

Joint Auditor's Annual Report on the Police, Fire and Crime Commissioner for Essex and the Chief Constable

2021-22

May 2023 (Finalised September 2023)



Contents

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

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Police Force and Police, Fire and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Police, Fire and Crime Commissioner (PFCC) and the Chief Constable (CC) have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the PFCC's and CC's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in PFCC's and CC's arrangements for securing economy, efficiency and effectiveness in their use of resources. Our conclusions are summarised in the table below.

The PFCC and CC have been operating in a difficult financial climate in the year of audit and subsequent to that. The volatile macroeconomic situation, with the cost of living crisis, the war in Ukraine impacting energy prices, rising interest rates and rapidly increasing inflation, meaning prudent financial management and planning is ever more critical. The PFCC and CC have demonstrated they have taken a prudent approach via the assumptions included in the Medium Term Financial Strategy (MTFS) and continue to work hard to balance the budget for 2023/24. Financial challenges remain, especially in relation securing funding for Operation Hazel and the Police Uplift Programme. The CC, via its close scrutiny and management of the recruitment plans and its careful planning and management of the resources used for operation Hazel, is confident it can meet the requirements by year end March 2023.

The HMICFRS PEEL inspection carried out from June 2021 to June 2022 provided a generally positive view of the Force especially with respect to value for money where it concluded that the force was "good at operating efficiently".

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified but improvement recommendation made	No significant weaknesses in arrangements identified but 1 improvement recommendation made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but 3 improvement recommendations made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but 2 improvement recommendations made	↔

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The PFCC and the CC continue to operate in a financially and operationally challenging environment. Their financial planning both in the short and medium term is on a sound footing with a prudent assumptions being built into both. The signals are that the challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Force has demonstrated will continue to be crucial.

Our work has not identified any risks of significant weaknesses in the PFCC's or CC's arrangements to secure financial sustainability. We have however made an improvement recommendation in relation to reserves.

Further details can be seen on pages 8 to 10 of this report.



Governance

The governance arrangements of the PFCC and CC are adequate with appropriate scrutiny of finances, performance and key decisions, carried out regularly in a structured and transparent way.

Our work on governance has not identified any significant weaknesses in arrangements. We have however made two improvement recommendations in relation to governance.

Further details can be seen on pages 11 to 15 of this report.



Improving economy, efficiency and effectiveness

The PFCC and Chief Constable have demonstrated a clear understanding of their role in securing economy, efficiency and effectiveness in their use of resources. We have reviewed some of the key projects where the force is showing innovation in the way it is using and presenting its data and its work with its partners is enhancing the support provided to the force operations

Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness. We have however made improvement recommendations in relation to the Commercial Services consortium.

Further details can be seen on pages 16 to 20 of this report.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 22 February 2023, following communication with the PFCC, the CC and the Joint Audit Committee. Our findings are set out in further detail on page 22.



Improvement recommendations

Priority	VfM Criteria and reference	Recommendation
Amber – medium	Financial sustainability Improvement recommendation 1 – page 10	The Force should revise its reserves strategy (last done in 2019-20) and seek to refresh this on a periodic basis (every 2 years recommended as prudent).
Amber – medium	Governance Improvement Recommendation 2 – page 13	The Force should prioritise the development of the capability of its team supporting Capital expenditure monitoring and forecasting
Green – low or best practice	Governance Improvement recommendation 3 – page 14	The PFCC should update its website regularly with its key governance documents and ensure it has in place cover for staff whose role it is to update the website.
Green – low or best practice	Governance Improvement recommendation 4 – page 15	The PFCC and CC should invest in the finance team to ensure it has the required skills, capacity and resilience to produce materially accurate financial statements and respond in a timely fashion to the audit process.
Green – low or best practice	Improving economy, efficiency and effectiveness recommendation 5 – page 19	The Force should consider reviewing the operating model for the 7-Force commercial Services arrangements
Amber – medium	Improving economy, efficiency and effectiveness recommendation 5 – page 20	The Commercial Services team should review the process for ensuring contracts are re-let in a timely fashion and allow sufficient time for a thorough procurement/re-tender process.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they :

- (i) present a true and fair view of the PFCC's and CC's financial position, and
- (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 22 February 2023, following communication with the PFCC, the CC and the Joint Audit Committee. Our findings are set out in further detail on page 20.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any applications to the court under Section 28.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for judicial review.

Securing economy, efficiency and effectiveness in the Police, Fire and Crime Commissioner's use of resources

All Police, Fire and Crime Commissioners and Chief Constables are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The PFCC's and CC's responsibilities are set out in Appendix A.

Police Forces report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether Essex Police has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Force can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



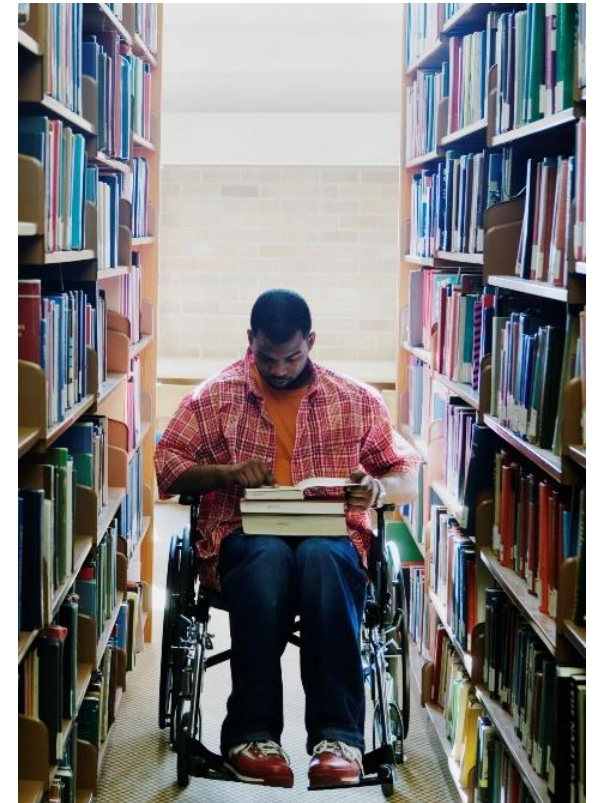
Governance

Arrangements for ensuring that the Force makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Force makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Force delivers its service. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the PFCC's and CC's arrangements in each of these three areas, is set out on pages 7 to 18. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Police, Fire and Crime Commissioners:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Financial pressures

Our Value for Money (VfM) audit work in 2020-21 included a review of the budget setting process and indicated that the processes for assessing the implications of the funding assessment were well established and solid and but given the relatively high underspend (£5m) we recommended that “management should review the underlying reasons for the £5m underspend and ensure the budget is baselined appropriately to avoid such significant underspends in the future”. We have subsequently reviewed the series of planning assumptions around both expenditure and funding. In 2021-22 and we can confirm that the financial planning assumptions are prudent.

Clearly, in the current volatile macroeconomic landscape, it will be ever more necessary to maintain a vigilant review of the ongoing impact across expenditure lines but also in terms of central govt funding.

This has been a difficult year for the PFCC and the Force with financial pressures building through the year. A number of new pressures have arisen in the past year, for example, employment costs (many Forces assumed a 2% pay award for example), premises costs (energy inflation), transport costs (fuel inflation) and of the general impact of inflation on the purchase of goods and services, including suppliers passing on additional costs or renegotiating contract prices.

Given inflationary pressures are bearing down most heavily on the Construction sector and in the light of Essex’s significant capital programme (new HQ project) there is potentially an increased risk of supplier performance failure impacting on service quality, and potentially continuity of service provision and additional costs in commissioning replacement suppliers.

The projected funding shortfall is £3.7m over the period 2023/24 to 2026/27 which is predicated on year on year savings of £3m. There is also at the time of this report a budget gap of £5.2m for 2023/24 which remains to be closed.

Assumptions around pay increases (2% and 2.5%) and Precept increases (Precept based on 2.5% for 22/23, 4.57% for 23/24, then 2.5% thereafter), Utilities costs up from £0.9m to £3.5m in 23/24) may be challenging to deliver especially with current pressures in the Public Sector on pay awards so the planning assumption around the pay award % may need to increase.

Consequently there is an even greater need than usual to keep the forward financial plans under constant review. The PFCC and the Force

have the processes in place to ensure this happens and discussions with key Finance staff have indicated that this is happening. This is also evident from the documented meetings of the performance and scrutiny meetings and the monthly Chief Officer Group meetings.

Funding Gaps

While the MTFS indicates that in the short term the budget is expected to be balanced, the later years of the plan demonstrate that there are some challenging times ahead. Factoring in the uncertainties around another potential round of austerity style cuts to funding this exacerbates the challenge. The PFCC and Force are aware of this and take a prudent, “worst case scenario” approach to their planning assumptions. In the short term, there is considerable pressure on the budget for 2023/24 and this has not been helped by the recent volatility due to the Government’s mini budget and the potential threat of another round of austerity style cuts to funding. That said, the Force has a structured approach to dealing with these via its Efficiency and Savings Board which takes a systematic and robust approach to both developing and assessing savings plans within the Force.

There is currently a gap of circa £5m deficit on the 2023/24 budget though both the Force Finance team and the PFCC are confident that this gap will be closed by a combination of additional savings plans and reducing bids for Directorate funding. The assumptions included in the MTFS are also very prudent and based on a “worst case scenario” (eg pay award of 3%) and it is likely that not all the assumptions will prove to be as pessimistic as the assumptions may indicate

Strategic priorities

The PFCC Police and Crime plan clearly sets out the strategy for the Force and how it will achieve this and the Force’s finances are closely aligned to this. The Force’s business plan (also known as the “Force Management Statement (FMS)”) is a key strategic planning document which informs the ongoing development of Essex Police business planning processes. It provides valuable insight into the demand in future years and how the Force is equipped to meet this demand or equally where changes may be required. As was the case for previous FMSs, it informs budget setting and operational planning in 2023/24 and beyond through the robust evidence and analysis it provides. Our assessment is that it is a good example of its type.

Financial sustainability



We considered how the Police, Fire and Crime Commissioners:

- identifies all the significant financial pressures that ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Alignment of Plans

The MTFS is informed by the Workforce and Treasury management strategy as well as the Capital programme and all are aligned to support the overall objectives of the Police and Crime plan.

The Force's Capital programme and Treasury management strategy include, for the first time in a number of years, a requirement to borrow to be able to fund the programme. This has been clearly set out and articulated in the documents and appears to be appropriately risked, even with the recent increase in interest rates which have made borrowing more expensive. The corollary to this increase in the cost of borrowing is that interest on cash balances will increase commensurately and given the Force receives a large amount of pension funding early in the financial year they are able to use this to offset increased interest costs from the Capital programme.

There is of course an accompanying requirement to provide Finance support to the capital programme and the budget holders charged with managing the relevant capital projects and this requires an appropriately trained team of Finance professionals and thus puts some pressure on the Finance staffing. We deal with this in the governance section on page 10 of this report

Financial Resilience

The PFCC and Force have managed the pressures on their finances well in the past few years in what are challenging times. In particular the pressure in the past 12 months on the Force via Operation Hazel (Just Stop Oil protests) where the Force has taken the lead on dealing with the protests has been significant. Funding was initially promised to cover the operation though there is still uncertainty over how much funding will be given. The Force has also worked hard to hit its Police Uplift Programme (PUP) targets. There is a dependency on hitting their PUP targets as funding is dependent on targets being met so there is potential cost pressure if these are not met. The Force, however, fully expects to be successful here and has put in place adequate arrangements to monitor this and implement actions to mitigate the risk.

Along with the general inflationary, energy costs, and interest rates pressures mentioned earlier it means that these financial challenges will continue and this will mean pressure on maintaining the savings plans and the Force's Reserves position. In practice, this means continuing to focus on managing risks and to that extent and with the appointment of a new risk and planning manager, the Force have undertaken a review of all risk registers across the organisation. This is good practice.

Essex Police has a historically low level of reserves so the ability to manage unforeseen shocks is limited. Management have been working to address this. The useable reserve is forecast to be £33m by March 23 and these are above the threshold of 3% which is advised by CIPFA as prudent so the Force is well positioned to manage the potential volatility ahead should it need to call on reserves though current plans are that they do not expect to need to use reserves.

The Force's reserves strategy was updated in 2019-20. Since then there has been significant pressure due to both the pandemic and the evolving cost of living crisis. Both these events have impacted on how the Force uses its reserves and means reviewing the reserves strategy is an important feature of financial control and management. While we do not consider this a significant weakness as the Reserves have remained at the forefront of consideration in all financial planning (and this is evidenced) we do think it is important to document the agreed strategy on a more timely basis.

Improvement recommendation: Force to develop a revised Reserves strategy and refresh this on a periodic basis (every 2 years would be prudent)

Conclusion

The PFCC and the Chief Constable continue to operate in a financially and operationally challenging environment. Their financial planning both in the short and medium term is on a sound footing with a prudent assumptions being built into both. The signals are that the challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Force has demonstrated will continue to be crucial.

Improvement recommendations



Governance

Recommendation 1

The Force should revise its reserves strategy (last done in 2019-20) and seek to refresh this on a periodic basis (every 2 years recommended as prudent).

Why/impact

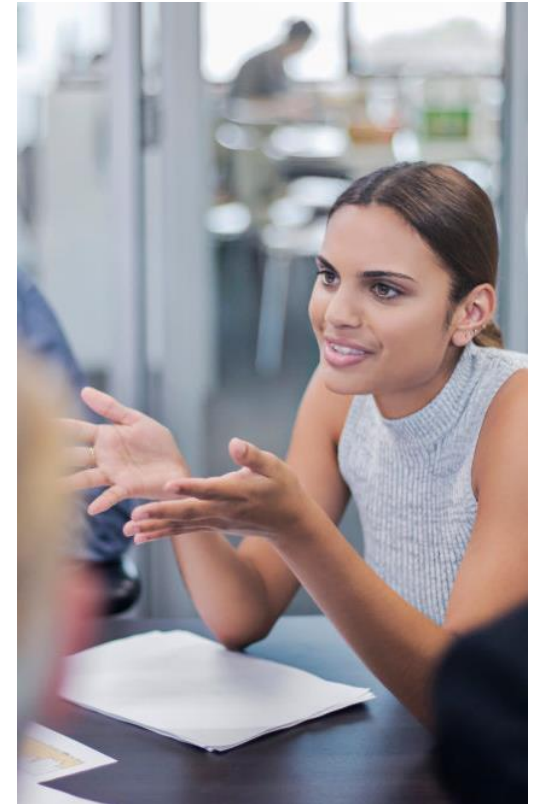
The increased pressure on finances and the relatively the low level of the Force reserves mean that having a strategy and keeping this regularly under review is an important facet of the Force's financial management and control

Summary findings

The Force should revise its Reserves strategy and review at least every 2 years

Management Comments

September 2023: The Reserves Strategy is owned by the PFCC and prepared in collaboration with the Force. A revised strategy was presented to the March 2023 Strategic Board and has now been approved via statutory officers and the PFCC. This strategy will be refreshed annually.



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Police, Fire and Crime Commissioners:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

Risk management

Following the 2020-21 audit the Force has adapted its risk management process and has now included a "horizon scanning" exercise where they have consulted with a number of other Forces about the types of risks that they are managing. This has been a positive development and has enhanced the risk management process at Essex.

In addition, with the arrival of a new risk and Planning manager, the Force has reviewed all its risk registers across the Force to ensure that risk management principles and practices are being applied consistently. A report on this was taken to SLT in Autumn 2022.

Two of the key risks in 2021-22 relate to funding from Home Office for Operation Hazel (Just Stop Oil protests management) and for the Police Uplift Programme (PUP). Both attracted funding (£6m and £3m) that is contingent on the Force meeting specific targets. Both projects have been managed very closely throughout the year to ensure the Force could benefit from the funding available:

PUP - recruitment targets have been managed on a weekly basis via a Gold meeting with chief and regular reporting to finance has ensured the Force is on track to hit its target.

Operation Hazel - the Force has used the resource management system "Mercury" to support the clear identification of the resources they commissioned from external Forces as part of the programme. Close monitoring and regular contact with the Home Office mean that the latter is expected to sign off the funding in March 2023.

Budget setting

The annual budget setting process and proposed spending and savings initiatives are rigorously challenged from March/April up to November when the budget is finalised before being presented to the Board in February.

The PFCC have engaged well in the financial planning process with regular review meetings to assess the emerging financial challenges and proposed solutions.

Reporting

Following a report in 2019/20 by CIPFA on Achieving Finance Excellence in Policing, the Force was assessed as being consistent with most organisations included in the programme but weaker in 'supporting performance' and 'enabling transformation'. CIPFA recommended a change from traditional maintenance of budgetary control to facilitate more enabling options.

Strengths were recognised in stakeholder engagement and strong senior leadership with these being recognised in a strong record of achieving a nil variance at year end. In taking this forward the Force has an action plan, and several working groups will co-ordinate and monitor progress over the 2021/22 and 2022/23 financial years.

Although it is considered that the Force has financial expertise to take forward improvements such as those recommended by CIPFA and the additional demands from a Force that has increased in size and capital investment plans, the capacity within the Corporate Finance department to support these needs has not kept pace which could impact on quality and timeliness of the financial advice to the Force and the PFCC. The Corporate Finance team has taken this on board and is actively looking to increase the size of the team with a role as capital accountant being filled in 2022.

Additionally, the Finance team is bolstering its level of knowledge and skills by establishing training of its Finance Business Partners and managing and controlling and forecasting capital expenditure. This has been an area where the Finance management team have felt required improvement

Governance



We considered how the Police, Fire and Crime Commissioners:

- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Given the increased size of the capital programme and the need for the Force to borrow to fund that programme, there is an increased need to provide more dedicated support to the capital programme in terms of expenditure and project monitoring. Having appropriately skilled Finance Business Partners (FBPs) will be crucial in ensuring value for money is obtained from the capital expenditure. The Corporate Finance team has recently recruited a new member of staff and his embarking on a training programme for FBPs with a specific focus on capital expenditure planning and monitoring. The Force, should keep this under review in the next 6-12 months to ensure they are providing the required level and quality of support.

Improvement recommendation: To prioritise the development of the capability of its team supporting Capital expenditure monitoring and forecasting

Some of the key documents required in our audit were not available for review as they were not updated on the relevant committee folder on line. For example, in November 2022 both the JAC section and the Performance and Resources committee sections of the website had not been updated with minutes and papers since March 2022 and May 2022. This was due in the main to long term sickness of one member of staff and the difficulty in recruiting a Finance manager. It is important however to ensure that these tasks are covered in the light of absences.

Improvement recommendation: Ensure that the website is kept up to date regularly with key governance documents and ensure there is cover in place for staff whose responsibility this is

Decision Making

Based on our review of documents and discussions with officers, we understand that the relationship between the PFCC and the Force is operating effectively - there is adequate consultation and collaboration over decisions. The S151 for the PFCC meets regularly to discuss the MTFs and has a positive working relationship with the Finance team. This ensures there is sufficient challenge in the process and the PFCC is holding the Force to account. There is also regular challenge and scrutiny by the PFCC of the Police and Crime Plan via the Strategic Police and Crime Board (SPCB) which reviews regular updates on financial and performance information

Standards

Internal Audit ensures that the compliance arrangements are widely tested and there have been no significant recommendations in 2021-22 that give us any cause for concern. The PEEL report which was published on 16 October is generally positive in respect of governance (see comments below):

"The force demonstrates a good level of governance and process. The Police and Crime Plan and Force priorities align with several boards and performance meetings which are in place to support delivery. The force has a robust and evidence-based performance framework. It uses a range of measures and key performance indicators to establish and analyse current performance levels, patterns and trends and other relevant information to support decision making."

Conclusion

The governance arrangements of the PFCC and Force are solid with effective scrutiny of finances, performance and key decisions, carried out regularly in a structured and transparent way.

Improvement recommendations



Governance

Recommendation 2

The Force should prioritise the development of the capability of its team supporting Capital expenditure monitoring and forecasting

Why/impact

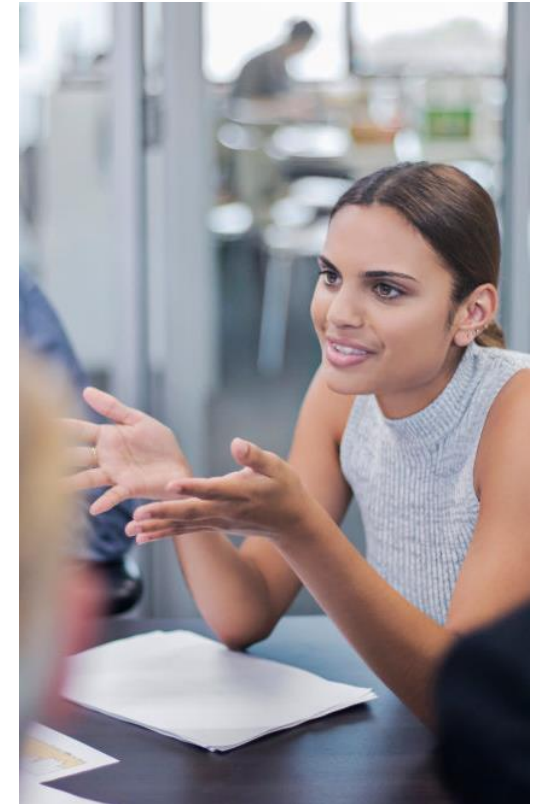
The increased size of the capital programme, the borrowing requirement and the length of the programme means that support requirements in terms of monitoring and forecasting will be increasing. The Finance team needs to ensure its team are both equipped in capacity and skillset to be able to deliver that support in order to maintain control over the funds

Summary findings

The Force should consider continue to monitor its support for the capital programme and ensure it has the capacity and capability to sustain this support

Management Comments

September 2023: Capital Accounting is now supported by a qualified Technical Capital Accountant. Capital training sessions have been provided to Finance Business Partners who provide the link to budget holders for capital related issues. An experienced capital consultant will be supporting the Corporate Finance Team with the implementation of IFRS16.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 3

The PFCC should update its website regularly with its key governance documents and ensure it has in place cover for staff whose role it is to update the website

Why/impact

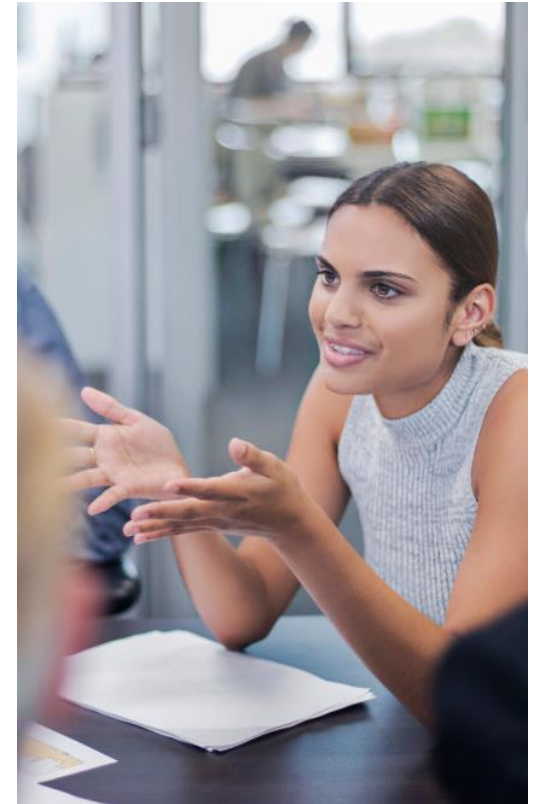
As part of sound governance it is important that key governance documents are available for scrutiny

Summary findings

The Force should update its website with key governance documents

Management Comments

September 2023: During the pre-election period some documents will not be published and the PFCC has had Scrutiny Officer vacancies which may also have led to some delay in publishing. However, this position has now improved and going forward delays are not anticipated.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 4

The PFCC and CC should invest in the finance team to ensure it has the required skills, capacity and resilience to produce materially accurate financial statements and respond in a timely fashion to the audit process.

Why/impact

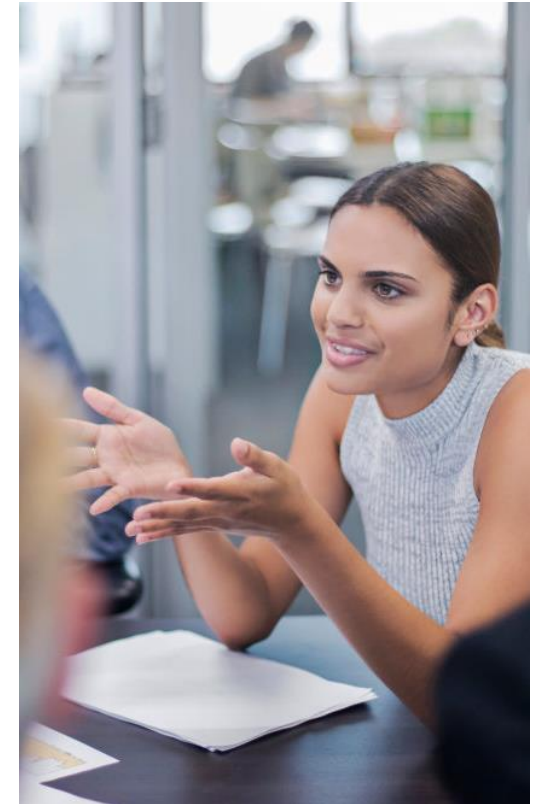
Your finance team is extremely stretched and is no longer able to service the close-down and audit process within the statutory deadlines. Without investment, the PFCC and CC will be unable to meet statutory deadlines for financial statements.

Summary findings

The PFCC and CC should ensure the finance team is resourced to produce materially accurate financial statements and go through the audit process of an organisation with gross expenditure in excess of half a billion pounds.

Management Comments

September 2023: Additional capacity has been added to the Corporate Finance Department with the addition of a new Head of Financial Strategy post due to commence on 18th September 2023. With the introduction of this additional capacity into the department, aspects of budget setting and the management of the Insurance function have been transferred away from the Corporate Accounting Team which will result in an increase in capacity within the team to concentrate on accounts production and the external audit.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Police, Fire and Crime Commissioners:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement

Financial performance information

The Force and PFCC continued to monitor financial performance through well established financial monitoring arrangements which are consistent with the prior year. Finances are scrutinised via the chief officers Group (COG) and the PFCC Performance and Scrutiny Board on a monthly basis

The 2020-21 audit also confirmed that there are in place a number of mechanisms to ensure the accuracy of Finance and performance data. These are:-

- Annual compliance and review programmes carried out by the Strategic Change directorate
- Athena programme - the 9-Force data sharing arrangement
- "Essex centre for Data Analytics (EDCA)" and "Analytics for Everyone (A4E)" projects which aim to work with Essex county Police, Fire and Crime Commissioners in using the data available to better understand citizens of Essex.

Our audit of 2021-22 has found these to be still operating effectively.

The EDCA and the A4E programmes are worthy of note as these are programmes as good examples of efficient and effective use of data. The Force is working with partners to try to use the data at their disposal in a different way to see whether this gives the Force better insights and understanding of certain types of crime e.g. Domestic Abuse and is also revising the way it presents its data, developing dashboards for example for issues such as fraud.

Service evaluation

HMIC has reported in the period being audited. The report covered the period June 2021 to June 2022 and was issued on 16 October 2022. In the 8 areas in which the Force are judged, 3 were rated "Good", 4 were "adequate" and 1 was "requires improvement".

It should be noted that the HMICFRS amended their assessment criteria for this review and added in a 5th one which has slightly altered the meaning of each of the assessment judgements.

The recent PEEL report has confirmed that the strategic planning and performance management framework is effective (see extract below):

"The Force has an effective strategic planning and performance management framework - The Force demonstrates a good level of governance and process. The Police and Crime Plan and Force priorities align with several boards and performance meetings which are in place to support delivery. The Force has a robust and evidence-based performance framework. It uses a range of measures and key performance indicators to establish and analyse current performance levels, patterns and trends and other relevant information to support decision making."

The Force monitors its performance via its monthly Performance & Scrutiny committee which receives a report explaining performance against the 11 PFCC priorities. As at March 2022 the Force was performing at "adequate" level for 6 of the priorities and at "requires improvement" for the remaining 5.

Essex experienced a 11.7% increase in All Crime (17,383 more offences) for the 12 months to March 2022 compared to the 12 months to March 2021. This increase in crime was primarily influenced by the Government's easing of restrictions on movement and gathering in relation to COVID-19. Essex was seventh in its Most Similar Group of forces (MSG) for crime per 1,000 population. Each change in the rules relating to social distancing affected the number of All Crime offences reported to Essex Police.

The Force and PFCC are closely monitoring performance on a regular basis and this ensures that any significant variations in performance against each of the 11 priorities is picked up and actioned in a timely fashion. We note in the next section on Partnership Working the innovative work using data which is being done in key priority areas such as Domestic Abuse.

Improving economy, efficiency and effectiveness



We considered how the Police, Fire and Crime Commissioners:

- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Partnership Working

The Force has a number of key collaborative arrangements with for example:

- 7 regional forces for procurement
- 9 regional forces for data and information sharing (Athena)
- shared back office services with Kent Police
- projects on data sharing and analysis with Essex County Police, Fire and Crime Commissioners.

The collaboration on back office services with Kent Police is now well established and operating effectively. This was noted in the PEEL report with specific mention of the Digital Transformation Oversight Board which governs the process by which IT projects are prioritised. We concur with this assessment.

Via the “Essex Centre for Data Analytics” the Force has worked closely with Essex County Police, Fire and Crime Commissioners and Essex University to improve its use and analysis of data. For example this has been used to better inform the identification and understanding of Domestic Abuse perpetrators. It has proved myth-busting in that it has shown that DA perpetrators are not necessarily solely from deprived areas, it is more complex and nuanced than this. This has led to Home Office interest with the potential for some funding to further develop the work. Again the PEEL report commented positively on this development.

The ‘Analytics for Everyone’ project was set up to try and make data easier to use and to better support operational decision makers.

We consider both these projects are good examples of getting better value for money by analysing, interpreting and using data more innovatively and effectively.

Procurement

The 7-Force Commercial Services consortium is now well established and managing a large number of the 7 forces major contracts. For example, they manage large strategic contracts such as the Athena 9-Force data sharing contract, Waste, Custody Healthcare and monitor performance, looking for continuous improvement and resolving performance failures.

As an example they currently have an issue with the Custody Healthcare provider (5 Force contract) and receive service credits for failure to deliver the required service but the issue is that their continued failure to deliver affects the operation of custody suites and therefore the Force have escalated to the MD of the company and also actually the parent company and have had recent negotiations with them. They have briefed the SRO (DCC) and they will also be present at the negotiations.

The Force has also terminated a contract for poor performance and also work with suppliers on continuous improvement initiatives.

Improving economy, efficiency and effectiveness



We considered how the Police, Fire and Crime Commissioners:

- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

The 7-force Commercial services Consortium is now well into its contract lifecycle and is operating in effect as a shared service. It uses staff from each of the 7 Forces to support its operation. Those staff retain their terms and conditions with their home force and this can cause administrative issues when the consortium moves to recruit staff as they have to issue and then administer 7 different recruitment adverts. It also puts pressure on the management of the staff who are dealing with staff with different terms and conditions, an issue which could potentially cause team morale problems though there is no evidence of this as an issue as yet.

The Force may benefit from reviewing the operation of the consortium to assess whether there may be some efficiencies that could be introduced, an example may be the move to a lead authority shared service model where the staff work for the host authority in effect and have the same terms and conditions rather than separate ones.

Improvement recommendation: The Force should review the operating model for the 7-Force commercial services consortium

Our work involved a review of the contract monitoring process and we found there was one example where a contract renewal requirement was not communicated in sufficient time to allow a timely procurement process to be effected with the consequence that the current incumbent would potentially have to be asked to sign a short term extension.

We are content that the contract monitoring system, ATAMIS, and its operation are fit for purpose but that in this instance there was a breakdown in communication between the Commercial Services team and the contract contact at the PFCC.

Improvement recommendation: The Commercial Services team should review the process for ensuring contracts are re-let in a timely fashion and allow sufficient time for a thorough procurement/re-tender process.

Conclusion

The PFCC and Chief Constable have demonstrated a clear understanding of their role in securing economy, efficiency and effectiveness in their use of resources. We have reviewed some of the key projects where the force is showing innovation in the way it is using and presenting its data and its work with its partners is enhancing the support provided to the force operations.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 4

The Force should consider reviewing the operating model for the 7-Force commercial Services arrangements

Why/impact

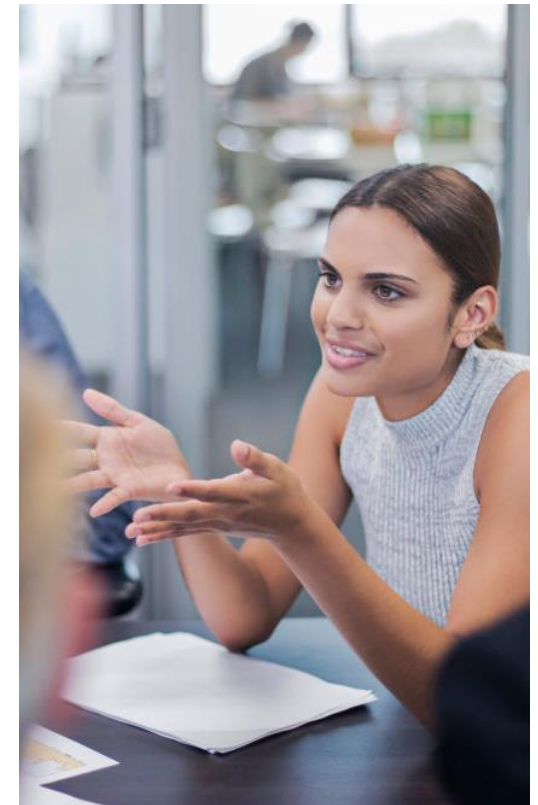
Currently the arrangement operates with all 7 Forces staff who are part of the consortium being on different terms and conditions (ie. Terms and conditions of their home Force) This causes administrative issues when staff are recruited as adverts have to be issued in 7 different versions and it can be confusing to applicants. This may also be a disincentive to potential staff applying for roles at the consortium. There is potential for it to impact on staff morale as it could be seen to not be a “level playing field” for all staff working for the consortium.

Summary findings

The force should review the operating model for the 7-Force consortium and consider other shared service models

Management Comments

September 2023: The Target Operating Model for 7-Force Commercial Services was reviewed and a new structure implemented from April 2023.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 6

The Commercial Services team should review the process for ensuring contracts are re-let in a timely fashion and allow sufficient time for a thorough procurement/re-tender process.

Why/impact

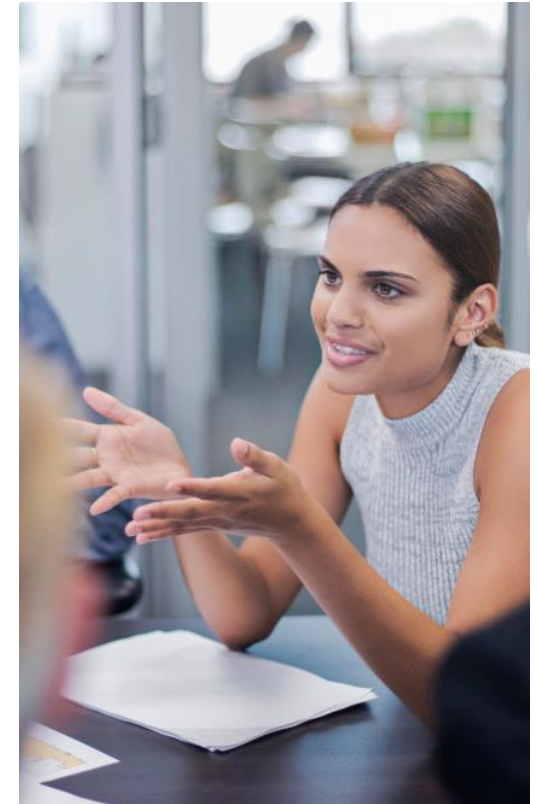
There is a risk that if contracts are not re-let with sufficient time to complete an ordered tender exercise the Force may find itself out of contract for key service contracts

Summary findings

The Commercial Services consortium should review the process for ensuring contracts are re-let in a timely fashion.

Management Comments

September 2023: The regional contract register is held on a central system maintained by 7 Force Commercial services (7FCS) which alerts the team at defined periods prior to expiry to commence re-procurement activity. This, coupled with new procurement work captured on the pipeline management tool form the procurement pipeline which 7FCS deliver against. 7FCS manage all procurements over £50,000. For genuinely urgent requirements that meet the criteria as set out in Contract Standing Orders then single tender actions may be permitted and these are reported quarterly to the Commercial executive Board.



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed	Further action
1 Management should review the underlying reasons for the £5m underspend and ensure the budget is baselined appropriately to avoid such significant underspends in the future.	Improvement	June 2022	Detailed explanation provided in management response to 2020-21 Audit report “The in year £5m underspend resulted from underspending on supplies & services and income. The former related to slippage of revenue consequences of the capital programme (IT and estates), IT contract savings, forensic services, plus savings on the Police, Fire and Crime Commissioners Tax Sharing Agreement. The significant income was £2.022m from the Local Police, Fire and Crime Commissioners Tax Support Grant and surplus income from mutual aid assistance. The majority of these were one-off savings in 2021/22 with only IT contract savings being taken forward and included as budget savings in 2022/23.”	Yes	None required
2 In light of higher than expected inflation, management should revisit their MTFP and update their forecasting assumptions accordingly. Should this result in a significant increase to the MTFP budget gap, management should put in place appropriate plans to address it to ensure financial sustainability.	Improvement	June 2022	The 2023/24 budget planning exercise has included a rigorous review of all the key variables such as inflation and interest rates. Inflationary uplifts have been targeted at those areas of expenditure such as utilities which have been the most volatile	Yes	No
3 Management should ensure the 7 Forces procurement arrangements align, support and feed into the PFCC governance arrangements in a timely fashion.	Improvement	June 2022	The PFCC have stated their position remains that they will require decision Reports on all procurements over £250k. Based on a recent report from 7 forces, the different governance arrangements at the PFCC is now well understood and mapped. This recommendation is therefore closed.	Yes	No
4 We recommend that when refreshing the procurement strategy a formal review process is put in place against progress and performance.	Improvement	June 2022	The regional policy was finally agreed in June 2021 and not scheduled for formal review until 2024. The 2020. Procurement Strategy was reviewed in December 2021 and reported back to the Strategic Procurement Governance Board. I am now taking a new strategy to the Eastern region Summit in Dec 22. Contract Standing Orders are reviewed annually – the last review was carried out in Dec 21 but only finally came into force in September 2022 following the agreement of all CCs and P(F)CCs. We will be starting the latest review in the next month or so. Commercial Services Director provides monthly performance reports to CEB and quarterly reports to SPGB (examples attached)	Yes	No

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements of the Police, Fire and Crime Commissioner for Essex & Group and Essex Chief Constable on 22 February 2023

Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Joint Audit Committee on 24 March 2023

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Police, Fire and Crime Commissioners. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work found no issues and our assurance statement was returned to the NAO in line with the deadline.

Preparation of the accounts

The Police, Fire and Crime Commissioners provided draft accounts in line with the national deadline and provided a suite of working papers to support it. The audit this year was challenged for the following reasons:

- Insufficient capacity in the finance team to respond to queries in a timely fashion
- The audit becoming a Major Local Audit having crossed the £500m threshold for total expenditure
- A large number of issues being identified in the figures and disclosures of Property, Plant and Equipment.

As a result of the above, we have raised an improvement recommendation for both the PFCC and CC to address the skills and capacity shortfall in their finance team. See page 14 for details.

Issues arising from the accounts:

The key issues were:

- A material adjustment to the draft accounts in respect of the revaluation reserve
- We identified several potential misstatements which management did not adjust for. The aggregated misstatement is however less than material and therefore we are still able to issue unmodified opinions.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation

Appendices

Appendix A – Responsibilities of the PFCC and CC

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

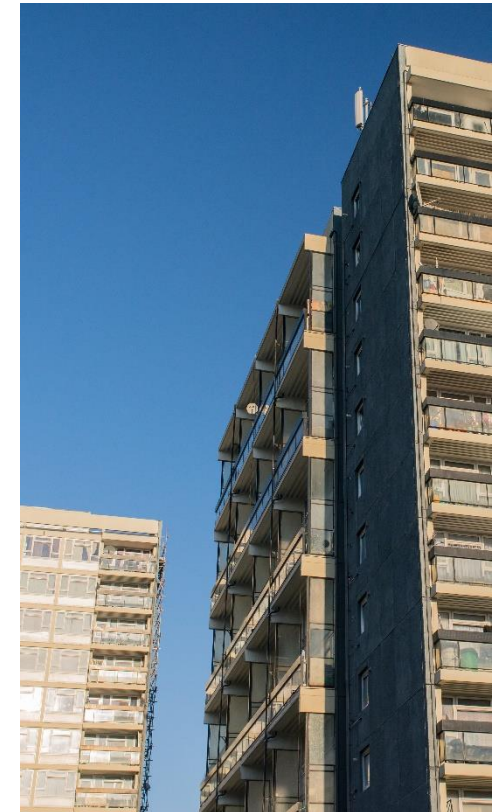
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Police, Fire and Crime Commissioner's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Police, Fire and Crime Commissioners will no longer be provided.

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



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the PFCC's and Chief Constable's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Police, Fire and Crime Commissioner and Chief Constable under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Police, Fire and Crime Commissioner and Chief Constable. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Police, Fire and Crime Commissioner and Chief Constable, but are not a result of identifying significant weaknesses in arrangements.	Yes	Page 5

Appendix C – Sources of evidence



Staff involved

- Roger Hirst, Police & Fire commissioner
- Janet Perry, Chief Financial Officer and Strategic Head of Performance and Resources
- Debbie Martin, Director of Finance
- Annette Chan, Deputy S151
- David Levy, Head of Commercial Procurement
- Fiona Brown – Head of programme Delivery (IT)
- Colin Bailey - Programme Director, Emergency Services Mobile Communications Programme (ESMCP)
- Matthew Tokley – Corporate Accountant
- Sam Jackson – Management Accountant
- Mark Johnson, Head of Research and Analytics
- John Hallworth, Athena Programme Manager Essex



Documents Reviewed

- Essex_Police_MTFS-March-22-SB-V1
- Essex_PFCC_Treasury_Management_Outturn_report_2021-22_PRSB-FINAL
- Essex_Police_Corporate-Finance-21-22-Monitor-Mth-12-OPFCC
- Essex_Police_Efficiencies and Savings 22.23 Monitoring
- Essex_Force_Management_Statement_(Business_Plan)_June_2022
- Essex Police_Force-Growth-Update-2021.22-Mar-22v.Final
- Internal Risk Audit - Outcomes and Recommendations
- Essex_Police_Internal_Audit_Annual Report 2021-22
- Essex Police_2021-22_Annual_Governance_Statement_Oct 22
- Essex_Police_7 Force Procurement Strategy v1 060120
- Essex Police Peel-assessment-2021-22
- Essex Police and Kent Police IT Strategy Full Version_01.09.22
- SPGB Sept 2022 - Procurement Strategy
- Savings ideas 2023.24 LIVE



Meetings Observed

- Audit Committee meeting – 3 August 2022

Appendix D - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

PFCC – Police, Fire and Crime Commissioner

CC – Chief Constable

AGS – Annual Governance Statement

MTFS – Medium Term Financial Strategy

NAO – National Audit Office