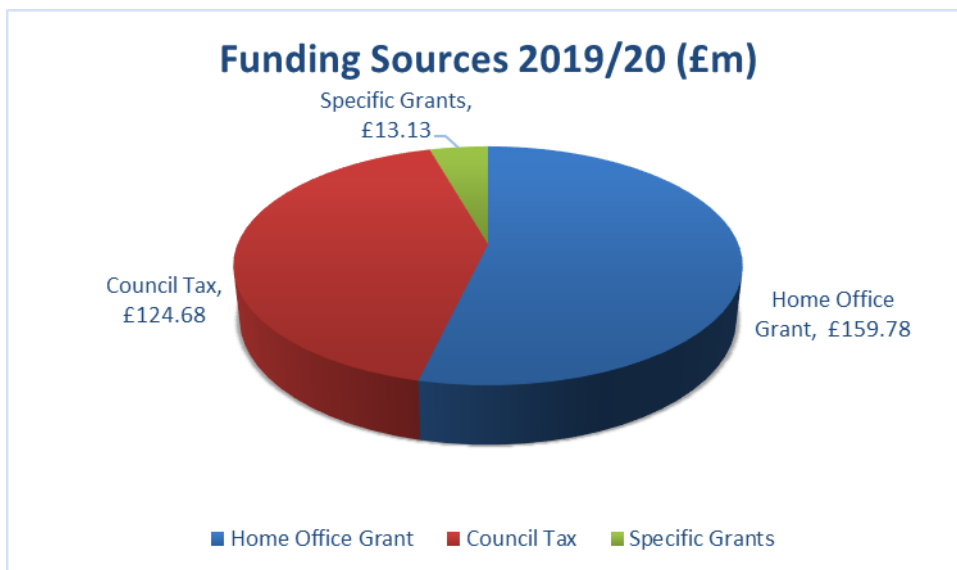
Financial Overview

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

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

Where the Money Comes From

The chart below shows an analysis of the PFCC's key sources of funding in 2019/20 totalling £297.586m. The Home Office core grant paid to the PFCC accounted for 54% of the total funding. These grants and income raised by Council Tax funded the net revenue budget for 2019/20 of £297.586m.



Following the increase in the government's limit for precept increases to £24 for 2019/20, the PFCC increased the precept 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.

The police grant settlement announced by the government for 2020-21 included additional funding with 76% of £750m less a £50m top-slice being allocated across forces through the Home Office Core Grant. This funding is for the first year of a three year programme to increase police

Narrative Report

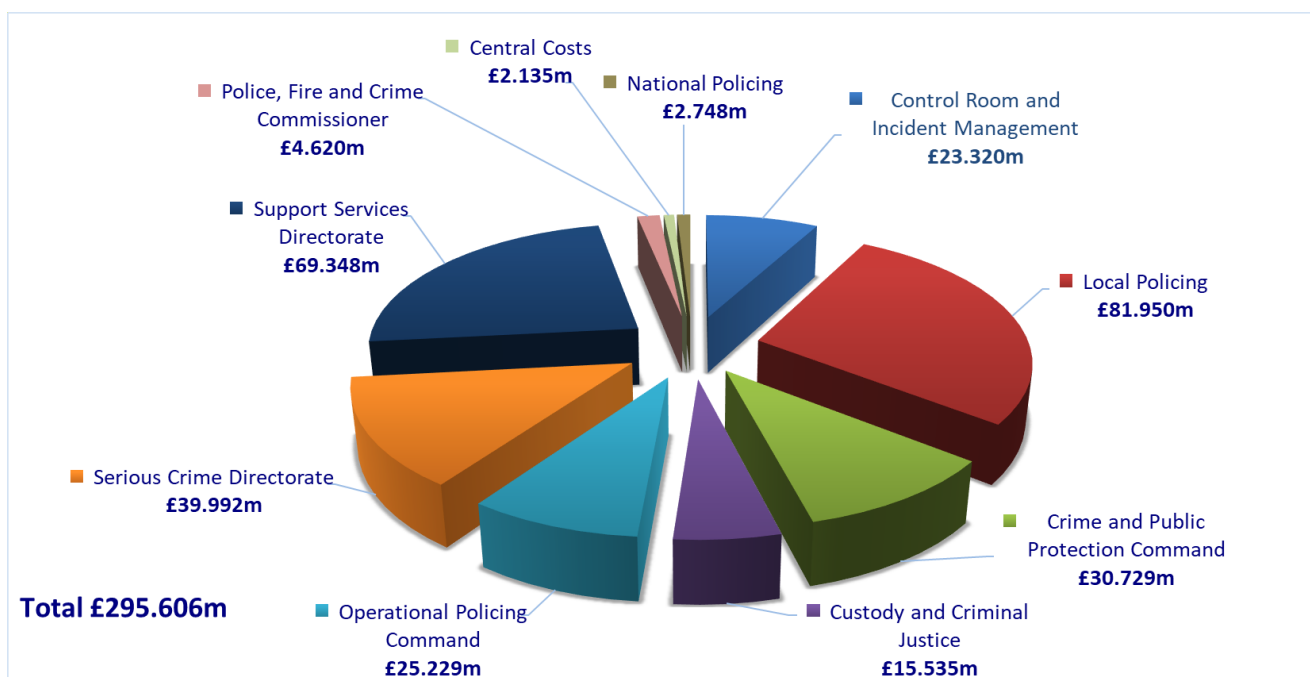
officer numbers by 20,000 nationally. The remaining 24% is to be released in arrears as additional officers are recruited.

The Police, Fire and Crime Commissioner has increased the police precept element of council tax by 2.94% for 2020-21 which is an additional £5.67 a year for a band D property. The government permitted increases of up to £10.

In addition to investment Essex Police has a proven track record in making cash and efficiency savings to maximise the benefit out of every penny the force spends. In 2019/20 £4.7m of savings were delivered.

What the Money is Spent on

The graph below shows an analysis of the Group's net revenue expenditure totalling £295.606m



Principal Risks and Uncertainties

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

PFCC

Whilst the risk of the Coronavirus Pandemic and the emerging mitigations to it are constantly being updated at this time, other strategic risks are grouped into five distinct areas, three of which focus on Policing and Crime:

- **Police and Crime Plan** - established priorities of the plan are not realised;
- **Budgets**: - uncertainty regarding future funding levels creates difficulties in setting and delivering balanced budgets for the PFCC's office and Essex Police;

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- **Holding to Account** - the failure to deliver the Local Business Case for Joint Governance of Police and Fire & Rescue Services;

The PFCC has a number of mitigations in place including scrutiny through governance boards; various internal and partnership projects, initiatives and commissioned services; the Internal Audit Plan, and the Commissioner's continued involvement influencing budget conversations as the Finance lead for the APCC alongside a continued public engagement plan which allows the ongoing reflection of the concerns and priorities of the residents of Essex.

Chief Constable

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

- **Emergency Services Mobile Communications Programme** - Cost will continue to escalate due to the continuing delays of the national ESMCP and the Emergency Services Network in delivering a credible, comprehensive and fit for purpose communications solution.
- **Outstanding Vetting & Re-Vetting Clearance** - Outstanding vetting and re-vetting clearance delays impact on the forces ability to recruit to vacancies in a timely manner and ensure officers and staff already in posts receive at least the lowest level of vetting clearance for their role.
- **Reduced External Forensic Capacity** – One of our main providers of forensic analysis went into administration early 2018 and the increase at short notice was challenging in the forensic marketplace. This led to a cap on forensic submissions which in turn reduced the number of crimes where forensic support could be utilised.
- **Data Quality** - Inadequate data capture and recording and the creation of duplicate records may inhibit the force's ability to identify the risk factors that precede a critical incident.

The Chief Constable's risks are mitigated by additional resources in place to manage demand within Corporate Vetting, working with regional and national groups to optimise access to external forensic services, and having a data quality improvement plan.

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

2019/20 Financial Performance

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

The tables overleaf show budgeted and actual net 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 and for the PFCC. The management accounting balance is the form recognised in setting the PFCC budget and council tax precept for 2019/20. The Net Revenue Expenditure (NRE) excludes depreciation, pension liabilities, accumulated absences and other items which do not have an impact on the transfer to or from the General Reserve.

These charges are included and accounted for in the Comprehensive Income and Expenditure Statement (CIES) within the Core Financial Statements in accordance with proper practice.

The original net expenditure budget of £298.114m included planned contributions of £0.179m from earmarked reserves and £0.349m from general reserves. During the year £1.610m was transferred to

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earmarked reserves leaving an updated budget of £296.504m and a year-end underspend of £0.897m. The underspend was transferred back to the general reserve resulting in a net contribution to the general reserve of £0.49m.

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

	Group				
	Original Budget	Virements	Current Budget	Actual	Variance over / (under)
	£000	£000	£000	£000	£000
Employees					
Police Officer pay and allowances	174,983	2,398	177,381	181,543	4,162
PCSO pay and allowances	2,951	500	3,451	3,502	51
Police staff pay and allowances	84,177	(193)	83,984	80,148	(3,836)
Ill-health/medical pensions	4,520	0	4,520	3,881	(639)
Training	1,457	(137)	1,320	1,127	(193)
Other employee expenses	372	203	575	628	53
	268,460	2,771	271,231	270,829	(402)
Other Service Expenditure					
Premises	11,075	(68)	11,007	11,208	201
Transport	6,334	(161)	6,173	6,353	180
Supplies & services	32,429	6,398	38,827	36,064	(2,763)
Third party payments	5,713	2,331	8,044	10,250	2,206
	55,551	8,500	64,051	63,875	(176)
Gross Operating Expenditure	324,011	11,271	335,282	334,704	(578)
Income	(27,951)	(12,190)	(40,141)	(40,194)	(53)
Net Cost of Services	296,060	(919)	295,141	294,510	(631)
Other Expenditure / (Income)					
Interest (receivable) / payable	(76)	(1)	(77)	(181)	(103)
Cost of the disposal of fixed assets	30	(30)	0	0	0
Capital & other adjustments	2,100	(660)	1,440	1,277	(163)
	2,054	(691)	1,363	1,096	(266)
Net Expenditure	298,114	(1,610)	296,504	295,606	(897)
Sources of Funding					
Police grant	(103,551)	0	(103,551)	(103,551)	0
Formula funding grant	(56,231)	0	(56,231)	(56,231)	0
Council tax precept	(123,134)	0	(123,134)	(123,134)	0
Council tax support grant	(10,992)	0	(10,992)	(10,992)	0
Council tax freeze grant	(2,133)	0	(2,133)	(2,133)	0
Collection fund surplus	(1,545)	0	(1,545)	(1,545)	0
	(297,586)	0	(297,586)	(297,586)	0
(Surplus)/Deficit before Transfer to Earmarked Reserves	528	(1,610)	(1,082)	(1,980)	(897)
Transfer to/(from) Earmarked Reserves	(179)	1,610	1,431	1,931	500
Transfer to/(from) the General Reserve	(349)	0	(349)	49	397

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	PFCC		
	Current Budget	Actual	Variance over / (under)
	£000	£000	£000
Employees			
Police staff pay and allowances	1,529	1,574	45
Ill-health/medical pensions	0	0	0
Training	1,294	1,103	(191)
Other employee expenses	299	354	55
	3,122	3,031	(91)
Other Service Expenditure			
Premises	11,007	11,208	201
Transport	5,095	5,152	57
Supplies & services	37,561	35,331	(2,230)
Third party payments	8,044	8,759	715
	61,707	60,450	(1,257)
Gross Operating Expenditure	64,829	63,481	(1,348)
Income	(40,141)	(40,194)	(53)
Net Cost of Services	24,688	23,287	(1,401)
Other Expenditure / (Income)			
Interest (receivable) / payable	(77)	(181)	(104)
Cost of the disposal of fixed assets	0	0	0
Capital & other adjustments	1,440	1,277	(163)
	1,363	1,096	(267)
Net Expenditure	26,051	24,383	(1,668)
Sources of Funding			
Police grant	(103,551)	(103,551)	0
Formula funding grant	(56,231)	(56,231)	0
Council tax precept	(123,134)	(123,134)	0
Council tax support grant	(10,992)	(10,992)	0
Council tax freeze grant	(2,133)	(2,133)	0
Collection fund surplus	(1,545)	(1,545)	0
	(297,586)	(297,586)	0
(Surplus)/Deficit before Transfer to Earmarked Reserves	(271,535)	(273,203)	(1,668)
Transfer to/(from) Earmarked Reserves	1,431	1,931	500
Transfer to/(from) the General Reserve	270,104	271,272	1,168

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.

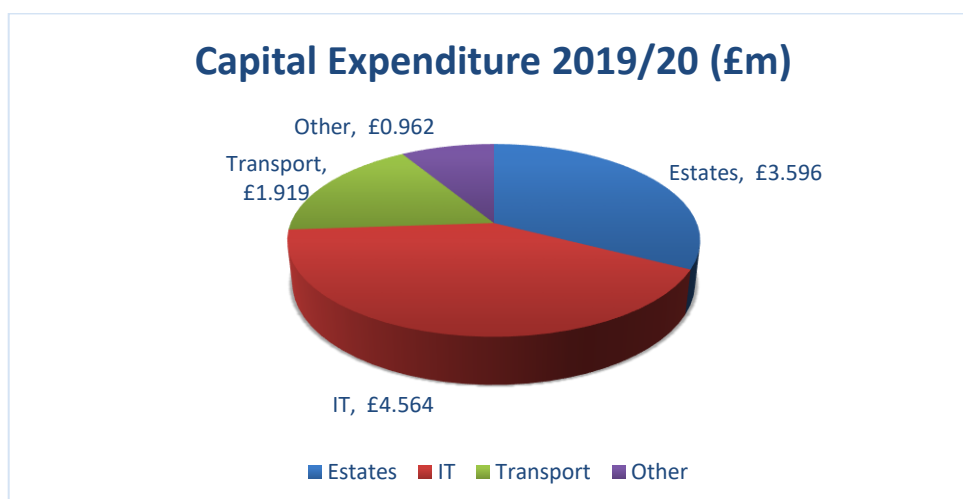
The transactions in the table above relate to police staff for the Office of the Police, Fire and Crime Commissioner, as well as operational and service expenditure, and non-operational income.

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

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Capital Expenditure

A capital investment programme amounting to £11.811m was approved in January 2019, adjusted to £19.913m upon formal approval of prior year slippage in June 2019, to maintain the infrastructure needed to support an effective and efficient police service. By March 2020 capital approvals had been updated to £10.944m reflecting decisions to reprofile schemes into future years. £11.041m was invested during 2019/20 as shown in the chart and table below.



Capital Budget and Expenditure 2019/20

Capital Expenditure Projects	Original Payment Approvals (*)	Updated Payment Approvals	2019/20 Expenditure	Variance over / (under)
	£000	£000	£000	£000
Estates	10,167	3,641	3,596	(45)
IT	6,521	3,981	4,564	583
Transport	2,531	2,247	1,919	(328)
Other	694	1,075	962	(113)
Total	19,913	10,944	11,041	97

* Adjusted to include approved 2018/19 approvals slippage

Estates

Of a total spend of £3.596m, £1.141m related to the estates strategy with the remainder spent on the maintenance and refurbishment of the estate.

IT

Investment in IT of £4.564m included expenditure on:

- £2.143m for the annual refresh programme including replacement of servers, printers, docking stations, desktop and laptop computers along with the wider IT infrastructure and telephony network;

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- £0.915m on mobile technology allowing 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; and
- £0.835m on Airwave Radio replacement.

Transport

Investment in Transport of £1.919m for the fleet replacement programme.

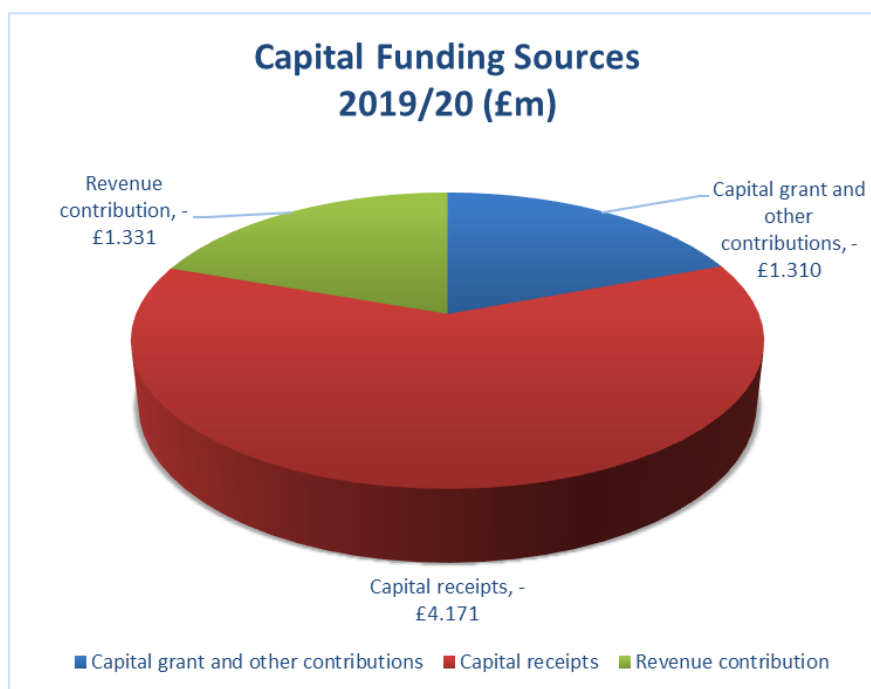
Other

This includes investment in Tasers, both replacement of existing units and an uplift in the number of units (£0.324m), body armour replacement (£0.218m), automatic number plate recognition (ANPR) equipment (£0.130m) and the remaining spend on other specialist equipment.

Capital Funding

Capital investment is funded from four main sources, primarily from capital receipts, government grants and contributions and revenue contributions. If capital investment exceeds these available resources borrowing is an option for funding this spend providing the force can demonstrate that it is complying with the Prudential Code of Practice which requires any borrowing to be affordable, prudent and sustainable. There was not a need to borrow to finance 2019/20 capital investment, however it is anticipated that there will be a need to borrow from 2020/21 onwards to fund future investment plans.

Capital income during 2019/20, totalling £6.812m, was from the following sources:



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Capital Funding Sources	Original Income Forecast £000	Updated Income Forecast £000	Actuals in 2019/20 £000	Variance (over)/under £000
Capital grant and other contributions	(956)	(1,168)	(1,310)	(142)
Capital receipts	(16,951)	(4,171)	(4,171)	0
Revenue contribution	(1,600)	(1,331)	(1,331)	0
Total	(19,507)	(6,670)	(6,812)	(142)

The under achievement of capital receipts against the original forecast is due to a significant proportion of planned sales being reprofiled into future years.

The year started with a surplus in the capital reserve of £7.324m and at the end of March 2020 the capital reserve was in surplus by £3.095m

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

Reserves

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

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

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

General Reserve

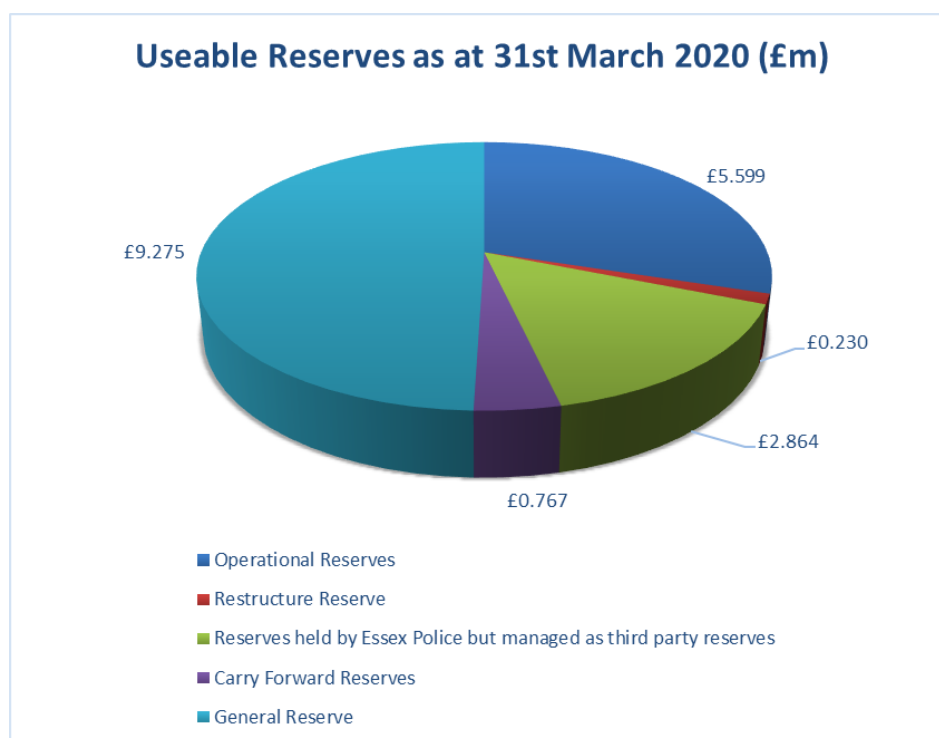
The General Reserve is held to provide a working balance to protect the force against unexpected cost pressures. This is particularly critical during uncertain times such as the COVID-19 pandemic where the force faces financial pressures in responding to the crisis and uncertainties around future funding. There are plans to draw on the general reserves and earmarked reserves in 2020/21 to manage the financial impact of responding to COVID 19.

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The balance on the General Reserve at 1st April 2019 was £9.226m and there was a planned withdrawal when the budget was set of £0.348m. For 2019/20 a contribution was made of £0.397m from the year's underspend resulting in a net increase of £0.049m to a balance of £9.275m at 31st March 2020 (3.1% of the 2019/20 budgeted net expenditure).

Earmarked Reserves

The PFCC's earmarked reserves total £9.460m (including a £2m Future Capital Funding Reserve) at 31st March 2020 and are analysed in the chart below alongside the general reserve:



Pension Liabilities

Accounting standards require that the total future liabilities for the cost of pension payments to past and present police officers and police staff are fully reflected in the Balance Sheet. Accordingly, the Balance Sheet figures included within the accounts (see note 42) includes net liabilities of £150.015m (2018/19 £181.756m) for police staff and £2,862.600m (2018/19 £3,067.043m) 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.

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Treasury Management

The PFCC invests surplus funds in accordance with the Treasury Management Strategy, which is agreed each year. The 2019/20 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 (revised criteria enacted during 2019/20 as per approved recommendations set out in half-year outturn report) -investments in each MMF are limited to 10% of total investments at any time, with overall exposure to MMF's as a whole, limited to 50% of total investments held at any one time

All other 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)

The PFCC had liquid investments totalling £8.6m and short-term investments totalling £5.5m as at 31st March 2020. These figures exclude additional investments in respect of monies held on behalf of third parties. During 2019/20 the PFCC earned investment income of £0.191m, representing an average return of 0.73%.

The PFCC undertook one instance of short-term external borrowing during 2019/20. The PFCC has, however, inherited internal borrowings from the former Essex Police Authority, the outstanding balance of which equated to £6.065m as at the 31st March 2020. 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 2020 would have been higher, and they would be offset by an equivalent amount of external debt.

Cash Flow

	2018/19	2019/20
	£000	£000
<u>Current assets</u>		
Short term investments	8,520	5,500
Liquid investments	8,484	8,600
Total Current assets	17,004	14,100

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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
- v. Equipment and costs in relation to operations linked to the outbreak of COVID-19, although the ongoing impact of this remains uncertain at the current point in time.

OPFCC Grant Expenditure

The PFCC deploys a mix of funding approaches for commissioned activity; from formal, multi-year contracts to small, one-off grants. This recognises the benefits that each approach can deliver; formal contracts give long-term certainty to providers to enable services to plan and invest in delivery, while grants provide flexibility and enable small groups to undertake activity or try new approaches that may not immediately be able to robustly demonstrate outcomes.

The PFCC's Community Safety Fund (CSF) provides core funding in the form of community safety grants to statutory and voluntary organisations for activities that meet locally identified priorities aligned to the Police and Crime Plan. The PFCC has maintained funding levels for core grants in 2019/20 recognising the importance of local partnerships and organisations to the effective delivery of the areas of focus within the Police and Crime Plan.

In 2019/20 the PFCC allocated £0.31m to Community Safety Partnerships in Essex using a funding formula based on population, crime level and deprivation. As in previous years, a little over 12% 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 individual 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.

From the 2019/20 Community Safety Fund (CSF) the PFCC also provided £0.444m of funding to Youth Offending Services (YOS) and £0.503m to the Drug and Alcohol Teams (DAAT) across Southend, Essex & Thurrock.

The PFCC successfully bid for £0.45m of Home Office Violence Against Women and Girls (VAWG) funding over three years (2017-20) to pilot new approaches to working with perpetrators of domestic abuse to prevent re-offending or an escalation of offending behaviour. This funding concludes in 2019/20, but the PFCC has committed ongoing funding, and drawn on partner contributions, to continue the provision of some elements of this programme, namely the Goodman youth work project and direct perpetrator work through The Change Project.

The Ministry of Justice provides an annual grant to the PFCC to commission or deliver support services for victims of crime across Essex. In addition to the £2.1m grant received from the Ministry of Justice the PFCC supplemented the budget with an additional £0.17m 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.

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The PFCC also successfully applied for additional funding in 2019/20;

- £0.27m devolved Rape Support Funding from the Ministry of Justice which we have allocated to our countywide sexual abuse support service, and
- £1.5m Home Office Funding to support our Violence and Vulnerability work, including funding for seconded staff to support the work of the Violence and Vulnerability Unit, youth workers based in A&E departments to offer support to young people, and funding for local Behavioural Attendance Partnerships to prevent young people being drawn into or becoming further involved in 'County Lines'

2019/20 was the first full year of the PFCC's new countywide domestic abuse support service contract, co-commissioned with Essex County Council and delivered by a consortia of local, specialist domestic abuse charities; Next Chapter, Changing Pathways and SoS Domestic Abuse Projects.

The PFCC also recommissioned the Countywide sexual abuse contract, combining therapeutic support, independent sexual violence advisors, counselling, and advocacy for all victims of sexual violence, abuse and exploitation regardless of their age, gender, or when the offence occurred.

The PFCC continued to use the Community Safety Development Fund (CSDF) to support local community organisations that positively impact on the priorities within the Police and Crime Plan. In 2019/20 the CSDF allocated £0.3m to around 35 projects including Southend YMCA, Bar n Bus, Alpha Vesta, and Justice & Care.

The table below shows the amount of grant funding allocated during 2019/20 and the related grant over/underspend.

	Budget	Allocated	Over/(Under spend)
	£'000	£'000	£'000
Community Safety Fund	2,296	2,164	(132)
Community Safety Development Fund	340	295	(45)
Victims' Fund	2,904	2,892	(12)
Violence & Vulnerability Fund	2,125	2,047	(78)
Total	7,665	7,398	(267)

Narrative Report

Explanation of Accounting Statements

The Statement of Accounts consists of the following sections:

i) Annual Governance Statement

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

ii) Statement of Responsibilities for the Statement of Accounts

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

iii) Independent Auditor's Report

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

iv) Expenditure and Funding Analysis

The Expenditure and Funding Analysis provides a reconciliation between the cost of providing services, chargeable to the General Fund, and the accounting cost of providing services in the year.

v) Core Financial Statements

These comprise:

- **Comprehensive Income and Expenditure Statements** - these shows the accounting cost in the year to the PFCC and the Group of providing services rather than the amount to be funded from taxation. This distinction is very important in interpreting the accounts. The PFCC sets a precept (i.e. the police share of council tax) to cover expenditure classified in accordance with regulations and this will be very different to the accounting cost.
- **Balance Sheet** - this sets out the assets and liabilities of the PFCC and the Group as at 31st March 2020. 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.

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

vi) Notes to the Financial Statements

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

vii) Glossary of Terms

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

Narrative Report

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

The Commissioner's responsibilities

The Commissioner is required:

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

Completion of the Approval Process by the PFCC for Essex

I approve these Statement of Accounts.



Roger Hirst
Police, Fire and Crime Commissioner for Essex
17th November 2020

The Head of Finance to the PFCC's Responsibilities

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Head of Finance has also:

- ensured that proper accounting records are kept which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts have been prepared in accordance with proper accounting practices and provide a true and fair view of the financial position of the Commissioner at 31st March 2020 and its income and expenditure for the year then ended.



Elizabeth Helm BSc (Hons) FCCA
Interim Head of Finance to the PFCC for Essex
17th November 2020

Annual Governance Statement

Introduction

This statement sets out the Police, Fire and Crime Commissioner's (PFCC's) and Chief Constable's arrangements in relation to the six core principles of good governance set out in *The Good Governance Standard for Public Services*, namely:

1. Focusing on the purpose of the PFCC and Chief Constable and on outcomes for citizens and service users;
2. Ensuring that both the PFCC and Chief Constable perform effectively in clearly defined functions and roles;
3. Promoting the values of the PFCC and Chief Constable and demonstrating the values of good governance through behaviour;
4. Taking informed, transparent decisions and managing risk;
5. Developing the capacity and capability of the PFCC to be effective, and
6. Engaging stakeholders and making accountability real.

The statement is in five main parts covering:

1. The scope of responsibilities
2. The purpose of the Governance Framework
3. The Governance Framework
4. Value for Money Arrangements
5. Significant Governance Issues

1. Scope of Responsibilities

- 1.1 The PFCC is responsible for securing the maintenance of the Essex Police force and ensuring that it is effective and efficient. They are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The PFCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 The relationship between the PFCC and the Chief Constable is defined by the PFCC's democratic mandate to hold the Chief Constable to account as well as by primary legislation and common law which provides clarity on the legal principles that underpin operation independence and the Office of Constable. The Chief Constable is responsible for maintaining the Queen's Peace and has discretion over the direction and control of the force's officers and staff. Further, the Chief Constable is responsible to the public and accountable to the PFCC for supporting the PFCC in the delivery of the Police and Crime Plan.
- 1.3 In discharging their overall responsibilities, the PFCC is responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring a sound system of internal control is

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maintained throughout the year and that arrangements are in place for the management of risk. In exercising these responsibilities, the PFCC places reliance on the Chief Constable of Essex Police to support the governance and risk management processes.

- 1.4 The Police Reform and Social Responsibility Act 2011 also sets out specific responsibilities for the Chief Executive and Monitoring Officer and the Chief Finance Officers (CFOs) to the PFCC and Chief Constable. The CFOs are bound by both professional standards and specific legislative responsibilities. In *Attorney General v De Winton* 1908 it was established that the Chief Finance Officer is not merely a servant of the authority (the PFCC / Chief Constable) but holds a fiduciary responsibility to local taxpayers. The Police Reform and Social Responsibility Act 2011 requires them to comply with relevant provisions within the Local Government Acts.
- 1.5 During the year, there were formal monthly meetings of the PFCC's Performance and Resources Board, attended by senior PFCC and force officers and staff, dealing separately with financial and performance monitoring. In addition, the PFCC's Strategic Board, likewise attended by senior PFCC and force officers and staff, met quarterly to exercise strategic governance and oversight of Essex Police's strategic transformation programme, Medium Term Financial Strategy and capital programme, and to be the primary adviser to the PFCC and Chief Constable in respect of strategic decisions. The papers relating to all these meetings (unless restricted) are publicised on the PFCC's website.
- 1.6 The Scheme of Governance operating during the year incorporated the following:
 1. Constitution, including the Schemes of Delegation and Consent
 2. The Elected Local Policing Bodies (Specified Information) Order 2011 and the Elected Local Policing Bodies (Specified Information) (Amendment) Orders 2012 and 2013
 3. Information Sharing Agreement: Essex Police and the Police, Fire and Crime Commissioner for Essex
 4. Information Sharing Protocol: Police, Fire and Crime Commissioner for Essex and Police, Fire and Crime Panel for Essex
 5. Revised Financial Management Code of Practice For the Police Forces of England and Wales and Fire and Rescue Authorities created under section 4A of the Fire and Rescue Services Act 2004
 6. Policing Protocol Order 2011
 7. The Strategic Policing Requirement
 8. The PFCC's Voluntary Code of Conduct
 9. The Police (Complaints and Misconduct) Regulations 2012 (superseded with effect from 1 February 2020 with the Police (Complaints and Misconduct) Regulations 2020)
 10. The Police, Fire and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012
 11. The Police and Crime Commissioner Elections (Declaration of Acceptance of Office) Order 2012

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12. Government Security Classifications
13. Financial and Procurement Regulations
14. Anti-Fraud & Bribery Policy
15. Statutory Guidance for Police Collaboration
16. Police Reform and Social Responsibility Act 2011

Copies of these documents are available on the PFCC's website at www.essex.pfcc.police.co.uk or can be obtained from the PFCC, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB.

- 1.7 During 2019/20, a number of the PFCC's key governance documents - including the Data Protection Policy, the Record Retention and Disposal Schedule, and the Business Interests (Staff Declaration) Policy - have been reviewed and updated. The Information Sharing Protocol between the Police, Fire and Crime Commissioner for Essex and the Police, Fire and Crime Panel for Essex has likewise been reviewed and updated, in consultation with the Monitoring Officer to the Panel, and the PFCC's Complaints and Expression of Dissatisfaction Policy has been revised to align with the third and final stage of legislative reform in respect of the handling of police complaints and misconduct matters, which took effect in February 2020.
- 1.8 The PFCC and Chief Constable, wherever possible, share a common set of policies, systems and procedures underpinning the Scheme of Governance.
- 1.9 The PFCC's financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable*.
- 1.10 This statement is compliant with regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the work of the PFCC is directed and controlled and the activities through which the Commissioner accounts to and engages with the community. It enables the PFCC to monitor the achievement of their Police and Crime Plan and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.
- 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 only provide reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PFCC's and Chief Constable's policies, aims and objectives, and to evaluate - and wherever possible reduce - the likelihood of those risks being realised and the impact should they be realised.

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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 Police collaboration in respect of support services.

3. The Governance Framework

3.1 *The Good Governance Standard for Public Services* sets out six core principles. The key elements of the governance arrangements put in place by the PFCC in respect of each of these principles are as follows:

1) *Focusing on the purpose of the PFCC and the Chief Constable and on outcomes for citizens and service users*

The PFCC made their commitments and areas of focus for policing clear in their Police and Crime Plan 2016 - 2020 (the Plan), which was widely consulted upon with both partners and the general public. 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 is used to monitor and support the delivery of the Plan. Progress against this framework, which is fully supported by the Chief Constable, is reported monthly to the PFCC's Performance and Resources Board and six-monthly to the Police, Fire and Crime Panel.

The postponement of the PFCC election originally scheduled for May 2020 to May 2021 as a result of the global COVID-19 pandemic means that the term of the Police and Crime Plan will now be extended for the further year. A key priority for 2020/21 will therefore be to develop and implement an action plan to ensure that the priorities set out in the Police and Crime Plan continue to be delivered throughout that additional year. As part of the work that is already underway around this, consideration is being given to trialling some additional measures of the harm caused by crime, which will eventually inform the development of a new Police and Crime Plan for 2021 – 2024.

2) *Ensuring that both the PFCC and the Chief Constable perform effectively in clearly defined functions and roles*

The governance arrangements for the PFCC have been developed in accordance with the Police Reform and Social Responsibility Act 2011, the Policing Protocol Order 2011, the Home Office's Revised Financial Management Code of Practice (FMCP) and other existing guidance on financial and governance matters which continue to apply. Article 2 of the PFCC's Constitution sets out citizens' rights and responsibilities, whilst Article 3 describes the powers, functions and duties of the PFCC, including in relation to their arrangements for obtaining the views of the community on policing.

The Constitution is clear that the PFCC must not fetter the operational independence of the Essex Police force and the Chief Constable who leads it. There is a clear expectation

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that the PFCC and Chief Constable will work together to safeguard the principal of operational independence, while also ensuring that the PFCC is not fettered in fulfilling their statutory role. The Schemes of Delegation and Consent, Financial and Procurement Regulations act in accordance with the FMCP to enable effective accountability and to govern the relationship between the PFCC and the Chief Constable of Essex Police.

The Chief Constable is expected to ensure that the PFCC is informed of their decisions and operational activity in a timely fashion that enables the PFCC to hold the Chief Constable to account for the totality of policing within the force area. This is achieved through the PFCC's formal governance structures (Performance and Resources and Strategic Boards) as well as through direct contact between the two corporation soles. During the year there was regular one-to-one contact on a two-weekly basis between the PFCC and Chief Constable in order to ensure that matters were dealt with expediently within their respective responsibilities. Formal performance meetings, also attended by the PFCC's Chief Executive and Monitoring Officer, were interspersed with informal contact. At their formal meeting in October 2019, the PFCC and Chief Constable reviewed the *PCC and Chief Constable Accountability Framework* developed by the Association of Police and Crime Commissioners (APCC) and confirmed that local arrangements were in line with this.

In order to exercise the functions of their office effectively, access is needed by the PFCC to information, officers and staff within the Essex Police force. Such access to information is governed by an Information Sharing Agreement between the two corporation soles and must not either be unreasonably withheld or obstructed by the Chief Constable or fetter the Chief Constable's direction and control of the force.

Any differences that have occurred between the PFCC and the Chief Constable during 2019/20 have been resolved locally between the two corporation soles. There has been no need for either to take professional advice from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) in this regard.

3) *Promoting the values of the PFCC and Chief Constable and demonstrating the values of good governance through behaviour*

The PFCC has signed up to a Code of Conduct incorporating the seven Nolan principles relating to public life and also the Police Code of Ethics, which sets and defines the exemplary standards of behaviour for everyone who works in policing. The PFCC has also adopted an updated Ethics and Integrity Framework during 2019/20.

The PFCC and Chief Constable have approved and adopted a joint Anti-Fraud & Bribery Policy which sets out a zero tolerance approach to fraud and misappropriation and applies to all employees of the PFCC and Chief Constable as well as consultants, vendors, contractors and other parties who have a business relationship with the PFCC or Essex Police. The Chief Constable has also adopted several further policies which cover discipline, standards, and an anonymous e-mail address for confidential reporting to the Professional Standards Department. All staff employed by the Police, Fire and

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Crime Commissioner are bound by the Essex Police terms and conditions and staff policies.

Essex Police introduced an Ethics Committee in October 2017 and its Professional Standards Department (PSD) participates in a Regional Ethics Board which met for the first time in August 2018. Essex Police's Learning the Lessons Board was introduced in November 2017 to bring together the College of Policing with EP's Legal, HR and Strategic Change teams as well as PSD on a quarterly basis to consider common themes surrounding complaint / conduct matters and litigation and to explore what more can be done to address these issues. In addition, an Integrity and Anti-Corruption Board chaired by the Deputy Chief Constable meets quarterly to understand relevant issues arising within Essex Police; to ensure that the force is adopting a balanced and proportionate response to them, and to ensure that Essex Police is operating within an ethical framework that promotes, reinforces and supports the highest standards expected of staff. A representative of the PFCC attends these meetings.

The Police, Fire and Crime Panel's Ethics and Integrity Sub-Committee scrutinises compliance with the PFCC's Ethics and Integrity Framework and with the Police Code of Ethics.

Essex Police's PSD deals with public complaints and matters relating to the conduct of police officers and staff, in liaison with the Independent Office for Police Conduct (IOPC) where necessary. The PFCC's office audits a sample of complaints handled by Essex Police each quarter, the findings of which are discussed with the Deputy Chief Constable alongside a statistical report produced by the force on complaints, grievances and disciplinary cases.

4) *Taking informed, transparent decisions and managing risk*

The PFCC's decision making process is set out in the Constitution. Through the Constitution, the PFCC has adopted a number of principles of decision making, including a presumption in favour of openness and transparency; the need for consultation with interested parties, and the need to give reasons and explanations for a decision. All significant PFCC decisions are taken following consideration of a written report on the subject which includes consideration of risks and potential alternative options. The process set out in the Constitution requires the oversight of both of the PFCC's statutory officers, namely the Monitoring Officer and the Chief Finance Officer. This ensures that legal and financial / resource implications are clearly understood prior to any decision being taken. All decisions made by the PFCC are formally recorded and made available (unless restricted) on the PFCC's website for public information and scrutiny. All decisions (unless restricted) are also reported to the Police, Fire and Crime Panel for its scrutiny.

The PFCC ensures that relevant information and data about their office and the force is published on either their website or Essex Police's as part of their Publication Protocol. This includes the disclosable interests of the PFCC, their Deputy and staff and other information required under the Elected Local Policing Bodies (Specified Information)

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Order 2011 and the Elected Local Policing Bodies (Specified Information) (Amendment) Orders 2012 and 2013. Performance information presented to the PFCC's monthly Performance and Resources Board is also published on the PFCC's website.

The independent Joint Audit Committee (JAC) has responsibility for monitoring and reviewing the effectiveness of the risk management arrangements and the systems of internal control operated by both the PFCC and the Chief Constable. The JAC meets formally at least four times a year and continues to support the PFCC and Chief Constable in discharging their responsibilities for enhancing public trust and confidence in the governance role of the PFCC and in Essex Police. During 2019/20, the JAC has continued to provide a first-class level of independent assurance to the PFCC and Chief Constable and has not hesitated to address important and sometimes very challenging issues. Its work plan for 2019/20 has included briefings and assurance on the Athena programme and the Estates Strategy. At its meeting in June 2019, the JAC also exercised oversight of the force's 20 highest value contracts. JAC papers are published on the PFCC's website unless restricted. Notwithstanding the robust challenge that the JAC already brings to the PFCC and the Chief Constable, work began in 2019/20 on conducting a review of the effectiveness of the JAC. This work will be completed and any actions and recommendations arising implemented in 2020/21.

The PFCC and Chief Constable continue to use risk management policies and frameworks that comply with CIPFA guidance. During 2019/20, much work has been undertaken to develop the PFCC's risk management framework. The PFCC's Strategic Risk Register was subjected to its first wholesale review since 2016, through a process which included all PFCC staff and all JAC members. Consequently, the register has been re-focused on the PFCC's statutory duties; on matters that the PFCC can realistically influence or control, and on the impacts and outcomes of the identified risks.

During 2019/20, the PFCC's office has also developed and adopted a new risk appetite matrix and Risk Appetite Statement, again guided and advised by the JAC. The PFCC's Risk Management Handbook has been updated to reflect the progress made during the year, and all PFCC staff received a briefing on risk management principles and processes at the whole-team meeting in February 2020. More detailed risk management training is to be commissioned for managers in 2020/21.

During 2019/20, much work has also been undertaken within the PFCC's office to mitigate the risks specifically relating to data protection and information security. The PFCC's Information Asset Register and Information Risk Register were further developed; a Data Processing Contract was developed and agreed with Essex Police in respect of the data it processes on the PFCC's behalf, and employee and volunteer privacy notices were developed and published to complement the existing global privacy notice. Additionally, all staff received refresher training in these areas. In Quarter 4, the PFCC commissioned an advisory internal audit report into compliance with the General Data Protection Regulation (GDPR) which overall presented a positive picture and just three management actions which will be implemented in 2020/21.

5) *Developing the capacity and capability of the PFCC to be effective.*

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During 2019/20, staff consultation was undertaken on proposals to restructure the PFCC's office to ensure that it is adequately resourced and skilled to support the PFCC to discharge all of their statutory duties and responsibilities. This represented the first wholesale review of the PFCC's establishment for at least three years. As part of the review and consultation, the job descriptions (including the technical skills required) of all roles within the PFCC's establishment were revised and updated as required.

The new structure builds resilience and capacity in key governance functions, most notably by designating a Deputy Monitoring Officer to advise and act in the Monitoring Officer's absence and to support the Monitoring Officer in maintaining and ensuring adherence to the PFCC's governance framework. It also strengthens links and working relationships between the performance and scrutiny, finance and commissioning functions by bringing them together within a single Performance and Resources directorate. The new structure removed the previous Treasurer and Financial Scrutiny Officer posts and created the new posts of Strategic Head of Performance and Resources and Head of Finance. The latter of these will serve as the Section 151 Officer to the PFCC, while the former will work with the Section 151 Officers to the PFCC, PFCCFRA and the Chief Constable to provide strategic financial oversight and to lead the development and implementation of financial strategy across all of the PFCC's legal entities and functions. Although the Head of Finance will report to the Strategic Head of Performance and Resources, they will also be a standing member of the PFCC's SMT in order to ensure that they are appropriately involved in all substantive financial discussions and decisions.

The new structure was implemented with effect from 14 April 2020 and work is underway to recruit to residual vacancies. In the meantime, the Head of Finance role is being filled on an interim basis by a secondment from Essex County Council.

6) *Engaging stakeholders and making accountability real.*

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

Since taking office the PFCC has held public meetings at least once a year in each of the 14 districts and unitary areas, where the people of Essex are able to challenge the PFCC 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 PFCC's website, along with issues raised at each of these events and any subsequent outcomes. The PFCC also meets regularly with local Councillors and MPs in order to afford other elected representatives the opportunity to raise any concerns or offer any suggestions in relation to policing and crime in Essex. Forums also continue to be held with specific groups, discussing issues such as victim support, rural crime and business crime. These forums enhance partnership working across all areas and link directly with the delivery of the Police and Crime Plan.

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Extensive public consultation was carried out during 2019/20, originally intended to inform the development of a new Police and Crime Plan for 2020/21 onwards, following the election that was initially planned for May 2020. Between September 2019 and 24 April 2020, 730 responses were received. Respondents ranked neighbourhood policing as the most important issue to them, followed by violent crime, tackling gangs, tackling anti-social behaviour, crime prevention, and serious and organised crime. More than 10% of respondents made comments requesting greater police visibility or availability.

Public consultation on the 2020/21 policing precept was delayed and shortened due to the General Election that took place in December 2019. Consultation therefore ran from 13 December 2019 to 12 January 2020 and elicited 2,173 responses. 66% of respondents stated that they would be willing to support an increase, and more than 60% indicated that they would be willing to pay an additional £20 per year to invest in policing.

The PFCC publishes clear contact details on their website that members of the community can use to raise issues or concerns with them. The PFCC's Correspondence Standards and Complaints and Expression of Dissatisfaction Policy (both of which have been reviewed and updated during 2019/20) set out how contact made with the PFCC will be responded to.

Essex Police has its own comprehensive engagement strategy and conducts a public survey of 7,700 people every year. The results of this work are reported on a quarterly basis to the PFCC via their Performance and Resources Board and to a wider group of stakeholders and partners via the Safer Essex partnership.

On a regular basis, the PFCC and Chief Constable also issue proactive press releases and engage in media interviews to explain the nature and role of their work and to answer questions relating to this.

At a more operational level, a multi-agency Out of Court Disposal Scrutiny Panel has been established to conduct independent reviews of a selection of cases that have been resolved through use of an out of court disposal determined by either Essex Police or the Crown Prosecution Service. Its aim is to determine whether the method of disposal was appropriate based on the information / evidence available to the decision maker at the time. Its intention is to increase public understanding, confidence and trust in this method of case disposal. The panel cannot change the outcome of the case but, where it is appropriate to do so, can give feedback at an organisational level or to individuals of each agency involved in a case. The intention in doing so is to promote best practice and to identify potential policy development or training needs for consideration by the force or other agencies.

The decisions of the PFCC are scrutinised by the Police, Fire and Crime Panel which is made up of elected representatives from each district and unitary authority in Essex plus two independent members. The Panel has a number of statutory powers and duties, including the power to veto the proposed precept and candidate for the post of Chief Constable; to review the Police and Crime Plan and the PFCC's Annual Report and

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to make recommendations to which the PFCC must have regard; to consider complaints against the PFCC and Deputy PFCC, and to scrutinise the appointments of the PFCC's Chief Executive, Chief Finance Officer and Deputy PFCC. As well as discharging its statutory functions, the Panel's work plan for 2019/20 included detailed agenda items relating to the PFCC's approach to public engagement in relation to policing matters; Essex Police's key IT implementation projects and local implementation of police complaints reform. Panel meetings take place at least four times a year and are open to the public. Records of its meetings (including agendas papers, minutes and webcasts) are published on Essex County Council's website.

4. Value for Money Arrangements

- 4.1 The PFCC has responsibility for ensuring that their governance arrangements support good value for money and has thereby conducted a review of the effectiveness of the governance framework, including the system of internal audit and the system of internal control. The governance framework and value for money arrangements are also subject to ongoing monitoring for effectiveness by the PFCC's Chief Finance Officer and Chief Executive and Monitoring Officer. This is informed by the work of the External Auditors and by continuing Internal Audit reviews as well as through the Performance and Resources Board.
- 4.2 The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined as follows:

PFCC

- 4.3 The PFCC has overall responsibility for the discharge of all powers and duties placed upon them, including a statutory duty to 'maintain an efficient and effective police force'. The review and maintenance of the governance framework is undertaken by the PFCC in a close working relationship with the Chief Executive and Monitoring Officer, the Chief Constable and their senior staff including the Chief Finance Officer. As set out above, the PFCC's and Chief Constable's Joint Audit Committee has responsibility for overseeing these arrangements and will raise and scrutinise governance issues when appropriate.

Essex Police

- 4.4 The Chief Constable has responsibility for reviewing the effectiveness of the governance framework within the force. This review is informed by the work of Essex Police's Director for Strategic Change and Performance and the Head of Continuous Improvement, who have responsibility for the development and maintenance of the governance environment. In preparing this Annual Governance Statement a joint approach has been adopted by the PFCC and Chief Constable.
- 4.5 The Strategic Change Directorate within Essex Police delivers an annual compliance and review programme designed to assist senior managers to:

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- Evaluate the reliability and integrity of specific data created and held by the force;
- Evaluate the force's compliance with legislation and associated national standards;
- Evaluate compliance with the force policies and authorised professional practice;
- Provide recommendations that improve force performance and compliance levels;
- Reduce the likelihood of personal and corporate financial and reputational risk;
- Assist in assessing the effectiveness of the force's risk mitigation and control(s);
- Identify potential inappropriate, unethical and non-compliant activity, and
- Assist in ensuring Essex Police is 'fit and healthy' going forward.

4.6 Outcomes from these reviews inform decision making that is dependent on assumed data accuracy and provides reassurance, both internally and externally, that performance information is accurate and will withstand scrutiny.

Internal Audit

4.7 In maintaining and reviewing the governance framework, the PFCC's and Chief Constable's Chief Finance Officers place reliance on the work undertaken by Internal Audit and, in particular, on Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control. For 2019/20 the Internal Auditor's opinion is as follows, for both the PFCC and Essex Police:

The organisation has an adequate and effective framework for risk management, governance and internal control.

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

4.8 A robust process is in place to track the implementation of recommendations and actions arising from internal audits across both Essex Police and the PFCC, which is overseen by the force's Chief Finance Officer and reported to the Joint Audit Committee on a quarterly basis. As well as reporting on closed recommendations and actions, this highlights those that have been presented to the CFO to close but where further evidence is required before this can be agreed, as well as those that are outside of their due date and for which no evidence has yet been presented.

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External Audit

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

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

4.10 HMICFRS's fifth PEEL (police effectiveness, efficiency and legitimacy) inspection of Essex Police, carried out in 2018/19, found that:

- The extent to which the force is effective at reducing crime and keeping people safe is **good**

"Since our 2017 inspection, the force has improved the way it uses legal powers to safeguard domestic abuse victims. It works well with other organisations to keep vulnerable victims safe. And it asks vulnerable victims what they think about its service. It uses their views to improve services" (p.15)

- The extent to which the force operates effectively and sustainably is **good**

"The force is good at planning for the future. The demand forecasts it made in the past have proved accurate. It invests in 'spend to save' projects. This will help it free up capacity and funds that can be used in other priority areas" (p.24)

"The force understand the effect of increased demand, financial constraints and reduced resources on other organisations. The force and its partner organisations have set up community safety hubs to make services sustainable and more cost-effective. The force is also recruiting volunteers to help offset the effect of austerity" (p.27)

"The force can demonstrate the benefits of its investments and has strong evidence to support its investment decisions" (p.28)

- The extent to which the force treats the public and its workforce legitimately is **good**

"The force continues to uphold an ethical culture and promotes standards of professional behaviour well. But it has more to do to assure itself that it has the capacity and capability to root out corruption" (p.6). This comment related particularly to delays in vetting processes. More resources have been invested in the vetting unit since the inspection to address this concern, although it remains a challenge, particularly given the focus on delivering the force growth plan.

"In 2017, we ... found that this force could not ensure it was always compliant with the Code of Practice for Victims of Crime. We are pleased to note that the force is now

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compliant with the code, as the Athena crime system automatically supports compliance” (p.13)

“The force is good at seeking out new ways of working and cost-effective systems to help balance the budget. It welcomes ideas from frontline officers and staff and encourages them to use Idea Drop, a web-based forum where they can post suggested improvements” (p.28)

“Essex Police understands the public’s expectations and what they are likely to be in the future. It asks the public for its views on the service. It then responds by altering its service or by developing new skills and capabilities” (p.32)

4.11 HMICFRS reported the findings of its Crime Data Integrity Inspection of Essex Police on 8 October 2019. The inspectorate found Essex Police’s performance to be outstanding in this area, making it only the third force, of the 39 inspected at that point in the programme, to be judged outstanding on the first inspection. The inspectorate estimated that Essex Police records 95.8% (with a confidence interval of $\pm 1.53\%$) of the crimes reported to it and noted that the force had “substantially improved its crime recording accuracy” since 2014 and that “Victims are at the forefront of its crime recording arrangements.”

5. Significant Governance Issues

Financial Support to the PFCC

- 5.1 Towards the end of the 2019/20 financial year, continuity of financial support to the PFCC became an issue. The previous Treasurer role had been vacant since March 2018, initially due to long-term ill-health and then following the incumbent’s passing. The post remained vacant during the review of the PFCC’s establishment and subsequent staff consultation on restructuring proposals that were carried out in 2019/20.
- 5.2 For most of 2019/20, the PFCC’s former Financial Scrutiny Officer undertook additional duties to fulfil the statutory Section 151 Officer role. However, that post holder left the PFCC’s employment on 29 February 2020 and gave notice that they would be reverting to their substantive post with effect from 6 February 2020 for the remainder of their contract. This left the PFCC with an urgent requirement to designate an alternative Section 151 Officer until the new Head of Finance role was appointed to.
- 5.3 As the PFCC’s Section 151 Officer needs to be both suitably qualified (as specified in legislation) and appropriately vetted to access police systems, the Chief Constable offered the support of the force’s Chief Finance Officer with effect from 6 February 2020 for the immediately foreseeable future, though it was known at this stage that this arrangement would not be sustainable beyond the short term due to the demands placed on the force CFO in their substantive role. The Kent PCC therefore offered the services of their Chief Finance Officer to fulfil the statutory Section 151 Officer functions for the Essex PFCC in the short term, in order that the force CFO could return to

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focusing solely on their substantive duties. The arrangement with the Kent PCC's CFO was in place from 20 February 2020.

- 5.4 In parallel with enacting the arrangements described above, discussions took place with Essex County Council which culminated (following an expression of interest and selection process, as well as police vetting) in an agreement being reached that the local authority would second an appropriately qualified Senior Finance Business Partner to fulfil the new role of Head of Finance to the PFCC until the post is recruited to permanently. This arrangement went live on 14 April 2020.
- 5.5 At the time of writing, work is actively underway to recruit to the new Strategic Head of Performance and Resources post, and a specialist recruitment agency has been engaged to maximise the likelihood of a successful outcome. The advert went live on 14 April and is scheduled to close on 8 May, with interviews scheduled for the end of May. As soon as this post is recruited to, work will commence to fill the permanent Head of Finance role. In line with the stipulations of the Police Reform and Social Responsibility Act 2011, the selection of a permanent Head of Finance will be subject to a confirmation hearing of the Police, Fire and Crime Panel. It is also intended to involve the Chair of the Joint Audit Committee in the selection process.
- 5.6 During 2019/20, force resources, both human and financial, have also been significantly impacted by two significant and highly extraordinary events:

Operation Melrose

- 5.7 During 2019/20, a dedicated team of detectives from Essex and Kent's shared Serious Crime Directorate commenced the UK's largest ever homicide investigation, Operation Melrose, following the discovery of the bodies of 39 Vietnamese migrants in a lorry container in Grays on 23 October 2019. It has been a fast moving investigation involving significant police and partner agency resources, including from the National Crime Agency, Home Office, Foreign and Commonwealth Office, Border Force and Immigration Enforcement. Disaster Victim Identification (DVI) Standards were used to ensure that positive identifications could be made in the most dignified manner. Evidence has been gathered from a number of jurisdictions worldwide; a large number of exhibits, including mobile phones, have had to be reviewed forensically, and a number of arrests have been made and guilty pleas secured already. The impact of the investigation on personnel and force resilience has been significant and support has been made to all officers and staff affected through the force's Trauma Risk Management (TRiM) process.
- 5.8 Essex Police remains one of the lowest funded forces in England. As such, a major incident such as Operation Melrose has the potential to have a significant impact on its financial stability. The final spend in respect of the operation in 2019/20 was £2,676,447, a significant proportion of which consists of mutual aid claims from 24 forces. A £1 million contribution has been secured from the Home Office's Special Grant fund to reimburse the costs incurred by the force up to November 2019, and a

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further application was submitted to fund the shortfall of £1,676,447. The Home Office declined a further special grant in 2019/20 but has invited a further application in 2020/21, along with an application for the 2020/21 estimated costs of a further £1m. Essex Police does have a major incident reserve of £1.5m and the force will need to consider drawing down on this reserve in 2020/21 if funding for Operation Melrose and the COVID-19 pandemic (discussed below) is not forthcoming. In this event, the PFCC and the Chief Constable would need to consider the medium to long term impact of this.

- 5.9 It is also important to note that Operation Melrose remains ongoing into 2020/21 as Essex Police continues to support the families of the victims and to bring the perpetrators to justice, wherever they are in the world. It remains a complex investigation, requiring significant resources both human and financial, and it is currently estimated that there will be further expenditure on Operation Melrose of £1,020,683 in 2020/21.

Operation Talla (the response to the global COVID-19 pandemic)

- 5.10 As the 2019/20 financial year drew to a close, the effects of Operation Melrose on the force's financial stability were compounded by the concurrent pressures and challenges placed on policing as a result of the ongoing COVID-19 pandemic. At the time of writing, Essex Police remains heavily involved in leading the county's response to the pandemic, both through the Chief Constable's co-Chairmanship of the Strategic Coordinating Group (SCG) stood up by the Essex Resilience Forum (ERF) to coordinate the multi-agency response, and also through its vital role in enforcing law and order (including of the powers introduced by the Government to deal with people who do not comply with social distancing measures), promoting community safety and reassuring the public at this turbulent time.
- 5.11 Essex Police has maintained an operating status of "green" or "blue" (no impact) throughout the pandemic. A dedicated command structure and adaptations to ways of working have enabled the entire workforce to continue to carry out its policing duties in ways that protect its health and wellbeing. The investment made in officer recruitment over recent years, combined with the dedication of police officers and staff, have enabled the force to continue to provide visible patrols and community reassurance. In contrast to the national trend, sickness levels in Essex Police have actually decreased during the pandemic, and the force has experienced one of the lowest absenteeism levels nationally during this period. Overall crime has reduced during the pandemic and, as at 29 April 2020, outstanding suspects for the force were at their lowest level since 2017.
- 5.12 Both the PFCC and Essex Police have devised and implemented new ways of delivering services whilst protecting statutory rights. Video consultations have been enabled between officers, detainees and their solicitors across Essex custody suites for the first time and the PFCC's Independent Custody Visiting (ICV) scheme has played an important role in ensuring that detainees have continued to be treated as expected (including in respect of access to PPE) during the outbreak. Applications to join the

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force have increased compared with the same time last year, and reconfiguration of the force's methods of delivering training in compliance with social distancing requirements have enabled all probationer training to continue, and delivery of the force growth plan to remain on track. All volume processes have transitioned across to a virtual platform, meaning that Essex Police has continued to hold promotion boards, and the force is understood to have become the first in the country to complete an Assistant Chief Constable selection process virtually, whilst still complying with all the necessary legislation, regulations and guidance. Temporary changes have been made to the 7 Force Contract Standing Orders to allow contracts that would usually be signed under seal to continue to be approved via an electronic signature and witness. The depth and strength of collaboration across the emergency services and with other partners has also been quite phenomenal, with Essex's police and fire and rescue services both playing critical roles in activities such as the distribution of PPE and other essential kit and equipment to key sites across the county.

- 5.13 The PFCC has had a weekly briefing from the Chief Constable on the impact of COVID-19 on the force and its response, and is represented on the SCG as well as on some of the supporting Tactical Coordinating Groups (TCGs) and the ERF Communications Group. The PFCC has also convened weekly teleconferences of the Essex Criminal Justice Board (ECJB), whilst the Deputy PFCC has convened fortnightly meetings of the Southend, Essex and Thurrock Domestic Abuse Board, to ensure that key stakeholders are kept informed of developments and effective channels of communication are maintained.
- 5.14 The PFCC, Chief Constable and other key leaders across Essex have been interviewed regularly by BBC Essex as part of a twice-weekly series entitled Essex Unites to highlight how the public and partners across the county are coming together during the pandemic and what the public needs to do to stay safe. A weekly written briefing has been prepared by the ERF Communications Group for distribution to all elected leaders and other key stakeholders in the county and the PFCC's office has also arranged regular, remote briefings of MPs. Both the PFCC and Essex Police have also introduced virtual solutions to support their direct interactions with the public. The PFCC has produced a weekly vlog and both are continuing to engage with the public via social media, with the force seeing significant increase (of 80%+) in the reach of and engagement with its posts during the pandemic. Recognising the increased risk of domestic violence during the period of "lockdown", a specific Essex Police media campaign was launched to raise awareness of the issue and encourage victims and perpetrators to access the support commissioned by the PFCC, including online and telephone support services.
- 5.15 The PFCC has re-purposed up to £150,000 of its 2020/21 Community Safety Development Fund as a contribution to the Essex Coronavirus Response and Recovery Programme administered by the Essex Community Foundation to support voluntary and community organisations that are responding to and have been adversely impacted by the pandemic. The PFCC has also funded the Chamber of Commerce to establish a business support helpline and to match offers of support from the business community with demand across the county.

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- 5.16 At the time of writing the force's net spend on COVID-19 is £2.074m with costs split across the two financial years. The costs are being closely monitored and reviewed, internally and by the Home Office. It has not yet been confirmed that any funds will be granted to police forces.
- 5.17 From a staff welfare point of view, the Business Centre has responded expediently to a record number of enquiries from staff and the force's HR team has hosted virtual wellbeing sessions to hear and help officers and staff with their concerns.
- 5.18 Progress made in addressing the significant governance issues identified in last year's AGS is summarised on the pages that follow.

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Title	Action	Expected delivery	Position as at 31 March 2020
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.	Recruitment target met. In the full 2019/20 financial year, more than 460 officers joined Essex Police, including transferees, re-joiners and Police Now graduates. Essex Police now also has the second largest Special Constabulary in the country (behind the MPS) and the joint fastest growing, alongside the West Midlands. Essex Police had 507 Specials as at 31 March 2020 and a growth rate of 9% p.a. against a backdrop of national reductions in Specials. Single Online Home has been launched, leading to increases in the number and proportion of crimes being reported online. Other investments made in technology have saved more than 125,158 hours of frontline officer time in 2019/20, with a financial value of more than £3.2m. While 101 calls in Essex fell by 4% on the previous year, 999 calls rose by more than 10%. 39% of 101 calls were answered on time (3% less than last year) and nearly 23% were abandoned (a 3% increase). However, nearly 83% of 999 calls were answered within the time limit (an increase of nearly 105) and the proportion abandoned fell to less than 2%.
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	Provisional grant settlement for 2020/21 to be announced in December 2019 and outcome of the CSR is expected in 2019/20	Publication of the Police Finance Settlement was delayed by the December 2019 General Election. On 22 January 2020, the Government issued the Police Grant Report 2020/21, which gave PCCs

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Title	Action	Expected delivery	Position as at 31 March 2020
	Office. This response will inform the HM Treasury decision.		and PFCCs flexibility to raise the policing precept by up to £10 without a referendum. On 6 February 2020 the Police, Fire and Crime Panel agreed an inflationary precept increase of 2.94% for 2020/21. This is equivalent to an increase of £5.67 p.a. (from £192.96 to £198.63) for a band D property. This will raise £3.7m of additional Council Tax receipts, which increases to £5.3m following the Council Tax base increase. The outcome of the Comprehensive Spending Review has not yet been announced.
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.	22 Town Centre Teams were launched in July 2019 to provide a visible and recognisable presence within town centres and to strengthen connections between local communities and the police. The Rural Engagement Team has been expanded and a new Business Crime Team launched. Consequently, the independent Public Perception and User Experience Survey shows further improvements in the public's perception that the Essex Police understands community issues (59% for the 12 months to December 2019, compared with 57% for the previous 12 months) and in the proportion who feel informed about what the police are doing in their local area (from 38% to 41%). However overall public confidence figures remain stubbornly low.

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Title	Action	Expected delivery	Position as at 31 March 2020
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	Procurement services across Essex, Kent, Bedfordshire, Norfolk, Cambridgeshire, Suffolk and Hertfordshire have been collaborated to the 7F Procurement function, creating the second largest contracting body in police procurement nationally. A pipeline of planned efficiency savings is in place.
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 third and final stage of the national Improving Police Integrity Programme was implemented with effect from 1 February 2020. PFCC and Essex Police policies and procedures have been amended accordingly. Additional responsibilities for the PFCC have been resourced through restructuring and successful growth bids within the force's Professional Standards Department are currently being recruited to, with the growth of PSD expected to be complete by the end of Summer 2020. Lead officers for both the PFCC and Essex Police have completed training and training continues to be rolled out to other officers and staff across the force. The anticipated consequent increase in complaint recording has not yet been seen.

Significant governance issues for 2020/21

5.19 Significant governance issues for consideration in 2020/21 are identified below:

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Title	Action	Expected delivery
Demand Management	Secure the ability of the force to manage existing and future demand, with an effective operating model of policing using the efficiency gains enabled by investment in new technology. Continue to encourage members of the public to report crime online.	Additional 151 officers to be funded through the national uplift programme and continued efficiency savings made by Essex Police. Essex Police to have an officer establishment of 3,369 by 31 March 2021. Further improvements in demand management to be demonstrated by March 2021 as the impact of additional officers and continued investment in technology is seen.
Comprehensive Spending Review 2020	To continue to promote the case for an improved Government police grant allocation by working with the APCC, NPCC and PACCTS to deliver an evidence based response to the Home Office. This response will inform the HM Treasury decision.	Favourable outcome from the provisional grant settlement for 2021/22 due to be announced in December 2020, and from the CSR.
Public confidence and victim satisfaction	Implement a new communications strategy and clearer engagement focus across the force in order to enhance the public's understanding of the work and successes of Essex Police, thereby increasing public satisfaction and confidence.	Improvements in public and victim satisfaction and confidence in local policing during 2020/21.
Blue light collaboration	To promote collaborative working across blue light services, including greater efficiencies between Essex Police and the Essex County Fire and Rescue Service; through the Essex and Kent Police Shared Services directorate, and through the 7Force Strategic Alliance	Sign off the PEQF contract. Make significant progress in delivering target milestones and efficiency savings within the key work streams within the 7Force programme: <ul style="list-style-type: none"> • Procurement • Vetting • Forensics case management • IT convergence; a shared ERP and Digital Asset Management System (DAMS)

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Title	Action	Expected delivery
Recovery from the COVID-19 pandemic	Develop and deliver actions to continue delivery of the Police and Crime Plan throughout 2020/21. Respond appropriately to any increases in certain crime types that may emerge as a result of the pandemic. Establish and respond appropriately to any impact on support services delivered by the voluntary and community sector. Continue to promote and progress video-enabled justice in order to increase the efficiency of the criminal justice system. Assess and respond appropriately to any subsequent loss of income due to reductions in Council Tax receipts (due to increases in non-payment and / or changes to the anticipated Council Tax base increase).	Demand and financial impacts on the local population and the force are mitigated as far as possible.

The Police, Fire & Crime Commissioner for Essex



Interim Head of Finance to the PFCC for Essex



Independent auditor's report to the Police, Fire and Crime Commissioner for Essex Group and 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 (PFCC) for Essex (the 'Police, Fire and Crime Commissioner') and its subsidiary the Chief Constable for Essex (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income & Expenditure Statement for the Police, Fire & Crime Commissioner for Essex Group, the Comprehensive Income & Expenditure Statement for the Police, Fire & Crime Commissioner for Essex, the Balance Sheet for the Police, Fire & Crime Commissioner for Essex Group and the Police, Fire & Crime Commissioner for Essex, the Cash Flow Statement for the PFCC for Essex Group, the Cash Flow Statement for the PFCC, the Movement in Reserves Statement for the Police, Fire & Crime Commissioner for Essex Group, the Movement in Reserves Statement for the Police, Fire & Crime Commissioner for Essex and notes to the financial statements, including a summary of significant accounting policies, and include the Police Officer Pension Fund financial statements comprising the Police Officer Pension Fund Account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

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 2020 and of the group's expenditure and income and the Police, Fire and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Head of Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Police, Fire and Crime Commissioner and group's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Police, Fire and Crime Commissioner and group's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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 Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance 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.

In our evaluation of the Head of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Police, Fire and Crime Commissioner's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Police, Fire and Crime Commissioner's and group's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Police, Fire and Crime Commissioner's and group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Police, Fire and Crime Commissioner or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and the local government pension scheme

We draw attention to Note 6 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the group land and buildings as at 31 March 2020. As disclosed in Note 6 to the financial statements, the outbreak of Covid-19 has impacted both global finances and market activity. The PFCC's valuers have stated that the valuations completed in 2019/20 have been undertaken on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the 2019/20 valuations than would normally be the case. Our opinion is not modified in respect of this matter.

We further draw attention to Note 6 of the financial statements, which also describes the effects of the Covid-19 pandemic on the valuation of the local government pension scheme's direct property investments as at 31 March 2020. As disclosed in Note 6 to the financial statements, the outbreak of Covid-19 has impacted both global finances and market activity. The actuary's valuer has stated that the 2019/20 year end valuations of scheme assets have been reported on the basis of 'material valuation uncertainty' per VPGA10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the 2019/20 valuations than would normally be the case. Our opinion is not modified in respect of this matter.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the 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 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police, Fire and Crime Commissioner 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.

Responsibilities of the Police, Fire and Crime Commissioner for Essex and the Head of Finance to the PFCC for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Police, Fire and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Head of Finance to the PFCC. The Head of Finance to the PFCC 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance to the PFCC determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance to the PFCC 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. 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 April 2020, 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 2020.

Responsibilities of the Police, Fire and Crime Commissioner

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

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

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

We 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 April 2020, 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 2020.

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 Police, Fire and Crime Commissioner for Essex Group and 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 2014. Our audit work has been undertaken so that we might state to the Police, Fire and Crime Commissioner those matters we are required to state to the Police, Fire and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police, Fire and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Grady

Paul Grady
Key Audit Partner

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

London

17 November 2020

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.

	2018/19	2018/19	2018/19	2019/20	2019/20	2019/20
	Gross	Gross	Net Expenditure	Gross	Gross	Net Expenditure
	Expenditure	Income		Expenditure	Income	
	(Restated)	(Restated)	(Restated)			
	£000	£000	£000	£000	£000	£000
<i>Employees</i>						
Police officer pay and allowances	297,726	0	297,726	205,525	0	205,525
PCSO pay and allowances	3,295	0	3,295	3,502	0	3,502
Police staff pay and allowances	94,898	0	94,898	92,377	0	92,377
Ill-health/medical pensions	4,578	0	4,578	3,881	0	3,881
Training	1,702	0	1,702	1,127	0	1,127
Other employee expenses	779	0	779	628	0	628
	402,978	0	402,978	307,040	0	307,040
<i>Other service expenditure</i>						
Premises	12,371	0	12,371	14,690	0	14,690
Transport	7,584	0	7,584	8,083	0	8,083
Other service expenditure	36,947	0	36,947	40,099	0	40,099
Third party payments	6,648	0	6,648	10,250	0	10,250
	63,550	0	63,550	73,122	0	73,122
<i>Income</i>						
Fees charges and other service income	0	(23,980)	(23,980)	0	(17,286)	(17,286)
Government grants and contributions	0	(8,613)	(8,613)	0	(23,078)	(23,078)
	0	(32,593)	(32,593)	0	(40,364)	(40,364)
Provision of Police Services - PFCC Group	466,528	(32,593)	433,935	380,162	(40,364)	339,798
(Gain)/loss on the disposal of non current assets	0	(8,926)	(8,926)	0	(1,878)	(1,878)
Other Operating Expenditure	0	(8,926)	(8,926)	0	(1,878)	(1,878)
External interest payable	2	0	2	1	0	1
Net interest on the defined benefit pensions liability						
- Police officers	71,290	0	71,290	72,732	0	72,732
- Police staff	4,550	0	4,550	4,324	0	4,324
Interest receivable and similar income	0	(167)	(167)	0	(182)	(182)
Financing and Investment Income and Expenditure	75,842	(167)	75,675	77,057	(182)	76,875
Taxation and Non-Specific Grant Income						
Police grant	0	(101,347)	(101,347)	0	(103,551)	(103,551)
Formula funding	0	(55,149)	(55,149)	0	(56,231)	(56,231)
Council tax precept	0	(107,521)	(107,521)	0	(123,302)	(123,302)
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	(40,465)	(40,465)	0	(37,417)	(37,417)
Capital grant	0	(935)	(935)	0	(956)	(956)
	0	(318,542)	(318,542)	0	(334,582)	(334,582)
(Surplus)/Deficit on Provision of Police Services - PFCC Group	542,370	(360,228)	182,142	457,219	(377,006)	80,213
Other Comprehensive Income and Expenditure						
(Surplus)/deficit on revaluation of fixed assets	0	(102)	(102)	0	(2,695)	(2,695)
Remeasurement of the net defined benefit liability						
- Police officers	74,535	0	74,535	0	(276,470)	(276,470)
- Police staff	0	(19,888)	(19,888)	0	(48,473)	(48,473)
	74,535	(19,990)	54,545	0	(327,638)	(327,638)
Total Comprehensive Income and Expenditure	616,905	(380,218)	236,687	457,219	(704,644)	(247,425)

The 2018/19 figures have been restated as part of an exercise to make this statement more consistent with the information segments which are reported locally. These changes provide additional analysis in respect of employee costs, whilst removing the 'Depreciation, Impairment and Amortisation' and 'Contributions to Provisions' lines, which are now included within other segments above. All of these changes are within the 'Provision of Police Services - PFCC Group' section.

Police officer pay has decreased by £79.419m in 2019/20 compared to 2018/19. The main reasons for this are the impact of the past service cost relating to McCloud v Sargeant in 2018/19 (£94m, see note 7) offset by FTE growth in 2019/20 (£5m) and an increase in the employer pension rate to 31% (£8m).

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.

	2018/19 Gross Expenditure (Restated) £000	2018/19 Gross Income (Restated) £000	2018/19 Net Expenditure (Restated) £000	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
<i>Employees</i>						
Police staff pay and allowances	2,001	0	2,001	1,742	0	1,742
Training	1,695	0	1,695	1,103	0	1,103
Other employee expenses	238	0	238	354	0	354
	3,934	0	3,934	3,199	0	3,199
<i>Other service expenditure</i>						
Premises	12,371	0	12,371	14,690	0	14,690
Transport	6,435	0	6,435	6,882	0	6,882
Supplies & Services	36,504	0	36,504	39,366	0	39,366
Third party payments	5,781	0	5,781	8,759	0	8,759
	61,091	0	61,091	69,697	0	69,697
<i>Income</i>						
Fees charges and other service income	0	(23,980)	(23,980)	0	(17,286)	(17,286)
Government grants and contributions	0	(8,613)	(8,613)	0	(23,078)	(23,078)
	0	(32,593)	(32,593)	0	(40,364)	(40,364)
Provision of Police Services - PFCC (before Intra-Group Funding)	65,025	(32,593)	32,432	72,896	(40,364)	32,532
Intra Group Funding for Chief Constable's Net Service Cost	294,335	0	294,335	308,640	0	308,640
Net Cost of Provision of Police Services - PFCC	359,360	(32,593)	326,767	381,536	(40,364)	341,172
(Gain)/loss on the disposal of non current assets	0	(8,926)	(8,926)	0	(1,878)	(1,878)
Other Operating Expenditure	0	(8,926)	(8,926)	0	(1,878)	(1,878)
External interest payable	2	0	2	1	0	1
Net interest on the defined benefit pensions liability - Police staff	32	0	32	33	0	33
Interest receivable and similar income	0	(167)	(167)	0	(182)	(182)
Financing and Investment Income and Expenditure	34	(167)	(133)	34	(182)	(148)
Police grant	0	(101,347)	(101,347)	0	(103,551)	(103,551)
Formula funding	0	(55,149)	(55,149)	0	(56,231)	(56,231)
Council tax	0	(107,521)	(107,521)	0	(123,302)	(123,302)
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	(40,465)	(40,465)	0	(37,417)	(37,417)
Capital grant	0	(935)	(935)	0	(956)	(956)
Taxation and Non-Specific Grant Income	0	(318,542)	(318,542)	0	(334,582)	(334,582)
(Surplus)/Deficit on Provision of Police Services - PFCC	359,394	(360,228)	(834)	381,570	(377,006)	4,564
Other Comprehensive Income and Expenditure						
(Surplus)/deficit on revaluation of fixed assets	0	(102)	(102)	0	(2,695)	(2,695)
Remeasurement of the net defined benefit liability - Police staff	0	(105)	(105)	0	(447)	(447)
	0	(207)	(207)	0	(3,142)	(3,142)
Total Comprehensive Income and Expenditure	359,394	(360,435)	(1,041)	381,570	(380,148)	1,422

For further information in respect of the 2018/19 restated figures, please refer to the footnote under the Essex Group Comprehensive Income and Expenditure Statement.


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 2019		31st March 2020	
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
Non current assets				
18 Property, plant & equipment	87,501	87,501	88,186	88,186
19 Intangible assets	2,122	2,122	1,470	1,470
22 Long term debtors	37	37	33	33
Non current assets total	89,660	89,660	89,689	89,689
Current assets				
23 Short term investments	8,520	8,520	5,500	5,500
21 Inventories	852	852	938	938
22 Short term debtors	30,046	30,833	33,330	33,330
24 Cash and cash equivalents	7,903	7,903	8,289	8,289
25 Assets held for sale	1,137	1,137	3,298	3,298
Current assets total	48,458	49,245	51,355	51,355
Current liabilities				
26 Short term creditors	(25,013)	(28,827)	(29,673)	(32,573)
Current liabilities total	(25,013)	(28,827)	(29,673)	(32,573)
Non current liabilities				
27 Provisions	(3,374)	(3,374)	(3,315)	(3,315)
42 Pensions liabilities - Police officers	0	(3,067,043)	0	(2,849,818)
42 Pensions liabilities - Police staff	(1,430)	(181,756)	(1,184)	(150,015)
28 Capital grants - receipts in advance	(14)	(14)	(7)	(7)
Non current liabilities total	(4,818)	(3,252,187)	(4,506)	(3,003,155)
Net assets/(liabilities)	108,287	(3,142,109)	106,865	(2,894,684)
Usable reserves				
34 General reserve	(9,226)	(9,226)	(9,275)	(9,275)
34 Earmarked revenue reserves	(6,273)	(6,273)	(7,460)	(7,460)
34 Future capital funding reserve	(1,255)	(1,255)	(2,000)	(2,000)
35 Usable capital receipts	(6,055)	(6,055)	(1,088)	(1,088)
Usable reserves total	(22,809)	(22,809)	(19,823)	(19,823)
Unusable reserves				
Revaluation reserve	(8,675)	(8,675)	(10,416)	(10,416)
Capital adjustment account	(75,520)	(75,520)	(76,474)	(76,474)
Pensions reserve - Police officers	0	3,067,043	0	2,849,818
Pensions reserve - Police staff	1,430	181,756	1,184	150,015
Collection fund adjustment account	(2,728)	(2,728)	(1,351)	(1,351)
Accumulated absences account	15	3,042	15	2,915
Unusable reserves total	(85,478)	3,164,918	(87,042)	2,914,507
Total reserves	(108,287)	3,142,109	(106,865)	2,894,684

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 2020.



Elizabeth Helm BSc (Hons) FCCA, Interim Head of Finance to the PFCC for Essex
17th November 2020

Core Financial Statements

Cash Flow Statements

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

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

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

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

Cash Flow Statement for the PFCC for Essex Group

Note	2018/19 £000 Group	2019/20 £000 Group
Net (Surplus)/Deficit on the Provision of Services:-	182,142	80,213
29 Adjustment to (surplus)/deficit on the provision of services for non-cash movements	(191,962)	(88,622)
29 Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	13,785	2,278
29 Net cash flows from operating activities	3,965	(6,131)
30 Net cash flows from investing activities	(5,419)	5,745
31 Net cash flows from financing activities	(319)	0
Net (increase)/decrease in cash and cash equivalents	(1,773)	(386)
Cash and cash equivalents at the beginning of the reporting period	6,130	7,903
Cash and cash equivalents at the end of the reporting period	7,903	8,289
Movement in cash equivalents	1,773	386

Cash Flow Statement for the PFCC

Note	2018/19 £000 PFCC	2019/20 £000 PFCC
Net (Surplus)/Deficit on the Provision of Services:-	(834)	4,564
29 Adjustment to (surplus)/deficit on the provision of services for non-cash movements	(8,986)	(12,973)
29 Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	13,785	2,278
29 Net cash flows from operating activities	3,965	(6,131)
30 Net cash flows from investing activities	(5,419)	5,745
31 Net cash flows from financing activities	(319)	0
Net (increase)/decrease in cash and cash equivalents	(1,773)	(386)
Cash and cash equivalents at the beginning of the reporting period	6,130	7,903
Cash and cash equivalents at the end of the reporting period	7,903	8,289
Movement in cash equivalents	1,773	386

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.

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

Core Financial Statements

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

2019/20 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	
Balance at 1st April 2019	(9,226)	(6,273)	(1,255)	(6,055)	0	(22,809)	3,164,918	3,142,109	
(Surplus)/ Deficit on provision of services (accounting basis)	80,213	0	0	0	0	80,213	0	80,213	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(327,638)	(327,638)	
Total Comprehensive Income and Expenditure	80,213	0	0	0	0	80,213	(327,638)	(247,425)	
Adjustments between accounting basis and funding basis under regulations	(82,195)	0	0	4,967	0	(77,228)	77,228	0	
Net (Increase) /Decrease before Transfers to Earmarked Reserves	(1,982)	0	0	4,967	0	2,985	(250,410)	(247,425)	
Transfers (to)/from Earmarked Reserves	1,932	(1,187)	(745)			0	0	0	
(Increase) /Decrease in year	(50)	(1,187)	(745)	4,967	0	2,985	(250,410)	(247,425)	
Balance at 31st March 2020	(9,276)	(7,460)	(2,000)	(1,088)	0	(19,824)	2,914,508	2,894,684	

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.

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

Core Financial Statements

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

2019/20 PFCC								
	Usable Reserves					Total Usable £000	Total Unusable £000	Total Reserves £000
	Held for revenue purposes		Held for capital purposes					
	General £000	Earmarked £000	Future Capital Funding £000	Capital Receipts £000	Capital Grants Unapplied £000			
Balance at 1st April 2019	(9,226)	(6,273)	(1,255)	(6,055)	0	(22,809)	(85,478)	(108,287)
(Surplus)/ Deficit on provision of services (accounting basis)	4,564	0	0	0	0	4,564	0	4,564
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(3,142)	(3,142)
Total Comprehensive Income and Expenditure	4,564	0	0	0	0	4,564	(3,142)	1,422
Adjustments between accounting basis and funding basis under regulations	(6,546)	0	0	4,967	0	(1,579)	1,579	0
Net (Increase) /Decrease before Transfers to Earmarked Reserves	(1,982)	0	0	4,967	0	2,985	(1,563)	1,422
Transfers (to)/from Earmarked Reserves	1,932	(1,187)	(745)	0	0	0	0	0
(Increase) /Decrease in year	(50)	(1,187)	(745)	4,967	0	2,985	(1,563)	1,422
Balance at 31st March 2020	(9,276)	(7,460)	(2,000)	(1,088)	0	(19,824)	(87,041)	(106,865)

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

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

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

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.

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.

Notes Relating to the Accounts: General

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 £7,500 limit applies. An exception to this covers certain equipment items which are individually below the de minimis, but when aggregated exceed the limit, e.g. IT hardware, body armour.

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

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

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

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

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

Land and buildings are revalued at least every five years by an external valuer in accordance with the Royal Institution of Chartered Surveyors (R.I.C.S.) Valuation Standards. However for 2019/20 to ensure that the Balance sheet reflects the current value of assets, those assets with a net book value at 1 April 2019 in excess of £2million have been revalued. This policy change will be reviewed annually.

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.

Notes Relating to the Accounts: General

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

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

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

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

Depreciation is calculated on the following basis:

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

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

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

- | | |
|---------------------------|-------------|
| • Buildings | 20-60 years |
| • Vehicles | 3-8 years |
| • Plant, IT and equipment | 3-30 years |
| • Marine vessels | 10-25 years |

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

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

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

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

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

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

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

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

Notes Relating to the Accounts: General

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

Level 3 – unobservable inputs for the asset or liability.

Componentisation Policy

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

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

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

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

Material assets and the Authority's de-minimis for components

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

Property assets

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

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

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

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

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

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

Equipment assets

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

Notes Relating to the Accounts: General

Vehicle and marine assets

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

Revaluation Reserve balances

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

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

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.

Notes Relating to the Accounts: General

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

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

2.23 Minimum Revenue Provision

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

Notes Relating to the Accounts: General

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.

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

Notes Relating to the Accounts: General

- Fair value through profit and loss (all other financial assets) comprising:
 - Money market funds managed by fund managers,
 - Pooled bond, equity and property funds managed by fund managers,
 - Equity investments
 - Loans where the cash flows are not solely payments of principal and interest

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

Financial Liabilities

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

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

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

Notes Relating to the Accounts: General

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 2019/20 (the Code) requires changes to accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards that may be relevant for additional disclosures that will be required in the 2019/20 and 2020/21 financial statements in respect of accounting changes that are introduced in the 2020/21 code are:-

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

At the current time it is not expected that any of the above changes will have a material impact upon the financial statements.

IFRS 16 - Leases

The CIPFA/LASAAC Local Authority Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 Leases for one year in line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1st April 2021.

In order to present the expected impact of this wide-ranging and complex accounting standard to the PFCC's accounts preparatory work has been undertaken with the initial findings and expected impacts set out in the following tables. It should be noted that these figures are for explanatory purposes only and will be subject to further change and review prior to their inclusion in the financial statements for 2020/21 onwards.

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

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

Leases inward (PFCC as lessee)

1. Property leases

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

Had they been recognised on the Balance Sheet from the 1st April 2020 their values would have been as follows:-

Balance Sheet		
	£000	£000
Non-current assets (additional impact as at 1st April 2020)	621	0
Leasing liability (additional impact as at 1st April 2020)		
Obligation - current		(89)
Obligation - long-term		(532)
Net impact on Balance Sheet	621	(621)

Notes Relating to the Accounts: General

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

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

Core Financial Statements		
	£000	£000
Comprehensive Income & Expenditure - Financing & Investment	10	
Balance Sheet (repayment)		
Obligation - current	89	
Cash & cash equivalents		(99)
Net impact on Core Financial Statements	99	(99)

To ensure the impact of the new standard is cost-neutral to the council tax payer, a corresponding minimum revenue provision charge would be enacted representing the value of the leasing obligation reduction in year. In addition, the new assets recognised would be depreciated in accordance with accounting policies. The latter is estimated at £0.087m for 2020/21.

2. Donated assets

The PFCC has use of several assets without any rental payments being made for their use. These assets are not currently included within the PFCC's non-current assets but have been recognised under the new legislation on the basis that the donor does not demand the return of these assets (and therefore the asset is unimpeded). These assets will need to be recognised from the 1st April 2021, with a corresponding lease liability.

Had all of these assets been recognised on the Balance Sheet from the 1st April 2020 the total amount recognised would have been £11.146m, as shown in the table below. This comprises:-

: £7.606m relating to Stansted Airport Main Building e.g. representing various office space provided free under the terms of the Terrorism Act 2000 for on-site policing activity.

: £1.761m relating to office space at Chigwell.

: £1.779m comprising eight additional sites including right of use assets in shopping centres, airports, ports and other town centre locations.

Balance Sheet		
	£000	£000
Non-current assets (additional impact as at 1st April 2020)	11,146	
Unusable reserves (additional impact as at 1st April 2020)		
Capital adjustment account		(11,146)
Net impact on Balance Sheet	11,146	(11,146)

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

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

Core Financial Statements		
	£000	£000
Comprehensive Income & Expenditure - Other Operating Expenditure		(11,146)
Movement in Reserves (additional impact as at 1st April 2020)		
Appropriation to Capital adjustment account	11,146	
Net impact on Core Financial Statements	11,146	(11,146)

The donated assets recognised would also be depreciated in accordance with accounting policies. This charge is estimated at £0.191m for 2020/21.

Notes Relating to the Accounts: General

3. Vehicles, plant, furniture & equipment

IFRS 16 requires all other assets which have previously been classified as operating assets and accounted for on a straight line basis cost through the Comprehensive Income and Expenditure Statement, to be recognised on the Balance Sheet from 1st April 2021. The exception to this rule are leases of less than one year or of deminis value.

Had these assets been recognised on the Balance Sheet from the 1st April 2020 their values would have been as follows:-

Balance Sheet		
	£000	£000
Non-current assets	133	
Leasing liability		
Obligation - current		(65)
Obligation - long-term		(68)
Net impact on Balance Sheet	133	(133)

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

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

Core Financial Statements		
	£000	£000
Comprehensive Income & Expenditure - Financing & Investment	2	
Balance Sheet - repayment (additional impact as at 1st April 2020)		
Obligation - current	65	
Cash & cash equivalents		(67)
Net impact on Core Financial Statements	67	(67)

To ensure the impact of the new standard is cost-neutral to the council tax payer, a corresponding minimum revenue provision charge would be enacted representing the value of the leasing obligation reduction in year. In addition, the new assets recognised would be depreciated in accordance with accounting policies. The latter is estimated at £0.044m for 2020/21.

4. Lessor commitments (PFCC/Group)

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

Notes Relating to the Accounts: General

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 note 40, Jointly-Controlled Operations and Collaborative Activity.
- b) **Impairment of Assets:** Further information can be found in notes 16 and 18.
- c) **Governance:** On the 1st October 2017 the PFCC took on the governance of the Essex County Fire and Rescue Service (ECFRS), under the joint governance model. Under this model the Police, Fire and Crime Commissioner (PFCC) 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.

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

- d) **McCloud v Sargeant judgement.** The PFCC for Essex, along with other PFCC's and the Home Office, currently has outstanding claims in respect of unlawful discrimination (on age grounds) arising from transitional provisions in the Police Pension Regulations 2015, which enable some members to transfer to career average related schemes. These claims against the Police Officer Pension scheme (the Aarons case) had previously been stayed behind the pending McCloud/Sargeant judgement, and in the 2018/19 Statement of Accounts this potential liability was recognised as a past service cost. During the process of completing the draft 2019/20 Statement of Accounts this approach was replicated with additional estimated costs for both the LGPS and Police Officer Pension scheme included within the current service cost. This approach generally assumed that all members who were in service on the 1st April 2015 would be eligible to claim.

Notes Relating to the Accounts: General

On 16th July 2020 HM Treasury published their Public service pension schemes consultation: changes to the transitional arrangements to the 2015 schemes, which contained the proposed remedy regarding McCloud/Sargeant. The guidance stated that those who were members of a public sector pension scheme on or before 31st March 2012 and on or after 1st April 2015 would be in scope to choose between their 2015 scheme or legacy scheme benefits, for the period April 2015 to April 2022. In respect of LGPS schemes the force actuary confirmed that they had adjusted their assumptions closer to the actual remedy proposed, meaning that no further adjustments were necessary as the figures were already materially correct. However, for the Police Officer Pension Scheme the assumptions made by the actuary were more wide-ranging and, based upon the variables involved in respect of changes to membership profile and the associated benefits arising, it was deemed that there would most likely be a material financial impact on the accounts arising from these issues (further detail of this reasoning is set out within note 42).

Therefore, in accordance with *IAS 10 Events after the Reporting Period* and to ensure the accounts show a true and fair view, the consultation outcome from HM Treasury has been deemed an adjusting event and the Statement of Accounts has therefore been updated to reflect the revised liability values arising for the Police Officer Pension Scheme, within the related IAS 19 disclosures.

5 Events after the Reporting Period

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

As per the detail set out in note 4 *Critical Judgements in Applying Accounting Policies*, the Statement of Accounts have been updated to reflect the HM Treasury consultation outcome in respect of the McCloud v Sargeant case. As per IAS 10 the consultation outcome has been deemed to be an adjusting event with a material impact on the pension liability and, following receipt of revised actuary reports, the costs and forecast liabilities for the Police Officer Pension scheme have been updated. The financial impact of these amendments are a past service credit of £12.782m being applied to the Comprehensive Income and Expenditure Statement, as well as a corresponding reduction to liabilities within the Balance Sheet. Further details of the background for these changes are set out in both notes 4 and 42 of these accounts.

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.

Notes Relating to the Accounts: General

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment - valuations (COVID-19)	The PFCC has assessed the year-end impact of COVID-19 on its asset base and sought the professional advice of its external valuers to determine whether its assets are materially mistated. The outbreak of COVID-19 has impacted global finances and market activity is being impacted in many sectors. The PFCC's valuers have therefore stated that the valuations completed in 2019/20 have been undertaken on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to the 2019/20 valuations than would normally be the case.	The PFCC has carefully measured the value of its property, plant and equipment in light of this potential uncertainty, and had discussions with its valuers in respect of the possible issues arising. In summary it is acknowledged that less weight can be attached to previous market evidence for comparison purposes in respect of informing opinions of value. This means that the PFCC's valuers are faced with an unprecedented set of circumstances on which to base a judgement. Given the unknown future impact that COVID-19 might have on the real estate market, the valuation of the PFCC's non-current asset portfolio will be kept under frequent review until such a time that firmer valuations can be enacted. At the Balance Sheet date is felt that due to estimation uncertainty no firm conclusions can be made in respect of potentially mistated asset values, and therefore no adjustments have been made in the Statement of Accounts. The wider external context will continue to be reviewed in 2020/21 to assess any further impacts which require potential impairment entries.
Property, Plant and Equipment - valuations (rolling programme)	The PFCC adopts a rolling programme for its revaluation of non-current assets, with each asset valued at least once every five years. In addition, the PFCC has adopted a new measure with effect from 2019/20, to value all assets > £2m (net book value) on an annual basis, thus reducing the impact of the potential swing in values by adopting the rolling programme for higher-value assets.	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. Based on the year-end assessment, the PFCC is satisfied that there are no material swings between the 31st December and 31st March valuations, and therefore no further adjustments have been deemed necessary in the Statement of Accounts (however some degree of potential uncertainty must be acknowledged, in light of the content of the separate COVID-19 disclosure above). An assessment of the cumulative potential impact on the PFCC's remaining assets had they all been revalued on an annual basis over the preceding five year period has been undertaken, with the cumulative under-valuation assessed at £1.507m as at the 31st March 2020 (equating to 1.7% of the year-end Property, Plant & Equipment Balance Sheet value).
Property, Plant and Equipment - useful economic lives	Assets are depreciated on a straight line approach over their useful economic lives, that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The useful economic lives applied for assets are based upon accounting policy 2.17 'Property, Plant & Equipment'. The current economic climate makes it uncertain that the PFCC will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.041m for every year that useful lives had to be reduced, however that figure is subject to timings in respect of estates disposals.
Insurance Provision	The PFCC has made a provision of £2.583m 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.	2019/20 saw an increase in actual in-year claims expenditure of £0.4m but based on the estimated value of outstanding claims in progress at the end of the financial year, the provision value movement for the year was fairly static with a minor overall increase of only £0.003m. Based on a similar claims profile trend continuing in 2020/21 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 £0.344m to the provision required.

Notes Relating to the Accounts: General

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability - sensitivity of variable factors	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 various potential impacts of these uncertainties are illustrated on the table in note 42 that shows the outcome should a variance of +0.1% or -0.1% occur based on the current assumptions. In addition, the effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption for Police Staff pension would result in a decrease in the pension liability of £11.814m. 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 £113.999m. It should be noted, however, that the various assumptions interact in complex ways, and the PFCC will therefore work closely with its consulting actuaries to understand and assess any material impact on these issues, as well as any subsequent actions arising.
Pensions Liability - actuary roll-forward approach	In determining the value of the employer liabilities the actuary has rolled forward the results from the most recent funding valuation, using the financial and demographic assumptions set for accounting purposes. Therefore, no allowance is made for pension increase experience. Instead, after each triennial valuation the accounting liabilities are recalculated using up to date membership data and results. This sometimes results in experience items which then need to be incorporated into subsequent accounting reports.	The roll forward approach adopted by the actuary means experience items may emerge representing the difference between the actual experience of the members of the fund, and the experience that had been assumed for them in previous accounting reports. As an example, if members died earlier than assumed this will result in an actuarial gain as the liabilities will be lower than estimated in the roll forward, or if members received higher than assumed salary increases then there will be an actuarial loss as the liabilities will be higher than estimated. In summary, the roll forward method adopted by the actuary is less accurate the use of a full actuarial valuation, however the impact is mitigated by the inclusion of the aforementioned experience items which are incorporated into subsequent accounting reports.
Pensions Liability - LGPS scheme assets	<p>Estimation of the net liability to pay pensions also depends on judgements in respect of the performance of the underlying assets which the LGPS pension scheme invests in (it should be noted that the Police Officer Pension Scheme does not hold any assets). A firm of consulting actuaries is engaged to provide the PFCC with expert advice in respect of the forecasts to be applied.</p> <p>The actuary's valuer has reported the 2019/20 year-end valuation of scheme assets on the basis of 'material valuation uncertainty' per VPGA 10 of the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standard. Consequently, the valuer has commented that less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.</p>	<p>Based on the current market conditions at the 31st March 2020, particularly in respect of COVID-19, the PFCC understands that the volatility of the economy could have a direct impact on the net liability value. This will most likely be in the form of below-average returns on plan assets and market yields. However, the overall position is also influenced by the effect of market movements on the assumptions used to place a value on the defined benefit obligation.</p> <p>The return on the fund (on a bid value to bid value basis) for the year to 31st March 2020 is estimated to be -5%. The actual return on fund assets over the year may be different, particularly given the current uncertainty of the longer-term effect of COVID-19 on financial markets, as set out in further detail in Note 39 'Financial Instruments - Risks'. Should expected returns not be as high as expected this will potentially impact the PFCC's revenue account in the form of larger actuarial deficit payments in subsequent years.</p> <p>The 'material valuation uncertainty' opinion applied by the actuary's valuers is chiefly due to the the element of scheme assets which relate to direct property investments, and the related uncertainty of asset valuations within that sector. At the Balance Sheet date is felt that due to estimation uncertainty no firm conclusions can be made in respect of potentially mistated asset values, and therefore no adjustments have been made in the Statement of Accounts. The wider external context will continue to be reviewed in 2020/21 to assess any further impacts which require potential impairment entries.</p>
Legal Claims	The PFCC has a provision of £0.721m 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 increased in the coming year. Based on the total estimated outstanding amount of 86 claims at the 31st March, an element of these has met the IAS 37 criteria for a provision, and has been valued at £0.721m in the 2019/20 accounts. A 10% rise in further claims, including some of these referenced within note 7 Contingent Liabilities, would equate to an additional liability of £0.072m.

Notes Relating to the Accounts: General

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Cashflow and Financial Instruments	The PFCC has reviewed its cash and investment position in the context of COVID-19, particularly the assessment of its financial assets as well as increased levels of risk which need to be disclosed in the Statement of Accounts. Further details of this analysis can be found in note 39, Financial Instruments - Risks.	The uncertainty of future income streams, particularly from other local authorities means that financial risks need to be monitored closely in the 2020/21 financial year, as public sector entities manage their own cash-related problems due to the emerging external context. An assessment of the impact of fluctuations in interest rates is set out in note 39 however more wider liquidity issues, mainly due to council tax income deviating from expected payment plans, would result in an additional external borrowing requirement. Due to the wide range of debt instruments available to the PFCC it is not expected that the impact of this scenario would be material in the 2020/21 financial year.

7 Contingent Liabilities

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

Allard & Ors v Devon and Cornwall Constabulary

The 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 2019/20 accounts, the Force has assessed the financial value of all applicable 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 recognised in the 2019/20 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 timings and uncertainty as to whether these amounts will be claimed, no provision has been made for this element in the accounting statements. Based on current estimates this latter element has a potential financial value of around £1.2m, which relates to 56 further/expected cases, which have not been claimed at the Balance Sheet date.

Other claims

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. To date, the Force Legal Department has received two civil claims arising out these investigations but no further claims have been lodged during 2019/20. 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 2019/20 Accounting Statements.

8 Date of authorisation of the Statement of Accounts for issue

The Statement of Accounts was authorised for issue on 17th November 2020 by Elizabeth Helm BSc (Hons) FCCA, Interim Head of Finance 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 - 2018/19 Restated

	Net expenditure chargeable to the General Fund	Total Adjustments			Total adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement
		Adjustments for capital purposes (EFA note 1)	Net charge for pensions adjustments (EFA note 2)	Other differences (EFA note 3)		
	£000	£000	£000	£000	£000	£000
Police officer pay and allowances	166,851	0	131,423	(548)	130,875	297,726
PCSO pay and allowances	3,295	0	0	0	0	3,295
Police staff pay and allowances	77,929	0	17,100	(131)	16,969	94,898
Ill-health/medical pensions	4,578	0	0	0	0	4,578
Training	1,703	0	0	0	0	1,703
Other employee expenses	779	0	0	0	0	779
Premises	11,064	1,307	0	0	1,307	12,371
Transport	5,759	1,826	0	0	1,826	7,585
Supplies & services	33,381	3,564	0	0	3,564	36,945
Third party payments	6,648	0	0	0	0	6,648
Fees charges and other service income	(24,145)	0	0	165	165	(23,980)
Government grants and contributions	(7,912)	(701)	0	0	(701)	(8,613)
Other operating expenditure	820	(820)	0	0	(820)	0
Net Cost of Service	280,750	5,176	148,523	(514)	153,185	433,935
Income from council tax	(107,839)	0	0	318	318	(107,521)
Non-specific government grant income	(169,620)	(935)	(40,465)	0	(41,400)	(211,020)
Other income and expenditure	0	(8,926)	75,840	(165)	66,749	66,749
(Surplus)/Deficit on Provision of Services	3,291	(4,685)	183,898	(361)	178,852	182,143
(Surplus)/Deficit to GF reserves	3,291					
Opening General Fund balance at 1st April 2019 (restated to include Future Capital Funding Reserve)	(20,043)					
Less (surplus)/deficit on General Fund balance in Year	3,289					
Closing General Fund balance at 31st March 2020	(16,754)					

Note on 2018/19 restatement:-

The 2018/19 figures have been restated as part of an exercise to make the EFA statement more consistent with the information segments which are used to report financial performance to both Chief Officers and the PFCC office during the financial year, as well as the budget setting and outturn processes. The key changes arising from this exercise, in respect of both 2018/19 and the current year information presented for 2019/20 onwards are as follows:-

- Inclusion of reporting segments which are consistent with the Comprehensive Income and Expenditure Statement as well as localised reporting processes, providing further detail and analysis of the movements in year on a line by line basis.
- A clearer split of employee costs, showing the spend levels for police offices, police staff and PCSO pay, both taxpayer-funded and the adjustments arising from the additional statutory transactions in respect of IAS 19 and accumulated absences. This area of cost represents over 80% of gross expenditure within the Net Cost of Service, and this transparency is fundamental for an understanding of the PFCC group finances.
- A clearer set of supporting disclosures (see note 10), allowing easier cross-referencing back to both the summary tables and Comprehensive Income and Expenditure statement. In addition, the breakdown of the movement for the three areas of adjustments (capital, pensions and other differences) is presented in further detail than previously provided.

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

EFA for the Police, Fire & Crime Commissioner for Essex - 2018/19 Restated

	Net expenditure chargeable to the General Fund	Total Adjustments			Total adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement
		Adjustments for capital purposes (EFA note 1)	Net charge for pensions adjustments (EFA note 2)	Other differences (EFA note 3)		
	£000	£000	£000	£000	£000	£000
Police officer pay and allowances	0	0	0	0	0	0
PCSO pay and allowances	0	0	0	0	0	0
Police staff pay and allowances	1,789	0	215	(3)	212	2,001
Ill-health/medical pensions	0	0	0	0	0	0
Training	1,695	0	0	0	0	1,695
Other employee expenses	238	0	0	0	0	238
Premises	11,064	1,307	0	0	1,307	12,371
Transport	4,610	1,826	0	0	1,826	6,436
Supplies & services	32,940	3,564	0	0	3,564	36,504
Third party payments	5,781	0	0	0	0	5,781
Fees charges and other service income	(24,145)	0	0	165	165	(23,980)
Government grants and contributions	(7,912)	(701)	0	0	(701)	(8,613)
Other operating expenditure	820	(820)	0	0	(820)	0
Cost of Service	26,880	5,176	215	162	5,553	32,433
Intra group adjustment for CC's net service cost	253,870	0	40,466	0	40,466	294,336
Net Cost of Services	253,870	5,176	40,681	162	46,019	326,769
Income from council tax	(107,839)	0	0	318	318	(107,521)
Non-specific government grant income	(169,620)	(935)	(40,465)	0	(41,400)	(211,020)
Other income and expenditure	0	(8,926)	32	(165)	(9,059)	(9,059)
(Surplus)/Deficit on Provision of Services	3,291	(4,685)	248	315	(4,122)	(831)

For further information in respect of the 2018/19 restated figures, please refer to the footnote under the Essex Group Expenditure Funding & Analysis Statement.

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

	Net expenditure chargeable to the General Fund	Total Adjustments			Total adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement
		Adjustments for capital purposes (EFA note 1)	Net charge for pensions adjustments (EFA note 2)	Other differences (EFA note 3)		
	£000	£000	£000	£000	£000	£000
Police officer pay and allowances	181,543	0	23,930	52	23,982	205,525
PCSO pay and allowances	3,502	0	0	0	0	3,502
Police staff pay and allowances	80,147	0	12,408	(178)	12,230	92,377
Ill-health/medical pensions	3,881	0	0	0	0	3,881
Training	1,127	0	0	0	0	1,127
Other employee expenses	628	0	0	0	0	628
Premises	11,208	3,482	0	0	3,482	14,690
Transport	6,353	1,730	0	0	1,730	8,083
Supplies & services	36,064	4,035	0	0	4,035	40,099
Third party payments	10,250	0	0	0	0	10,250
Fees charges and other service income	(17,286)	0	0	0	0	(17,286)
Government grants and contributions	(22,908)	(170)	0	0	(170)	(23,078)
Net Cost of Service	294,509	9,077	36,338	(126)	45,289	339,798
Income from council tax	(124,679)	0	0	1,377	1,377	(123,302)
Non-specific government grant income	(172,907)	(956)	(37,417)	0	(38,373)	(211,280)
Other income and expenditure	1,096	(3,155)	77,056	0	73,901	74,997
(Surplus)/Deficit on Provision of Services	(1,981)	4,966	75,977	1,251	82,194	80,213
(Surplus)/Deficit to GF reserves	(1,981)					
Opening General Fund balance at 1st April 2019 (restated to include Future Capital Funding Reserve)	(16,754)					
Less (Surplus)/Deficit on General Fund balance in Year	(1,981)					
Closing General Fund Balance at 31st March 2020	(18,735)					

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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

	Net expenditure chargeable to the General Fund	Total Adjustments			Total adjustments	Net expenditure in the Comprehensive Income and Expenditure Statement
		Adjustments for capital purposes (EFA note 1)	Net charge for pensions adjustments (EFA note 2)	Other differences (EFA note 3)		
	£000	£000	£000	£000	£000	£000
Police officer pay and allowances	0	0	0	0	0	0
PCSO pay and allowances	0	0	0	0	0	0
Police staff pay and allowances	1,574	0	168	0	168	1,742
Ill-health/medical pensions	0	0	0	0	0	0
Training	1,103	0	0	0	0	1,103
Other employee expenses	354	0	0	0	0	354
Premises	11,208	3,482	0	0	3,482	14,690
Transport	5,152	1,730	0	0	1,730	6,882
Supplies & services	35,331	4,035	0	0	4,035	39,366
Third party payments	8,759	0	0	0	0	8,759
Fees charges and other service income	(17,286)	0	0	0	0	(17,286)
Government grants and contributions	(22,908)	(170)	0	0	(170)	(23,078)
Other operating expenditure	0	0	0	0	0	0
Cost of Service	23,287	9,077	168	0	9,245	32,532
Intra group adjustment for CC's net service cost	271,222	0	37,419	0	37,419	308,641
Net Cost of Services	271,222	9,077	37,587	0	46,664	341,172
Income from council tax	(124,679)	0	0	1,377	1,377	(123,302)
Non-specific government grant income	(172,907)	(956)	(37,417)	0	(38,373)	(211,280)
Other Income and Expenditure	1,096	(3,155)	33	0	(3,122)	(2,026)
(Surplus)/Deficit on Provision of Services	(1,981)	4,966	203	1,377	6,546	4,564

10 Notes to the Expenditure and Funding Analysis

2018/19 - Group Restated	
<u>Adjustments for Capital Purposes (EFA Note 1)</u>	Total Adjustments
	£000
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>	
Depreciation - property	1,307
Depreciation - vehicles and vessels	1,826
Depreciation - plant, equipment, I.T. and intangibles	3,564
Specific capital grants	(701)
Remove items included within net expenditure chargeable to the General Fund balance	0
Minimum revenue provision	(500)
Revenue contribution to capital	(286)
Asset disposal costs	(34)
Total adjustments included within the Net Cost of Services	5,176
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>	
Net (gain)/loss on disposal of non-current assets	(8,960)
Non-specific capital grants	(935)
Asset disposal costs	34
Total adjustments included within the (Surplus)/Deficit on the Provision of Services	(9,861)
Total adjustments	(4,685)

2018/19 - Group Restated	
<u>Adjustments for Pensions (EFA Note 2)</u>	Total Adjustments
	£000
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>	
Costs recognised in respect of IAS 19	148,523
Total adjustments included within the Net Cost of Services	148,523
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>	
Costs recognised in respect of IAS 19	75,840
Police Officer Pension Grant	(40,465)
Total adjustments included within the (Surplus)/Deficit on the Provision of Services	35,375
Total adjustments	183,898

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

2018/19 - Group Restated	
<u>Adjustments for other differences (EFA note 3)</u>	Total Adjustments
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>	£000
Movement on accumulated absences liability - staff	(551)
Movement on accumulated absences liability - officers	(128)
<i>Remove items included within the Net expenditure chargeable to the General Fund Balance</i>	
Net interest receivable	165
Total adjustments included within the Net Cost of Services	(514)
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>	
Adjustments in respect of the Collection Fund Adjustment Account	318
Net interest receivable	(165)
Total adjustments included within the (Surplus)/Deficit on the Provision of Services	153
Total adjustments	(361)

2018/19 - PFCC Restated	
<u>Adjustments for Capital Purposes (EFA Note 1)</u>	Total Adjustments
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>	£000
Depreciation - property	1,307
Depreciation - vehicles and vessels	1,826
Depreciation - plant, equipment, I.T. and intangibles	3,564
Specific capital grants	(701)
<i>Remove items included within the Net expenditure chargeable to the General Fund Balance</i>	
Minimum revenue provision	(500)
Revenue contribution to capital	(286)
Asset disposal costs	(34)
Total adjustments included within the Net Cost of Services	5,176
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>	
Net (gain)/loss on disposal of non-current assets	(8,960)
Non-specific capital grants	(935)
Asset disposal costs	34
Total adjustments included within the (Surplus)/Deficit on the Provision of Services	(9,861)
Total adjustments	(4,685)

2018/19 - PFCC Restated	
<u>Adjustments for Pensions (EFA Note 2)</u>	Total Adjustments
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>	£000
Costs recognised in respect of IAS 19	215
Chief constable intra-group adjustment in respect of Police Officer Pension Scheme	40,466
Total adjustments included within the Net Cost of Services	40,681
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>	
Costs recognised in respect of IAS 19	32
Police Officer Pension Grant	(40,465)
Total adjustments included within the (Surplus)/Deficit on the Provision of Services	(40,433)
Total adjustments	248

2018/19 - PFCC Restated	
<u>Adjustments for other differences (EFA note 3)</u>	Total Adjustments
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>	£000
Movement on accumulated absences liability - staff	(551)
Movement on accumulated absences liability - officers	(128)
<i>Remove items included within the Net expenditure chargeable to the General Fund Balance</i>	
Net interest receivable	165
Total adjustments included within the Net Cost of Services	(514)
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>	
Adjustments in respect of the Collection Fund Adjustment Account	318
Net interest receivable	(165)
Total adjustments included within the (Surplus)/Deficit on the Provision of Services	153
Total adjustments	(361)

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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

2019/20 - Group	
<u>Adjustments for Pensions (EFA Note 2)</u>	Total Adjustments
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>	£000
Costs recognised in respect of IAS 19 - officers	23,930
Costs recognised in respect of IAS 19 - staff	12,408
Total adjustments included within the Net Cost of Services	36,338
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>	
Costs recognised in respect of IAS 19 - officers	72,732
Costs recognised in respect of IAS 19 - staff	4,324
Police officer pension grant	(37,417)
Total adjustments included within the (Surplus)/Deficit on the Provision of Services	39,639
Total adjustments	75,977

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

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

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

2019/20 - PFCC	
Adjustments for Pensions (EFA Note 2)	Total Adjustments
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>	£000
Costs recognised in respect of IAS 19 - staff	168
Chief constable intra-group adjustment in respect of police officer pension scheme	37,419
Total adjustments included within the Net Cost of Services	37,587
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>	
Costs recognised in respect of IAS 19 - staff	33
Police officer pension grant	(37,417)
Total adjustments included within the (Surplus)/Deficit on the Provision of Services	(37,384)
Total adjustments	203

2019/20 - PFCC	
Adjustments for Pensions (EFA Note 3)	Total Adjustments
<i>Additional items included within the Comprehensive Income and Expenditure Statement</i>	£000
Total adjustments included within the Net Cost of Services	0
<i>Add items included within the Comprehensive Income and Expenditure Statement</i>	
Movement on Collection Fund Adjustment Account	1,377
Total adjustments included within the (Surplus)/Deficit on the Provision of Services	1,377
Total adjustments	1,377

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 2019/20 accounting statements the value of the intra-group adjustment is £308.640m (2018/19, £294.335m). This figure is represented as follows:-

- : Financial resources consumed = £307.266m
- : Funding basis adjustment (IAS 19) = £1.247m
- : Funding basis adjustment (Compensated Absences) = £0.127m
- : Intra-group adjustment 2019/20 = £308.640m

12 Officers Remuneration (including Exit Packages)

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

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

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

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

The following tables identify the number of police officers and police staff whose remuneration was £50,000 or more during 2019/20. 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.

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

PFCC for Essex Group

	2018/19			2019/20		
	Police Officers	Police Staff	Total	Police Officers	Police Staff	Total
Remuneration Band						
£50,000 - £54,999	250	18	268	293	24	317
£55,000 - £59,999	198	16	214	191	15	206
£60,000 - £64,999	48	2	50	66	6	72
£65,000 - £69,999	22	4	26	23	1	24
£70,000 - £74,999	16	2	18	15	5	20
£75,000 - £79,999	3	1	4	6	1	7
£80,000 - £84,999	10	0	10	5	1	6
£85,000 - £89,999	2	2	4	8	2	10
£90,000 - £94,999	3	0	3	4	0	4
£95,000 - £99,999	0	1	1	0	0	0
£100,000 - £104,999	0	0	0	0	1	1
Total for Group	552	46	598	611	56	667

The numbers above exclude police officers and staff disclosed in the following NPCC Rank Officers Remuneration tables. However, one police officer has an element of pay in both tables for 2018/19. This relate to a Chief Superintendent that was also an Acting Assistant Chief Constable for a period of 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 in 2019/20 as shown in the above table relates to payments of overtime and allowances in respect of major policing activities in the year, including Operation Melrose. The increases, particularly within the £50,000-£54,999 bracket, also include police sergeants moving into this remuneration range due to pay inflation increases in 2019/20.

PFCC for Essex

Remuneration Band	2018/19	2019/20
	Police Staff	Police Staff
£55,000 - £59,999	1	0
£60,000 - £64,999	1	2
Total for PFCC	2	2

The previous remuneration band tables exclude those Police Officers and staff disclosed in the following section identifies the remuneration of the Chief Officers and senior employees of the Group and the PFCC:-

Group - 2018/19

NPCC rank officers' remuneration

	2018/19					Total Remuneration £
	Salary (note 1) £	Benefits in Kind (note 2) £	Allowances (note 3) £	Employers Pension contributions (note 4) £		
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
Total for Group	1,042,254	23,224	88,685	169,977		1,324,140

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

PFCC - 2018/19

2018/19					
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension contributions (note 4)	Total Remuneration
	£	£	£	£	£
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
Total for PFCC	321,557	0	38,633	35,534	395,724

- 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 BJ 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.
- 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.

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

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.

Group - 2019/20

NPCC rank officers' remuneration

2019/20					
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension contributions (note 4)	Total Remuneration
	£	£	£	£	£
Chief Constable - BJ Harrington	169,244	9,493	4,960	30,381	214,078
Deputy Chief Constable	132,978	9,863	2,000	41,223	186,064
Assistant Chief Constable	114,713	0	8,898	35,562	159,173
Acting Assistant Chief Constable	101,603	0	6,345	31,698	139,646
Acting Assistance Chief Constable (note 5)	2,493	197	48	773	3,511
Chief Finance Officer of the Chief Constable (note 6)	94,507	0	5,400	14,460	114,367
Director of Strategic Change and Performance	123,716	0	0	18,929	142,645
Police, Fire & Crime Commissioner	89,700	0	0	0	89,700
Deputy Police, Fire & Crime Commissioner	62,715	0	0	9,595	72,310
Chief Executive - Police, Fire and Crime Commissioner	94,507	0	0	14,460	108,967
Acting Treasurer to the Police, Fire and Crime Commissioner (note 7)	53,930	0	21,895	5,935	81,760
Total for Group	1,040,106	19,553	49,546	203,016	1,312,221

PFCC - 2019/20

2019/20					
	Salary (note 1)	Benefits in Kind (note 2)	Allowances (note 3)	Employers Pension Contributions (note 4)	Total Remuneration
	£	£	£	£	£
Police, Fire & Crime Commissioner	89,700	0	0	0	89,700
Deputy Police, Fire & Crime Commissioner	62,715	0	0	9,595	72,310
Chief Executive - Police, Fire and Crime Commissioner	94,507	0	0	14,460	108,967
Acting Treasurer to the Police, Fire and Crime Commissioner (note 7)	53,930	0	21,895	5,935	81,760
Total for PFCC	300,852	0	21,895	29,990	352,737

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

Notes

- 1) The salary figures show just salary costs. (i.e. they do not include allowances)
- 2) Benefits in kind represent the monetary value of Force provided vehicles that are untaxable through the payroll system.
- 3) Allowances, where applicable, include housing allowance, rent allowance, and a monthly car lease allowance.
- 4) Employer pension contributions are an employer cost and are not received by the employee.
- 5) The Acting Assistant Chief Constable was in post from 23rd March 2020 and the cost shown are from this date. Had they been in post for the full year their salary would have been £103,023 plus allowances.
- 6) The Chief Finance Officer for the Chief Constable covered the statutory responsibilities of the PFCC Acting Treasurer role from the 6th to the 19th February 2020. The Chief Finance Officer for Kent PCC covered these responsibilities from 20th February 2020. Neither person received payment for these extra responsibilities.
- 7) The Acting Treasurer was in receipt of an honoraria payment which is shown in the allowances column. They left the force on 29th February 2020. Statutory requirements from this date were covered as per note 5. At the point of termination a redundancy payment was made and is included within the salary total. Details on Exit Packages can be found below.

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

Members of the Essex Police Chief Officer Team

a) Director of Essex/Kent Support Services

The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2019/20. Their remuneration is disclosed in full in the Kent Police Statement of Accounts. From Sept 2019 the post holder was placed on secondment to the Seven Forces programme.

b) Assistant Chief Constable

The post holder came into post on the 28th May 2019 and is on the Kent Police payroll. 50% of their costs were recharged to Essex Police during this period. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

c) Director of Human Resources

The post holder is on the Kent Police payroll and 50% of their costs were recharged to Essex Police during 2019/20. Their remuneration is disclosed in full in the Kent Police Statement of Accounts.

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 for PFCC for Essex Group						
Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	5	1	0	0	5	1
£20,001 - £40,000	2	1	1	0	3	1
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	1	0	0	0	1	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	1	0	0	0	1	0
Total	9	2	1	0	10	2

Cost of Exit Packages for PFCC Essex Group						
	2018/19			2019/20		
	Severance £	Pension Strain £	Total £	Severance £	Pension Strain £	Total £
£0 - £20,000	28,967	0	28,967	12,720	0	12,720
£20,001 - £40,000	68,461	32,346	100,807	7,696	18,985	26,681
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	24,838	53,227	78,065	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	45,353	91,018	136,371	0	0	0
Total	167,619	176,591	344,210	20,416	18,985	39,401

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

Number of Exit Packages for PFCC for Essex						
Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	0	1	0	0	0	1
£20,001 - £40,000	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	0	1	0	0	0	1

Cost of Exit Packages for PFCC for Essex						
	2018/19			2019/20		
	Severance £	Pension Strain £	Total £	Severance £	Pension Strain £	Total £
£0 - £20,000	0	0	0	12,720	0	12,720
£20,001 - £40,000	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total	0	0	0	12,720	0	12,720

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

13 Termination Benefits

(a) For the group there were two employee contracts terminated in 2019/20 (ten employees in 2018/19), incurring the following liabilities:-

- £0.020m severance payments (£0.168m in 2018/19)
- £0.019m enhancement of pension strain (£0.177m in 2018/19).

(b) A provision of £0.010m has been created in the group accounts relating to future possible redundancies in 2020/21. Payment will depend on the outcome of employee consultations.

(c) For the PCC there was one employee contract terminated in 2019/20 (no employees in 2018/19), incurring the following liabilities:-

- £0.012m severance payments (£0.000m in 2018/19)
- £0.000m enhancement of pension strain (£0.000m in 2018/19).

14 External Audit Costs

	2018/19 £000 PFCC (restated)	2018/19 £000 Group (restated)	2019/20 £000 PFCC	2019/20 £000 Group
<u>Fees payable</u>				
- with regard to agreed audit fee plan for the designated financial year, in respect of external audit services carried out by the appointed auditor	37	49	38	50
	37	49	38	50

The actual audit costs charged to the Comprehensive Income and Expenditure Statement in 2019/20 were £0.041m for the PFCC (£0.009m relating to 2018/19 and £0.032m relating to 2019/20) and £0.053m for the Group (£0.009m relating to 2018/19 and £0.044m relating to 2019/20).

Notes Relating to the Accounts: Comprehensive Income & Expenditure Statements

15 Grant Income

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

	2018/19 (restated) £000	2019/20 £000
Credited to Taxation and Non Specific Grant Income		
Police Grant	(101,347)	(103,551)
Formula Funding	(55,149)	(56,231)
Council Tax Precepts	(107,521)	(123,302)
Council Tax Support Grant	(10,992)	(10,992)
Council Tax Freeze Grant	(2,133)	(2,133)
Pension Top Up Grant	(40,465)	(37,417)
Capital Grants	(935)	(956)
Total	(318,542)	(334,582)
Credited to Provision of Police Services		
ERSOU Grants	0	(5,263)
Home Office Pension Grant	0	(2,892)
Local Partnership Funding	(2,107)	(2,226)
Other Grants	(3,282)	(5,157)
PFCC Grants	(3,012)	(5,174)
Proceeds of Crime Grant	(212)	(2,366)
Total	(8,613)	(23,078)

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 2019/20 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:

	2018/19 £000	2019/20 £000
Not later than one year	1,020	226
Later than one year and not later than five years	1,987	678
Later than five years (per annum)	261	114
Total	3,268	1,018

The total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the 31st March 2020 is a total of £0.460m (£0.382m at 31st March 2019). These figures include a number of non-cancellable leases in respect of radio masts on police buildings.

Expenditure charged into the Comprehensive Income and Expenditure Statement during 2019/20 are:

- £1.014m minimum lease payments
- £0.265m contingent rents
- (£0.438m) sub-lease receivables

Notes Relating to Accounts: Balance Sheet

18 Property, Plant and Equipment

The following two tables show the movements for 2018/19.

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

	Land and Buildings (restated)	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1st April 2018	73,418	24,021	13,474	3,829	35	114,777
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	(377)	0	0	654	0	277
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
At 31st March 2019	73,510	26,221	13,562	4,587	561	118,441

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment						
At 1st April 2018	(1,637)	(16,883)	(8,044)	(1,500)	0	(28,064)
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)
At 31 March 2019	(2,531)	(18,042)	(8,188)	(2,179)	0	(30,940)
Net Book Value						
At 31st March 2018	71,781	7,138	5,430	2,329	35	86,713
At 31st March 2019	70,979	8,179	5,374	2,408	561	87,501

Notes Relating to Accounts: Balance Sheet

The following two tables show the movements for 2019/20 as at 31st March 2020.

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

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1st April 2019	73,510	26,221	13,562	4,587	561	118,441
Additions	998	5,336	1,887	0	2,598	10,819
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,043	0	0	765	0	1,808
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,681)	0	0	123	0	(4,558)
Derecognition - Disposals	0	(2,353)	(2,075)	(318)	0	(4,746)
Assets reclassified (to)/from						
- Within PPE	343	(2,045)	0	3,864	(2,162)	0
- Held for Sale	(2,462)	0	0	(735)	0	(3,197)
At 31st March 2020	68,751	27,159	13,374	8,286	997	118,567

	Land and Buildings	Plant and Equipment	Vehicles	Surplus Assets	Assets Under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment						
At 1st April 2019	(2,531)	(18,042)	(8,188)	(2,179)	0	(30,940)
Depreciation Charge	(1,255)	(3,191)	(1,699)	(70)	0	(6,215)
Depreciation written out to the Revaluation Reserve	178	0	0	98	0	276
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,057	0	0	1	0	2,058
Derecognition - Disposals	0	2,251	1,821	204	0	4,276
Assets reclassified (to)/from						
- Within PPE	84	2,038	0	(2,122)	0	0
- Held for Sale	154	0	0	10	0	164
At 31st March 2020	(1,313)	(16,944)	(8,066)	(4,058)	0	(30,381)
Net Book Value						
At 31st March 2019	70,979	8,179	5,374	2,408	561	87,501
At 31st March 2020	67,438	10,215	5,308	4,228	997	88,186

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 38 of the PFCC's existing land and building assets were revalued as at 31st December 2019 by external professionally qualified valuers, Guy Harbord MA MRICS IRRV (Hons) of Wilks, Head an Eve. Valuations were completed in accordance with the Code. As required by the Code and the PFCC's accounting policy, significant components were separately valued in relation to selected property assets.

As part of the collaborative arrangements between Essex Police, Kent Police and the Seven Forces Programme, a number of assets have been jointly purchased specifically for joint/collaborative operations. The following table sets out jointly controlled assets that were held at 31st March 2020 and which are included in the above PPE note.

Jointly Controlled Assets with Kent Police and Seven Forces Programme	Percentage Contributed by Essex Police	Total value of the Joint Assets as at 31st March 2020
	%	£000
CSI - Software Application	50	22
DNA Clean Room	50	90
Laser for Forensics	50	18
Network Infrastructure Upgrade	50	565
Public Contact Programme	50	85
SCD - Specialist Equipment	50	284
SCD - Fingerprint Cabinet	50	14
Single Desktop Programme	50	87
Storm Gazer	50	20
Video Conferencing	50	133
Visual Media Evidence	50	230
Emergency Services Mobile Communications Programme	50	82
SCD - Software	15	348
Perimeter Monitoring	50	50
Eastern Region Special Operations Unit (ERSOU) - Building Purchase	12.6	1,329
ERSOU - Specialist Equipment	50	39
SCD - Forensics Management Software	50	18
SCD - Specialist Equipment #2	50	58
SCD - Back Record Conversion	50	25
Eastern Region Special Operations Unit (ERSOU) - Building Purchase #2	9.5	10,514
IT Technical Refresh - Shared Platform	50	140
Driver Management Module	21.2	292
Total		14,443

Fair Value Disclosures for Surplus Assets

Details of the PFCC's surplus property assets as at 31st March 2020 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 2020
	£000	£000	£000	£000
Surplus Operational Buildings	0	2,746	0	2,746
Surplus Land	0	1,474	0	1,474
Total	0	4,220	0	4,220

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 (ESCMP), Integrated Communication Control System (ICCS) Replacement, SCD Replacement Software and Infrastructure Modernisation Programme.

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

	2018/19 Purchased Software Licences £000	2019/20 Purchased Software Licences £000
Gross book value at start of year	10,101	10,895
Movement in Year		
Additions	873	222
Donated asset		
Disposals and deletions	(27)	(738)
Transfers	(52)	0
Impairments		0
Revaluations	0	0
Gross book value at end of the year	10,895	10,379
Accumulated depreciation and amortisation at start of year	(7,968)	(8,773)
Movement in Year		
Depreciation on disposals and deletions	27	738
Depreciation on transfers	52	0
Depreciation for the year		
Amortisation for the year	(884)	(874)
Accumulated depreciation and amortisation at end of the year	(8,773)	(8,909)
Net book value at end of the year	2,122	1,470

Carrying Amount (Major Software Suites only)

	31st March 2019 £000	31st March 2020 £000	Remaining Amortisation Period at 31st March 2020
Athena Phase 1	13	-	-
SAP Systems Licences	341	91	<1 year
Single Desktop Programme	7	-	<1 year
SAP Systems Licences	35	26	2 years
ESMCP ICCS Replacement	210	149	3 years
SCD Replacement Software	122	96	3 years
Infrastructure Modernisation Programme	225	172	4 years
Athena Phase 2	464	254	2 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.

	2018/19 £000	2019/20 £000
Opening Capital Financing Requirement	8,755	6,565
Capital Investment		
Property, plant and equipment	7,305	10,819
Intangible assets	873	222
Total Capital Investment	8,178	11,041
Sources of Finance		
Capital receipts	(7,946)	(9,139)
Government grants and contributions	(1,636)	(1,125)
Revenue funding (incl. use of internal funds)	(286)	(777)
Total Sources of Finance	(9,868)	(11,041)
Minimum revenue provision	(500)	(500)
Closing Capital Financing Requirement	6,565	6,065
Explanation of movements in year		
Net increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(2,190)	(500)
Increase/(decrease) in Capital Financing Requirement	(2,190)	(500)

The minimum revenue provision of £0.500m is offsetting the capital financing requirement brought forward.

A reconciliation to the Balance Sheet in respect of the year-end Capital Financing Requirement, is presented in the table below.

	2018/19 £000	2019/20 £000
Closing Capital Financing Requirement (as per above table)	6,565	6,065
Balance Sheet		
Property, plant and equipment	87,501	88,187
Intangible assets	2,122	1,470
Assets held for sale	1,137	3,298
Net assets	90,760	92,955
Revaluation reserve	(8,675)	(10,416)
Capital adjustment account	(75,520)	(76,474)
Unusable reserves	(84,195)	(86,890)
Closing Capital Financing Requirement (as per Balance Sheet)	6,565	6,065

The estimated value of significant commitments under capital contracts totalled £4.2m at 31st March 2020 (£0.8m at 31st March 2019). The significant increase is primarily due to slippage into 2020/21 on Chelmsford Police Station refurbishment.

Notes Relating to Accounts: Balance Sheet

21 Inventories

	Vehicle Parts		Uniform		CS Spray Prisoner Supplies General Stock		Total	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Balance outstanding at 1st April 2019	88	156	575	658	40	37	703	852
Purchases	1,178	1,069	514	513	17	20	1,710	1,601
Recognised as an expense in the year	(1,110)	(1,052)	(431)	(448)	(20)	(15)	(1,561)	(1,515)
Balance outstanding at 31st March 2020	156	173	658	723	37	42	852	938

22 Debtors

Long term debtors

The long-term debtors' figure of £0.032m (2018/19 £0.037m) 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:-

	2018/19	2018/19	2019/20	2019/20
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
Trade receivables	6,349	7,136	5,129	5,129
Payments in advance	5,715	5,715	5,445	5,445
Income accruals	12,125	12,125	17,132	17,132
Council Tax-related	4,823	4,823	3,621	3,621
VAT-related	1,007	1,007	2,242	2,242
Other debtors	44	44	(83)	(83)
	30,063	30,850	33,486	33,486
Less loss allowance for doubtful debts	(17)	(17)	(156)	(156)
Balance at 31st March 2020	30,046	30,833	33,330	33,330

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

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.

	2018/19	2019/20
	£000	£000
Central government bodies	3,500	5,500
Local authorities	5,020	0
	8,520	5,500

Notes Relating to Accounts: Balance Sheet

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:

	2018/19 £000	2019/20 £000
Current Assets		
Liquid investments	8,484	8,600
Operational bank accounts	(774)	(364)
Petty cash advances	193	53
Total as per Balance Sheet	7,903	8,289
Less accrued interest on net short term deposits	(10)	0
Total excluding accrued interest	7,893	8,289
Balance at 31st March 2020	7,893	8,289

For 2019/20 year-end £2.160m of third party balances have been omitted from the Cash and Cash Equivalents total. The previous year comparable amount omitted was £2.147m.

There was no accrued interest on investments at 2019/20 year-end which fell into the PFCC's materiality threshold.

25 Assets held for sale

	2018/19 £000	2019/20 £000
Balance outstanding at 1st April 2019	3,521	1,137
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,188	3,042
Revaluation gains / (losses)	(701)	951
Assets sold	(2,871)	(1,832)
Balance outstanding at 31st March 2020	1,137	3,298

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 2020, seven assets met the above criteria (31st March 2019, six properties).

26 Creditors

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

	2018/19 £000	2018/19 £000	2019/20 £000	2019/20 £000
	PFCC	Group	PFCC	Group
Trade payables	(11,051)	(11,051)	(11,481)	(11,481)
Expenditure accruals	(9,798)	(9,798)	(12,334)	(12,334)
Receipts in advance	(1,247)	(1,247)	(964)	(964)
Council Tax-related	(2,095)	(2,095)	(2,270)	(2,270)
Compensated absences	(15)	(3,042)	(15)	(2,915)
Other employee-related	(481)	(1,268)	(725)	(1,824)
Other creditors	(326)	(326)	(1,884)	(785)
Balance outstanding at 31st March 2020	(25,013)	(28,827)	(29,673)	(32,573)

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

For 2019/20 year-end £2.160m of third party balances have been omitted from the Creditors total. The previous year comparable amount omitted was £2.147m.

Notes Relating to Accounts: Balance Sheet

27 Provisions

The PFCC maintains two provisions as follows:

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

	2018/19	2019/20
	£000	£000
Balance outstanding at 1st April 2019	(2,384)	(2,580)
Additional provisions made in-year	(1,031)	(1,212)
Amounts used in-year	835	1,209
Balance outstanding at 31st March 2020	(2,580)	(2,583)

b) Legal Claims Provision

	2018/19	2019/20
	£000	£000
Balance outstanding at 1st April 2019	0	(794)
Additional provisions made in-year	(794)	0
Amounts used in-year	0	73
Balance outstanding at 31st March 2020	(794)	(721)

c) Severance Provision

	2018/19	2019/20
	£000	£000
Balance outstanding at 1st April 2019	0	0
Additional provisions made in-year	0	(11)
Amounts used in-year	0	0
Balance outstanding at 31st March 2020	0	(11)

28 Capital Grants - Receipts in Advance

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

	2018/19	2019/20
	£000	£000
Capital Grants Receipts in Advance		
Safer Essex Roads Partnership - Document Management System	(14)	(7)
Total	(14)	(7)

Notes Relating to the Accounts: Cash Flow Statement

29 Operating Activities

	2018/19	2018/19	2019/20	2019/20
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
Interest received	136	136	181	181
Interest paid	(2)	(2)	(1)	(1)
Dividends received	0	0	0	0
	134	134	180	180

	2018/19	2018/19	2019/20	2019/20
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:				
Depreciation	(5,390)	(5,390)	(6,215)	(6,215)
Impairment and valuation changes	(422)	(422)	(2,159)	(2,159)
Amortisation	(884)	(884)	(874)	(874)
(Increase)/decrease in impairment for bad debts	0	0	0	0
(Increase)/decrease in creditors	3,763	4,440	(3,873)	(3,746)
Increase/(decrease) in debtors	(1,777)	(1,777)	2,498	2,498
Increase/(decrease) in inventories	149	149	86	86
Movement in pension liability	(246)	(183,899)	(201)	(75,977)
Carrying amount of non-current assets and non-current assets held for sale, sold	(3,189)	(3,189)	(2,294)	(2,294)
Other non-cash items charged to the net surplus or deficit on the provision of	(990)	(990)	59	59
	(8,986)	(191,962)	(12,973)	(88,622)

	2018/19	2018/19	2019/20	2019/20
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:				
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0	(3,020)	(3,020)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,149	12,149	4,173	4,173
Any other items for which the cash effects are investing or financing cash flows	1,636	1,636	1,125	1,125
	13,785	13,785	2,278	2,278

Notes Relating to the Accounts: Cash Flow Statement

30 Investing Activities

	2018/19	2018/19	2019/20	2019/20
	£000	£000	£000	£000
	PFCC	Group	PFCC	Group
Purchase of property, plant and equipment, investment property and intangible assets	8,488	8,488	11,041	11,041
Purchase of short-term and long-term investments	500	500	0	0
Other payments for investing activities	18	18	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12,149)	(12,149)	(4,173)	(4,173)
Proceeds from short-term and long-term investments	0	0	0	0
Other receipts from investing activities	(2,276)	(2,276)	(1,123)	(1,123)
Net cash flows from investing activities	(5,419)	(5,419)	5,745	5,745

31 Financing Activities

	2018/19	2018/19	2019/20	2019/20
	£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	(319)	(319)	0	0
Net cash flows from investing activities	(319)	(319)	0	0

Notes Relating to the Accounts: Movement in Reserves Statement

32 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 - 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
Adjustments involving the Capital Adjustment Account													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(5,812)			(5,812)		5,812						5,812	0
Amortisation of intangible assets	(884)			(884)		884						884	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
Adjustments involving the Capital Grants Unapplied Account													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	1,636		(1,636)	0								0	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure			1,636	1,636		(1,636)						(1,636)	0
Adjustments involving the Capital Receipts Reserve													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,149	(12,149)		0								0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		7,946		7,946		(7,946)						(7,946)	0
Adjustments involving the IAS19 Pensions Reserve													
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
Adjustments involving the Collection Fund Adjustment Account													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(318)			(318)						318		318	0
Adjustments involving the Accumulating Absences Account													
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	678			678							(678)	(678)	0
Total	(178,853)	(4,203)	0	(183,056)	533	(1,015)	0	162,248	21,650	318	(678)	183,056	0

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
Adjustments involving the Capital Adjustment Account													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(5,812)			(5,812)		5,812						5,812	0
Amortisation of intangible assets	(884)			(884)		884						884	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
Adjustments involving the Capital Grants Unapplied Account													
Capital grants and contributions unapplied credited to Comprehensive Income and Expenditure Statement	1,636		(1,636)	0		0						0	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure			1,636	1,636		(1,636)						(1,636)	0
Adjustments involving the Capital Receipts Reserve													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12,149	(12,149)		0								0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		7,946		7,946		(7,946)						(7,946)	0
Adjustments involving the IAS19 Pensions Reserve													
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
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
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
Total	4,123	(4,203)	0	(80)	533	(1,015)	0	0	247	318	(3)	80	0

Notes Relating to the Accounts: Movement in Reserves Statement

PFCC Group - 2019/20	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(8,373)			(8,373)		8,373						8,373	0
Amortisation of intangible assets	(874)			(874)		874						874	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,293)			(2,293)		2,293						2,293	0
Net write off of revaluation gains in respect of asset disposals in year				0	953	(953)						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	777			777		(777)						(777)	0
Adjustments involving the Capital Grants Unapplied Account													
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to usable reserves	1,125		(1,125)	0								0	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure			1,125	1,125		(1,125)						(1,125)	0
Adjustments involving the Capital Receipts Reserve													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,173	(4,173)		0								0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		9,140		9,140		(9,140)						(9,140)	0
Adjustments involving the IAS19 Pensions Reserve													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(160,450)			(160,450)				132,862	27,588			160,450	0
Employers' pension contributions and direct payments to pensioners payable in the year	84,473			84,473				(73,617)	(10,856)			(84,473)	0
Adjustments involving the Collection Fund Adjustment Account													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,377)			(1,377)						1,377		1,377	0
Adjustments involving the Accumulating Absences Account													
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements	127			127							(127)	(127)	0
Total	(82,192)	4,967	0	(77,225)	953	(955)	0	59,245	16,732	1,377	(127)	77,225	0

Notes Relating to the Accounts: Movement in Reserves Statement

PFCC - 2019/20	General Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts Reserve	IAS19 Pensions Reserve- Police Officers	IAS19 Pensions Reserve- Police Staff	Collection Fund Adjustment Account	Accumulating Absences Account	Total Unusable Reserves	Total all Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account													
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>													
Charges for depreciation and impairment of non current assets	(8,373)			(8,373)		8,373						8,373	0
Amortisation of intangible assets	(874)			(874)		874						874	0
Write out net asset value debited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,293)			(2,293)		2,293						2,293	0
Net write off of revaluation gains in respect of asset disposals in year				0	953	(953)						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	777			777		(777)						(777)	0
Adjustments involving the Capital Grants Unapplied Account													
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to usable reserves	1,125		(1,125)	0								0	0
Use of the Capital Grants Unapplied Account to finance new capital expenditure			1,125	1,125		(1,125)						(1,125)	0
Adjustments involving the Capital Receipts Reserve													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,173	(4,173)		0								0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		9,140		9,140		(9,140)						(9,140)	0
Adjustments involving the IAS19 Pensions Reserve													
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(332)			(332)				332				332	0
Employers' pension contributions and direct payments to pensioners payable in the year	131			131				(131)				(131)	0
Adjustments involving the Collection Fund Adjustment Account													
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,377)			(1,377)						1,377		1,377	0
Adjustments involving the Accumulating Absences Account													
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different to remuneration chargeable for the year in accordance with statutory requirements				0								0	0
Total	(6,543)	4,967	0	(1,576)	953	(955)	0	0	201	1,377	0	1,576	0

Notes Relating to the Accounts: Movement in Reserves Statement

33 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 2019/20:-

- 1) The PFCC Carry Forward Reserve represents amounts carried forward from the financial year just ended to the new financial year to meet specific financial commitments, as directly requested/approved by the Police, Fire and Crime Commissioner.
- 2) The Chief Constable's Carry Forward Reserve represents amounts carried forward from the financial year just ended to the new financial year to meet specific financial commitments, as directly requested by the Chief Constable, and approved by the Police, Fire and Crime Commissioner.
- 3) The Forfeiture Monies Reserve holds funds transferred to the PFCC from the Misuse of Drugs Act Seizures Fund. These funds are subsequently transferred from the reserve into the Comprehensive Income & Expenditure Statement in order to fund the costs of operations mounted to tackle drug related crime and drug abuse.
- 4) The Transformation Reserve (formerly referred to as Investment in Estates and IT Strategies) was created in 2015/16 and helps to fund the one off costs of implementing the Estates and IT Strategies.
- 5) The Leased Property Dilapidations Reserve funded the cost of future major repairs to a multi-occupancy building. The PFCC was responsible for the maintenance of this building, for the purpose of restoring the building back to its original condition at the end of the lease. During 2019/20 this multi-occupancy building was disposed of, with the outstanding balance of the reserve transferred to the purchasing force to manage these funds going forward.
- 6) The Leased Property Dilapidation & Maintenance Reserve funded the cost of minor repairs to the multi-occupancy building. The funds transferred into the reserve represented 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. During 2019/20 this multi-occupancy building was disposed of, with the outstanding balance of the reserve transferred to the purchasing force to manage these funds going forward.
- 7) The Proceeds of Crime Act (POCA) Reserve holds receipts received through the Asset Recovery Incentive Scheme, to fund crime reduction-related expenditure.
- 8) The Redundancy and Relocation Reserve was created in 2014/15 to help fund the cost of the savings programme.
- 9) 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.
- 10) The Seven Forces Collaboration Reserve was created in 2016/17 to fund collaborative set-up costs required for implementing future savings plan.
- 11) 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.
- 12) A new reserve for the Special Constabulary was set up in 2018/19 to support the expenditure required to increase the number of Specials.
- 13) The Policing Education Qualification Framework (PEQF) is a new framework for the education of police officers and police staff. This reserve was created in 2019/20 to fund one-off costs for the introduction of this new training programme in 2020/21.
- 14) The Data Analytics reserve was created in 2019/20. This reserve will support the cost of introducing a new data analytics tool in 2020/21.
- 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

34 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 2019/20.

See note 33 for details of the purpose of earmarked reserves.

	Balance at 31-Mar-18 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31- Mar 19 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31- Mar 20 £000
Earmarked Reserves							
Held for revenue purposes							
Athena Reserve	85	(85)	0	0	0	0	0
Estates Programme	217	(217)	0	0	0	0	0
PFCC Carry Forward Reserve (1)	385	(385)	332	332	(65)	0	267
Chief Constable's Carry Forward Reserve (2)	0	0	0	0	0	500	500
Forfeiture Monies Reserve (3)	353	(377)	55	31	(20)	114	125
Transformation Reserve (4)	1,967	(1,597)	227	597	(144)	0	453
Leased Property Dilapidations Reserve (5)	175	0	0	175	(175)	0	0
Leased Property Maintenance Reserve (6)	535	0	0	535	(535)	0	0
POCA Reserve (7)	368	(21)	390	737	(154)	2,156	2,739
Redundancy & Relocation Reserve (8)	1,005	(529)	0	476	(246)	0	230
Major Operational Reserve (9)	986	0	514	1,500	0	0	1,500
Recruitment Uplift Reserve	592	(592)	0	0	0	0	0
Legal Claims Reserve	900	(900)	0	0	0	0	0
Seven Forces Collaboration Reserve (10)	35	0	0	35	(35)	0	0
ERSOU Reserve	219	(219)	0	0	0	0	0
Operational Transformational Reserve (11)	0	(964)	2,700	1,736	(681)	0	1,055
Special Constabulary Reserve (12)	0	0	119	119	(67)	93	145
PEQF Reserve (13)	0	0	0	0	0	218	218
Data Analytics Reserve (14)	0	0	0	0	0	228	228
Sub total	7,822	(5,886)	4,337	6,273	(2,122)	3,309	7,460
Held for capital purposes							
Future Capital Funding Reserve (15)	0	(216)	1,471	1,255	(255)	1,000	2,000
Sub total	7,822	(6,102)	5,808	7,528	(2,377)	4,309	9,460
General Reserve	12,221	(3,400)	405	9,226	(348)	397	9,275
Total Specific & General Reserves	20,043	(9,502)	6,213	16,754	(2,725)	4,706	18,735

35 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.

	2018/19 £000	2019/20 £000
Balance at 1st April 2019	(1,852)	(6,055)
Capital receipts received		
In-year receipts	(12,149)	(4,172)
Deferred receipts realised in year	0	0
	(14,001)	(10,227)
Capital receipts applied		
Used for financing capital expenditure	7,946	9,139
	7,946	9,139
Balance at 31st March 2020	(6,055)	(1,088)

Notes Relating to the Accounts: Movement in Reserves Statement

36 Usable Reserves

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

37 Unusable Reserves

The tables on the following pages describe the unusable reserves.

37.1 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.

	2018/19 £000	2019/20 £000
Balance at 1st April 2019	(9,106)	(8,675)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		
Upward revaluation of assets	(2,448)	(11,270)
Downward revaluation of assets and impairment losses	2,346	8,575
Amount written off to the Capital Adjustment Account		
Depreciation of revaluation gains	137	98
Accumulated gains on assets sold or scrapped	396	856
Balance at 31st March 2020	(8,675)	(10,416)

37.2 Capital Adjustment Account

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

	2018/19 £000	2019/20 £000
Balance at 1st April 2019	(74,505)	(75,520)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Net charges for depreciation and impairment of non current assets	5,812	8,373
Amortisation of Intangible Assets	884	874
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,189	2,293
Adjusting amounts written out of the Revaluation Reserve	(533)	(954)
Net written out amount of the cost of non current assets consumed in the year	(65,153)	(64,934)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(7,946)	(9,139)
Capital Grants and Other Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(1,636)	(1,125)
Statutory provision for the financing of Capital Investment charged against the General Reserve	(500)	(500)
Capital Expenditure charged against the General Reserve	(285)	(776)
Balance at 31st March 2020	(75,520)	(76,474)

Notes Relating to the Accounts: Movement in Reserves Statement

37.3 Pensions Reserve

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

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

	2018/19 Group			2019/20 Group		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
Balance at 1st April 2019	2,830,260	179,994	3,010,254	3,067,043	181,756	3,248,799
Actuarial (gains)/losses on pensions assets and liabilities	74,535	(19,888)	54,647	(276,470)	(48,473)	(324,943)
Reversal of items relating to retirement benefits debited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	231,849	32,060	263,909	132,862	27,588	160,450
Employer's pensions contributions and direct payments to pensioners payable in the year	(69,601)	(10,410)	(80,011)	(73,617)	(10,856)	(84,473)
Balance at 31st March 2020	3,067,043	181,756	3,248,799	2,849,818	150,015	2,999,833

	2018/19 PFCC			2019/20 PFCC		
	Police Officers £000	Police Staff £000	Total £000	Police Officers £000	Police Staff £000	Total £000
Balance at 1st April 2019	0	1,288	1,288	0	1,430	1,430
Actuarial (gains)/losses on pensions assets and liabilities	0	(105)	(105)	0	(447)	(447)
Reversal of items relating to retirement benefits debited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	0	374	374	0	332	332
Employer's pensions contributions and direct payments to pensioners payable in the year	0	(127)	(127)	0	(131)	(131)
Balance at 31st March 2020	0	1,430	1,430	0	1,184	1,184

Notes Relating to the Accounts: Movement in Reserves Statement

37.4 Collection Fund Adjustment Account

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

	2018/19	2019/20
	£000	£000
Balance at 1st April 2019	(3,046)	(2,728)
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	1,377
Balance at 31st March 2020	(2,728)	(1,351)

37.5 Accumulated Absences Account

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

	2018/19	2018/19	2019/20	2019/20
	PFCC	Group	PFCC	Group
	£000	£000	£000	£000
Balance at 1st April 2019	18	3,720	15	3,042
Settlement or cancellation of accrual made at the end of the preceding year	(18)	(3,720)	(15)	(3,042)
Amounts accrued at the end of the current year	15	3,042	15	2,915
Balance at 31st March 2020	15	3,042	15	2,915

Notes Relating to the Accounts: Supplementary Notes

38 Financial Instruments - Overview

Introduction

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

Financial Instruments – Balances

a) Financial Assets

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

	2018/19	2019/20
	£000	£000
<u>Financial Assets</u>		
<i>At amortised cost:</i>		
Principal	8,500	5,500
Accrued Interest	20	0
Total Investments	8,520	5,500
<i>At amortised cost:</i>		
Principal	2,028	1,449
Accrued Interest	6	0
<i>At fair value through profit & loss:</i>		
Fair Value	5,859	6,840
Total Cash and Cash Equivalents	7,893	8,289
<i>At amortised cost:</i>		
Receivables	9,887	7,865
Accrued Interest	0	0
Loss Allowance	(17)	(156)
Included in Debtors	9,870	7,709
Total Financial Assets	26,283	21,498

All of the above financial assets are classified as short-term. There were no long-term financial assets held at the 31st March 2020.

There were no financial assets classified at fair value through other comprehensive income. The short-term investment balance held at amortised cost relates to a fixed-term investment held at the 31st March 2020, with the Debt Management Office.

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

The debtors lines on the Balance Sheet include £25.621m (2018/19, £20.946m) short-term and £0.033m (2018/19, £0.037m) 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 the position as at the 31st March 2020 accrued interest has not been recognised within this note based on materiality.

Notes Relating to the Accounts: Supplementary Notes

b) Financial Liabilities

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

	Short Term		Long Term	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Financial Liabilities				
<i>At amortised cost:</i>				
Payables	(18,996)	(23,121)	0	0
Included in Creditors	(18,996)	(23,121)	0	0
<i>At amortised cost:</i>				
Provisions	0	0	(3,374)	(3,315)
Capital grants	0	0	(14)	(7)
Total Long-term Liabilities	0	0	(3,388)	(3,322)
Total Financial Liabilities	(18,996)	(23,121)	(3,388)	(3,322)

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 £9.452m (2018/19, £9.830m) 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 2020 but has an internal borrowing requirement of £6.065m (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:-

	2018/19	2019/20
	£000	£000
Financial Assets		
Gains and Losses		
<i>At amortised cost:</i>		
Interest income	(129)	(182)
Gains from changes in fair value	(38)	0
Interest and Investment income	(167)	(182)
Financial Liabilities		
<i>At amortised cost:</i>		
Interest expense	2	1
Interest Payable and Similar Charges	2	1
	2018/19	2019/20
	£000	£000
Net impact on (surplus)/deficit on provision of services / Net (gain)/loss for the year	(165)	(181)

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

Notes Relating to the Accounts: Supplementary Notes

The PFCC has assessed that there are no anticipated credit losses to recognise in the 2019/20 Statement of Accounts, either in respect of financial assets held at amortised cost or those held at fair value through profit and loss. The economic outlook for the PFCC's financial assets as a result of the COVID-19 pandemic has been taken into account in making this assessment, with consideration of the risk of default, the exposure to that default risk and the estimated loss as a result of the default. Whilst the PFCC accepts the ongoing impacts will need to be monitored closely going forward (as described in the measures set out within Note 39) there is no current evidence that credit losses need to be recognised at the current time, based on the investments held and the counterparties these monies are held with.

39 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.

The table below summarises the credit risk exposure during 2019/20 in respect of the PFCC's treasury investment portfolio by credit rating and remaining time to maturity:

Notes Relating to the Accounts: Supplementary Notes

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 2019/20, and the PFCC does not expect any losses from non-performance for these investments in the future. However, the impact of COVID-19 will need to be assessed as the 2020/21 financial year progresses, with a need to ensure that appropriate arrangements are in place to manage credit risks arising. This will need to incorporate the potential impact of a money market fund getting into difficulties, the potential downgrade of UK banks and building societies, as well as multiple business failure in the UK and the related effect on tax base economic activity. The PFCC's response to this additional risk will be to apply additional prudence when making investments, with a greater focus on counterparty worthiness and reduced durations for investments.

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	2018/19	2019/20
	£000	£000
Neither past due or impaired	6,844	4,552
Between 31 and 60 days	31	273
Between 61 and 90 days	54	90
Over 90 days	207	214
Total	7,136	5,129

Loss allowances on trade receivables have been generally calculated by reference to the PFCC's historic experience of default (currently assessed at 0.05%). However, due to specific concerns in respect of COVID-19 and the potential impact on year-end debtors outstanding, a significant uplift in the bad debt provision has been applied. The revised balance as at the 31st March 2020 is £0.156m (£0.017m, 31st March 2019). In respect of the impact of COVID-19 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.

Where the bad debt provision value is not sufficient, trade receivables are written off to the (Surplus)/Deficit on the Provision of Services when they are past due, with a bad debt being recognised. There was no material charges of this nature during 2019/20.

Notes Relating to the Accounts: Supplementary Notes

Liquidity Risk

The PFCC manages its liquidity position through a comprehensive cash management system. This includes the use of call accounts, notice accounts and money market funds. In respect of the latter, work is currently underway to set up new funds for use by the PFCC, to assist with its liquidity management.

COVID-19 has impacted various elements of cashflow forecasting with greater uncertainty over the amount and timings of cash flows collected by the PFCC. It is likely that the PFCC will need to keep under review the liquidity of their investment portfolio and make cash available in the shorter-term. In addition the PFCC may need to consider their ability to be convert investments to cash at short notice, although it is not currently expected that this approach will be required.

The PFCC has ready access to borrowing at favourable rates from the Public Works Loan Board and UK local authorities, and at higher rates from banks and building societies. There is no perceived risk that the PFCC will be unable to raise finance to meet its commitments however the PFCC is expecting to require external borrowing to fund its capital programme in 2020/21 onwards, and consideration will need to be made for how these funds are acquired. This approach will also be shaped by the outcome of the current HM Treasury consultation 'PWLB: Future Lending Terms' which proposes a number of changes to PWLB borrowing for public sector entities. Further detail in respect of the PFCC's borrowing approach and medium-term financial commitments are set out in the Treasury Management Strategy document.

Market Risk: Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31st March 2020, £5.5m (31st March 2019: £8.5m) of short-term investments were exposed to fixed rates and £10.8m (31st March 2019: £10.6m) 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:-

	2018/19	2019/20
	£000	£000
Increase in interest receivable on variable rate investments (based on year-end Balance Sheet position)	106	71

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

Market Risk: Price Risk

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

Notes Relating to the Accounts: Supplementary Notes

Market Risk: Foreign Exchange

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

Transition to IFRS 9 Financial Instruments

There has been no material impact on the PFCC's financial statements from the additional requirements of IFRS 9, first introduced within the 2018/19 accounts, with the only changes relating to the reclassification of financial assets into the new categories required.

40 Jointly-Controlled Operations and Collaborative Activity

The Group in conjunction with other parties participates in a number of joint operations that involve the use of the assets and resources of the parties rather than the establishment of a separate entity. The Group recognises the assets that it controls and the liabilities that it incurs on its Balance Sheet, with the PFCC/Group share of these set out in Note 18. Jointly-controlled assets are items of property, plant or equipment that are jointly controlled by the Group and other parties, with the assets being used to obtain benefits for all the parties.

The joint operations do not involve the establishment of a separate entity (e.g. they are not classified as a joint venture). The Group accounts for only its share of the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of interest in the operation, and income that it earns from the arrangement.

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

a) 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 force's share of costs are consolidated into their own financial statements.

Net expenditure of £1.953m (including £2.314m of running costs, offset by government grant income of £0.517m) has been consolidated into the Comprehensive Income and Expenditure Statement for the PFCC/Group. In addition, the PFCC/Group share of total assets purchased (£1.199m) are included within its Balance Sheet.

The ERSOU income and expenditure statement for 2019/20 is shown below:-

	2018/19				2019/20			
	Home Office	Running	Depreciation	(Surplus)/	Home Office	Running Costs	Depreciation	(Surplus)/ Deficit
	Grant	Costs		Deficit	Grant			
	£000	£000	£000	£000	£000	£000	£000	£000
Bedfordshire	(517)	2,314	50	1,847	(426)	2,384	39	1,997
Cambridgeshire	(682)	2,998	46	2,362	(551)	3,083	35	2,567
Essex	(1,022)	2,450	28	1,456	(1,013)	2,946	20	1,953
Hertfordshire	(951)	4,218	85	3,352	(772)	4,318	61	3,607
Kent	(486)	2,215	7	1,736	(476)	2,721	4	2,249
Norfolk	(749)	3,379	64	2,694	(626)	3,497	47	2,918
Suffolk	(576)	2,572	54	2,050	(472)	2,640	39	2,207
Total	(4,983)	20,146	334	15,497	(4,336)	21,589	245	17,498

Please note that whilst the £1.953m in the table above is the reported share of ERSOU costs for Essex in 2019/20, the actual costs chargeable to the taxpayer in the year were £1.792m. The explanation for this difference relates to timings and adjustments from the previous accounting period, as well as the depreciation element, which is chargeable to the Comprehensive Income and Expenditure Statement but not the taxpayer.

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

Notes Relating to the Accounts: Supplementary Notes

b) Kent Collaborative Agreement

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

The amount received from Kent Police during 2019/20 in respect of contributions to joint departments was £12.543m (2018/19 £11.036m). The amount paid to Kent Police for the year 2019/20 in respect of contributions to joint departments was £11.189m (2018/19 £11.033m).

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:

	2018/19 £000	2019/20 £000
Collaborative Activity		
Joint Serious Crime Directorate	27,640	28,752
Joint Support Services Directorate:		
Director of Support Services	95	97
Business Services	7,488	8,531
Human Resources	3,148	3,058
IT Services	16,396	17,386
Learning and Development	5,776	5,634
Payroll Services	167	186
Procurement Services	655	0
Support Services Project Team	96	94
Transport Services	2,219	4,262
Total	63,680	68,000

c) Athena

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

The Strategic Athena Management Board (SAMB) consists of the PFCC and Chief Constable of the 9 Athena forces with equal voting rights. Athena development and day to day management is delegated by participating forces to the Athena Management Organisation (AMO). Essex acts as the lead force for managing all income and expenditure incurred by the AMO. This mainly covers payments to suppliers, salary costs of the personnel seconded to the AMO from founder forces, together with other overheads. All costs and refunds to forces for their seconded staff are then aggregated and net costs recovered from participating forces in accordance with the terms of the Athena Collaborative Service Agreement.

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

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.

Notes Relating to the Accounts: Supplementary Notes

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' and is also not subject to IFRS 12 disclosures as there is no separate entity.

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

	2018/19		2019/20	
	Share of Athena system costs	Recharge of AMO Management costs	Share of Athena system costs	Recharge of AMO Management costs
	£000	£000	£000	£000
Bedfordshire	130	454	94	418
Cambridgeshire	165	548	137	529
Hertfordshire	242	753	200	773
Kent	364	1,197	302	1,172
Norfolk	188	597	156	603
Suffolk	145	486	120	465
Essex	341	998	282	1,091
Warwickshire	75	191	63	249
West Mercia	168	318	141	431
Total	1,818	5,542	1,495	5,731

d) Seven Forces Strategic Collaboration Programme (7FSCP)

This team was set up in October 2015 with team resources contributed by six other forces and the costs shared based on Net Revenue Expenditure (NRE). The programme of work is currently budgeted up to March 2021, with the Section 22a extended until the end of March 2023 to review new collaborative working possibilities.

The initial transition to 7 Force Firearms Training Compliance function commenced on 1st April 2018. The costs associated with the posts of 7 Force Chief Firearms Instructor (CFI), 7 Force Deputy CFI and Training Delivery Manager were shared (on an 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 seven forces. From 2019/2020 the CFI function was fully collaborated with all posts on a 7F NRE cost share basis.

In addition to 7FSCP and CFI, the below are areas for which Essex has a contribution to cost but the charging is organised by other Forces in the 7F:-

- PEQF (Police Education Qualification Framework), regional procurement was undertaken on a 7F basis with separate lots for Bedfordshire, Cambridgeshire & Huntingdonshire (BCH), Essex & Kent (EK), and Norfolk & Suffolk (NS) respectively. This was supported by a project board and delivery board of force stakeholders and SMEs (subject matter experts). There was a further dedicated workstream lead and project support role (funded from an additional £101k allocation for these posts in the 7F pay budget for 2019/20) and external legal expertise was provided by Sharpe Pritchard (which was budgeted from the core 7F funding consultancy allocation). Work began in 2018/19, with a preferred HEI (Higher Education Institute) selected in 2019/20 and contract finalisation is now currently being undertaken with implementation planned for June 2020.

Notes Relating to the Accounts: Supplementary Notes

- Procurement - Creation of 7F function under a Head of Strategic Procurement role, from existing collaborated units of BCH, EK and NS. NRE apportionment basis for function itself which was reported and invoiced through Kent in 2019/2020.
- Driver Management - South East and Eastern Region Police Insurance Consortium (SEERPIC) motor insurance compliance invoiced by Norfolk/Suffolk on NRE apportionment basis. As a consequence of a move of insurers in September 2019 to Edison (new provider of the SEERPIC motor insurance contract), the seven Forces were required to implement the Chronicle Driver Management module. The seven Chief Constables agreed that rather than each force/collaborative group seek to implement the module independently, a 7F approach to the management of driver records should be pursued, and the 7F Strategic Collaboration Programme were tasked to manage the implementation of this module. The Driver Management module was required in order to provide a single database which would record all the data fields required for NPoCC (National Police Co-ordination Centre - responsible for coordinating the deployment of police officers and staff from across UK policing to support forces during large scale events, operations etc) reporting and the insurer, Edison. The insurer's primary requirement was to ensure that all driver records held up to date qualifications/skills and that there was an opportunity to identify drivers who may need early intervention locally to minimise the risk of an accident (and subsequent claims).
- ICT Convergence phase 1 outline business case (OBC) - invoicing arrangements through Suffolk on NRE apportionment basis.

The latter three areas were programme managed by the 7F team but are not within the 7F S22 charging arrangements with Procurement now business as usual (with Essex Head of Department and Kent currently leading finance arrangements), Driver Management live and business as usual, and ICT Convergence direction to be confirmed in 2020/21.

	2019/20 Share of Seven Forces Strategic Collaboration costs £000
Bedfordshire	174,984
Cambridgeshire	226,284
Essex	463,674
Hertfordshire	316,929
Kent	488,917
Norfolk	255,620
Suffolk	192,931
Total	2,119,339

41 Related Parties

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

PFCC/Chief Constable

The PFCC has direct control over the group's finances and is responsible for setting the Police and Crime Plan. The Chief Constable operates within the budget set by the Police, Fire and Crime Commissioner, to deliver the aims and objectives set out in the Police and Crime Plan. Further information on the separate entities within Essex Police which comprise the PFCC Group, can be found in Note 1 (Creation of PFCC and Chief Constable Single Entities).

Notes Relating to the Accounts: Supplementary Notes

Central Government

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

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

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

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

The PFCC and the PFCC staff pay and associated costs relating to their work at Essex County Fire and Rescue Service (ECFRS) are recharged on a direct basis. In addition to this, there is a joint arrangement for joint projects which is run by a joint Emergency Services Collaboration Programme Board and Strategic Governance Board. The amount received from ECFRS during 2019/20 was £0.153m and the amount paid to ECFRS during 2019/20 was £0.171m.

Local Government Pension Scheme (LGPS)

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

Due to the material transactions and related assets/liabilities arising from the scheme, and its impact on the PFCC/Group (as set out in Note 42) influence is recognised in respect of both Essex County Council (who run the scheme) and the LGPS entity itself.

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

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

Officers

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

The PFCC as a serving councillor for Brentwood Borough Council has a related party relationship with this entity in his role as Commissioner. During 2019/20 the PFCC office has incurred £53,500 of costs in respect of rental at Brentwood Borough Council, encompassing £41,600 for office use and £11,900 for parking spaces. The actual amount paid to Brentwood Borough Council for these arrangements during 2019/20 was £66,875, including a £13,375 prepayment in respect of the 2020/21 accounting period. There were no other material transactions arising from this relationship in 2019/20 nor between these entities, except for council tax billing and collection activities which are required by statute.

From the 20th February 2020 until the end of the financial year, the Section 151 Officer for the Kent PFCC undertook the equivalent role in Essex due to this statutory post falling vacant. This arrangement and the associated remuneration details are disclosed within Note 12, Officers Remuneration.

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

Notes Relating to the Accounts: Supplementary Notes

42 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	
	2018/19 £000	2019/20 £000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services:		
Service cost	160,559	60,130
Financing and Investment Income & Expenditure:		
Net interest on the defined liability	71,290	72,732
Total Post Employment Benefit charged to the Deficit on the Provision of Services	231,849	132,862
<u>Other Post-Employment Benefit charged to the Comprehensive Income & Expenditure Statement</u>		
Remeasurement of the net defined benefit liability comprising:		
Change in financial assumptions	153,078	(282,260)
Change in demographic assumptions	(78,543)	5,790
Experience (gain)/loss on defined benefit obligation	0	0
Remeasurements	74,535	(276,470)
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	306,384	(143,608)
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	(231,849)	(132,862)
Actual amount charged against the General Reserve for pensions in the year		
Retirement benefits payable to retired police officers	69,601	73,617

Actuarial gains and losses

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial surpluses of £276.470m (2018/19, losses of £74.535m) have been included in the Comprehensive Income & Expenditure Statement.

Notes Relating to the Accounts: Supplementary Notes

Local Government Pension Scheme

	Local Government Pension Scheme			
	2018/19	2018/19	2019/20	2019/20
	£000 PFCC	£000 Group	£000 PFCC	£000 Group
Comprehensive Income & Expenditure Statement				
Service cost	342	27,372	298	23,150
Financing and Investment Income & Expenditure:				
Net interest on the defined liability	32	4,550	33	4,324
Administration expenses	1	138	1	114
	33	4,688	34	4,438
Total Post Employment Benefit charged to the (Surplus)/Deficit on the Provision of Services	375	32,060	332	27,588
Other Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets in excess of interest	(99)	(19,060)	133	28,323
Other actuarial (gains)/losses on assets	0	0	(379)	93
Change in financial assumptions	189	30,117	(462)	(64,124)
Change in demographic assumptions	(195)	(30,945)	(88)	(8,479)
Experience (gain)/loss on defined benefit obligation	0	0	349	(4,286)
Total Remeasurements	(105)	(19,888)	(447)	(48,473)
Total Post Employment Benefit charged to the Comprehensive Income & Expenditure Statement	270	12,172	(115)	(20,885)
Movement in Reserves Statement				
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services for post employment benefits	(375)	(32,060)	(332)	(27,588)
Actual amount charged against the General Reserve for pensions in the year				
Employer's contribution payable to scheme	128	10,410	131	10,856

Actuarial gains and losses – Local Government Pension Scheme

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £48.473m for the group and £0.447m for the PFCC (actuarial gains of £19.888m for the Group and £0.105m for the PFCC in 2018/19) have been included with Other Comprehensive Income and Expenditure.

Total actuarial gains and losses

The total actuarial gains recognised in the Comprehensive Income & Expenditure Statement for officer and staff schemes are £324.943m (£54.647m losses in 2018/19).

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	
	2018/19 £000	2019/20 £000
Present value of the defined benefit obligation	(3,067,043)	(2,849,817)
Defined benefit obligation at start of year	(3,067,043)	(2,849,817)
Unrecognised past service cost	0	0
Net liability in Balance Sheet	(3,067,043)	(2,849,817)

	Local Government Pension Scheme			
	2018/19	2018/19	2019/20	2019/20
	£000 PFCC	£000 Group	£000 PFCC	£000 Group
Present value of funded obligation	(3,399)	(550,201)	(2,990)	(501,971)
Fair value of scheme assets (bid value)	1,969	369,912	1,806	353,322
Net liability	(1,430)	(180,289)	(1,184)	(148,649)
Present value of unfunded obligation	0	(1,467)	0	(1,367)
Net liability in Balance Sheet	(1,430)	(181,756)	(1,184)	(150,016)

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	
	2018/19 £000	2019/20 £000
Defined benefit obligation at start of year	(2,830,260)	(3,067,043)
Current service cost	(65,815)	(72,894)
Past service cost	(94,744)	12,764
Interest cost	(71,290)	(72,732)
Change in financial assumptions	(153,078)	282,260
Change in demographic assumptions	78,543	(5,790)
Experience gain/loss on defined benefit obligation	0	0
Estimated benefits paid net of transfers in	83,171	87,714
Contributions by scheme participants	(13,570)	(14,097)
Defined benefit obligation at end of year	(3,067,043)	(2,849,817)

	Police Officer Pension Scheme	
	2018/19 £000	2019/20 £000
Contributions by employer	69,602	73,617
Contributions by participants	13,569	14,097
Net benefits paid out	(83,171)	(87,714)
Closing Fair Value of Assets	0	0

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

Liabilities	Local Government Pension Scheme			
	2018/19 £000 PFCC	2018/19 £000 Group	2019/20 £000 PFCC	2019/20 £000 Group
Balance at start of year	(2,949)	(518,069)	(3,399)	(551,668)
Current service cost	(285)	(21,306)	(298)	(22,988)
Past service cost	(57)	(6,066)	0	(162)
Interest cost	(77)	(13,392)	(76)	(13,422)
Change in financial assumptions	(189)	(30,117)	462	64,124
Change in demographic assumptions	195	30,945	88	8,479
Experience loss/gain on defined benefit obligation	0	0	(349)	4,286
Contributions by scheme participants	(59)	(3,831)	(60)	(4,000)
Benefits/transfers paid	22	10,080	642	11,930
Unfunded pension payments	0	88	0	84
Balance at end of year	(3,399)	(551,668)	(2,990)	(503,337)

Assets	Local Government Pension Scheme			
	2018/19 £000 PFCC	2018/19 £000 Group	2019/20 £000 PFCC	2019/20 £000 Group
Balance at start of year	1,661	338,075	1,969	369,912
Interest on assets	45	8,842	43	9,098
Return on assets less interest	99	19,060	(133)	(28,323)
Other actuarial gains/losses	0	0	379	(93)
Administration expenses	(1)	(138)	(1)	(114)
Employer contributions including unfunded	128	10,410	131	10,856
Contributions by scheme participants	59	3,831	60	4,000
Benefits paid	(22)	(10,168)	(642)	(12,014)
Balance at end of year	1,969	369,912	1,806	353,322
Net liability at start of year	(1,288)	(179,994)	(1,430)	(181,756)
Net liability at end of year	(1,430)	(181,756)	(1,184)	(150,015)

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:

	2018/19 PFCC		2018/19 Group		2019/20 PFCC		2019/20 Group	
	£000	%	£000	%	£000	%	£000	%
Equities	1,225	62%	230,302	63%	1,058	59%	206,813	59%
Government bonds	105	5%	19,634	5%	78	4%	15,229	4%
Other bonds	115	6%	21,619	6%	109	6%	21,407	6%
Property	175	9%	32,890	8%	162	9%	31,772	9%
Cash/Liquidity	52	3%	9,742	3%	75	4%	14,686	4%
Alternative assets	192	10%	36,068	10%	208	12%	40,698	12%
Other managed funds	105	5%	19,657	5%	116	6%	22,717	6%
Total	1,969	100%	369,912	100%	1,806	100%	353,322	100%

The liabilities show the underlying commitments that the PFCC has in the long term to pay retirement benefits. The total liability of £3,012.6m has a substantial impact upon the net worth of the PFCC as recorded in the Balance Sheet.

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

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

The total employer contributions expected to be made to the Local Government Pension Scheme in the year to 31st March 2021 are £12.211m for the Group and £0.150m for the PFCC. The expected employer contributions for the Police Officer Pension Schemes in the year to 31st March 2021 is £34.472m.

The assets and liabilities of the Local Government Pension Scheme and the liabilities of the Police Pension Schemes have been assessed by Barnett Waddingham, an independent firm of actuaries.

The dates of the last full valuations are:

- Essex County Council Pension Fund: 31st March 2019
- Police Pension Schemes: 31st March 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			
	2018/19 PFCC	2018/19 Group	2019/20 PFCC	2019/20 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	n/a	23.0	n/a	23.3
Female	n/a	25.5	n/a	25.5
Retiring today:				
Male	n/a	21.3	n/a	21.6
Female	n/a	23.7	n/a	23.7
Rate of Inflation (RPI)	n/a	3.4%	n/a	2.7%
Rate of Inflation (CPI)	n/a	2.4%	n/a	1.9%
Rate of Increase in Salaries	n/a	3.9%	n/a	3.4%
Rate of Increase in Pensions	n/a	2.4%	n/a	1.9%
Discount Rate	n/a	2.4%	n/a	2.35%

	Local Government Pension Scheme			
	2018/19 PFCC	2018/19 Group	2019/20 PFCC	2019/20 Group
Life expectancy from age 65 (police staff) and age 60 (police officers)				
Retiring in 20 years time:				
Male	22.9	22.9	23.2	23.2
Female	25.4	25.4	25.2	25.2
Retiring today:				
Male	21.3	21.3	21.8	21.8
Female	23.6	23.6	23.7	23.7
Rate of Inflation (RPI)	3.4%	3.4%	2.6%	2.65%
Rate of Inflation (CPI)	2.4%	2.4%	1.8%	1.85%
Rate of Increase in Salaries	3.9%	3.9%	2.8%	2.8%
Rate of Increase in Pensions	2.4%	2.4%	1.8%	1.8%
Discount Rate	2.45%	2.45%	2.35%	2.35%

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.

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

Notes Relating to the Accounts: Supplementary Notes

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

Police Staff	PFCC			Group		
	£000	£000	£000	£000	£000	£000
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,911	2,990	3,071	491,524	503,338	515,448
Projected service cost	236	243	250	20,457	21,056	21,673
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,995	2,990	2,985	504,610	503,338	502,079
Projected service cost	243	243	243	21,066	21,056	21,046
<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	3,067	2,990	2,915	514,225	503,338	492,713
Projected service cost	250	243	236	21,665	21,056	20,464
<u>Adjustment to mortality age rating assumption</u>	+1 year	None	-1 Year	+1 year	None	-1 Year
Present value of total obligation	3,086	2,990	2,897	521,364	503,338	485,967
Projected service cost	250	243	236	21,690	21,056	20,440

Police Officers	Police Officer Pension Scheme		
	£000	£000	£000
<u>Adjustment to discount rate</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,790,880	2,849,817	2,910,145
Projected service cost	62,841	64,667	66,551
<u>Adjustment to long term salary increase</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,858,933	2,849,817	2,840,795
Projected service cost	65,257	64,667	64,084
<u>Adjustment to pension increases and deferred revaluation</u>	+0.1%	+0.0%	-0.1%
Present value of total obligation	2,901,238	2,849,817	2,799,587
Projected service cost	65,967	64,667	63,414
<u>Adjustment to mortality age rating assumption</u>	+ 1 Year	None	-1 Year
Present value of total obligation	2,963,816	2,849,817	2,740,436
Projected service cost	66,602	64,667	62,788

McCloud v Sargeant judgement

The pensions figures in the 2019/20 Statement of Accounts have been updated since the draft version signed on the 1st July 2020, following the related HM Treasury consultation outcome and the determination that this was an adjusting event in accordance with IAS 10. The total value of the adjustments processed were £12.782m, reflecting a reduction in costs and to the pension scheme liability.

Whilst Note 4 *Critical Judgements* and Note 5 *Events after The Reporting Period* set out the background for this legal case and the associated accounting approach adopted for the 2019/20 accounts, the reasoning for the need to request revised actuary reports as well as the material changes arising for the Police Officer Pension Scheme are summarised in the paragraphs below.

Notes Relating to the Accounts: Supplementary Notes

The HM Treasury consultation suggested that members who were active on or before 31st March 2012 and on or after 1st April 2015, would be given the choice of which scheme they would like their benefit from e.g. their legacy scheme or the reformed 2015 CARE scheme, up to 31st March 2022. Thereafter, it was proposed that all members would accrue benefits in the 2015 CARE scheme. This differed to the original actuary assumption (and therefore the figures included within the draft 2019/20 Statement of Accounts) that everyone would move back to their legacy scheme and only new members joined the reformed CARE scheme. Therefore doubt arose as to whether the inclusion of all members, not just those were active on or before 31st March 2012 and on or after 1st April 2015 (as well as the reduced liabilities arising), would offset the increase due to members picking the higher benefit scheme.

The revised actuary reports produced have been based on a projection in respect of which scheme would give the highest pension payable for the period to 31st March 2022 for all eligible members. This was then used to determine the scheme in which the member would accrue benefits up to the accounting date, based on the actuarial assumptions at the last valuation date (it has been assumed that the members would be able to choose the most beneficial scheme in question). As can be seen within the final 2019/20 Statement of Accounts the overall impact of these adjustments were a 0.4% reduction in the total defined benefit obligation, reflecting the fact that members final salary schemes tended to provide higher benefits. as included within the original actuary assumptions.

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 2019/20 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 2019/20 accounts, the PFCC/Group have not made any further financial adjustments in respect of GMP.

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.

	2018/19		2019/20	
	£000	£000	£000	£000
Contributions receivable				
Employer (21.3% of Pensionable Pay 2018/19, 31% of Pensionable Pay 2019/20)	(21,457)		(32,636)	
Serving police officers	(13,568)		(14,096)	
Capital equivalent payment for ill health	(1,006)		(265)	
Transfers in				
Individual transfers in from other schemes	(609)		(324)	
Total Receipts		(36,640)		(47,321)
Benefits payable				
Pensions	64,702		67,532	
Commutations and lump sum payments	14,296		16,720	
Annual and lifetime allowance tax payments	713		0	
Lump sum death benefits	0		198	
NIC on pension funds	0		0	
Interest on commutations and lump sum payments	12		4	
Payments to and on account of leavers				
Refund of contributions	106		115	
Individual transfers out to other schemes	195		169	
Total Payments		80,026		84,738
Sub total for the year before transfer from the PFCC of amount equal to the deficit		43,386		37,417
Transfer of amount from the PFCC of amount equal to the deficit - annual benefits (21.3%)	(40,465)		0	
Transfer of amount from the PFCC of amount equal to the deficit - additional funding payable (2.9%)	(2,921)		0	
Transfer of amount from the PFCC of amount equal to the deficit - annual benefits (31%)	0		(37,417)	
Transfer of amount from the PFCC of amount equal to the deficit - Total		43,386		(37,417)
Net Amount Payable for the year		0		0

Police Officer Pension Fund

Pension Schemes

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

- The Police Pension Scheme 1987 – a defined benefit statutory scheme administered in accordance with the Police Pensions Regulations 1987. This is the oldest scheme currently in operation and is based on final salary. Membership will gradually be phased out over the medium term as officers are tapered into the CARE scheme (see below). 1987 scheme members had the choice to move to the 2006 scheme (also see below) when this was introduced, but the number of transfers were minimal.
- The Police Pension Scheme 2006 – a defined benefit statutory scheme administered in accordance with the Police Pensions Regulations 2006. This is an additional final salary-based scheme which is also being slowly phased out and tapered into the CARE scheme. Membership eligibility for both the 1987 and 2006 schemes is now closed.
- The Police Pension Scheme 2015 or 'CARE' (Career Average Revalued Earnings) scheme - a defined benefit statutory scheme administered in accordance with the Police Pensions (Consequential Provisions) Regulations 2015. This was introduced from 1st April 2015 and is the only scheme open to new officers. Existing officers were brought into the scheme on 1st April 2015 unless they had full transitional protection or tapered protection. Injury and ill-health awards continue to be paid from the Chief Constable's operating account. The employer rate is 31%.

The table on the previous page showing the movements on the Police Officer Pension Fund for the year does not include liabilities to pay pensions and other benefits after the Balance Sheet date. The liabilities for future retirements benefits are disclosed in note 42 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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CM2 6DA

Telephone 01245 452615

E-mail: public.finance.enquiries@essex.police.uk

In addition, members of the public have a statutory right to inspect the accounts before the audit is completed. The accounts are available for inspection on the PFCC website (as per the website address below). The audit of the accounts has been formally concluded and this is reflected in the independent auditor's report.

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