

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

2020-21

June 2022



Contents



We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that Essex Police 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) in 2020 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 Essex Police'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 the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Executive summary



Value for money arrangements and key recommendations

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. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the entities' overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the PFCC's and Chief Constable's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the PFCC's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified no significant risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified. Improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified. Improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified. Improvement recommendations made



Financial sustainability

The PFCC and the Chief Constable are operating in an increasingly uncertain financial environment. Essex Police, as with all Police forces, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, Essex Police has maintained a good financial position. Essex Police has put forward a series of proposals which forecast a balanced budget for the next two years.

This places the PFCC and Chief Constable in a good place for financial sustainability. Planning its budgets for future years well in advance will enable sensible phasing of proposals to minimise the impact of the financial climate on services to residents.

Our work has not identified any risks of significant weaknesses in the PFCC's or Chief Constable's arrangements to secure financial sustainability.

Further details can be seen on pages 7 to 14 of this report.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the PFCC and Chief Constable and the changes instigated as a response to the pandemic.

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

Further details can be seen on pages 15 to 19 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.

Our work has not identified any significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 20 to 23 of this report.

Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the PFCC and CC have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the PFCC and Chief Constable's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We identified no significant risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness



Covid-19

The PFCC and Chief Constable have adapted their arrangements to respond to the risks presented as a result of the Covid-19 pandemic. Operation Talla was implemented through which operating statuses were introduced: green indicated impact and blue indicated no impact. A dedicated command structure was set up to ensure the safety of the workforce working through the pandemic through virtualising meetings, training and consultations.

The Force has managed finances such that the pandemic has had minimal financial impact.

Further details can be seen on page 24 of this report.

Our work has not identified any significant weaknesses in arrangements for managing the Covid-19 pandemic at the PFCC and CC.



Improvement recommendations

Priority	VfM Criteria and reference	Recommendation
Amber – medium	Financial sustainability Improvement recommendation 1 – page 11	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.
Green – low or best practice	Financial sustainability Improvement Recommendation 3 – page 13	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.
Amber – medium	Governance Improvement recommendation 4 – page 18	Management should ensure the 7 Forces procurement arrangements align, support and feed into the PFCC governance arrangements in a timely fashion.
Green – low or best practice	Economy, efficiency and effectiveness Improvement recommendation 5 – page 22	We recommend that when refreshing the procurement strategy a formal review process is put in place against progress and performance.

Commentary on Essex Police's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Police Forces 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 Force'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 each of these three areas, as well as the impact of Covid-19, is set out on [pages 7 to 15](#). Further detail on how we approached our work is included in Appendix B.

Financial sustainability



How the PFCC and CC ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

We considered how Essex Police:

- identifies all the significant financial pressures it is facing and builds these 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
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Overview of the Arrangements to ensure financial sustainability

The PFCC and Force faced significant financial challenges in 2020/21 and these have continued through to 2021/22. A balanced financial position has been achieved, but this is subject to the achievement of planned savings and the successful mitigation of the financial risks in the years to come. The Force has demonstrated a good track record of delivering savings over the past 5 years and the PFCC has maintained a level of reserves to help manage financial risks. This has been achieved in the context of COVID-19 cost pressures and the investment in infrastructure needed to support a growing police establishment.

For the 2020/21 outturn, the Force delivered a £2.858m underspend. This was an increase of £0.969m from month 11.

The PFCC and Chief Constable Medium Term Financial Strategy (MTFS) covers a 5 year period which is embedded as part of the budget setting process. This is prepared as a service planning and performance management framework that ensures there are the resources available to achieve the objectives of the Police and Crime Plan. Precept assumptions are a key element of planning. The precept has been set at an assumed 2.5% increase annually, although the actual precept imposed is a matter for the PFCC on an annual basis.

As at Month 8 of the 2021/22 financial year, the Force was forecasting an underspend of £5.180m against the 2021/22 revenue budget. This had been increasing over the financial year with an increase from Month 7 of £0.475m. This underspend was flagged and a report was taken to the December Strategic committee on how to use this £5m efficiently. This highlights the scrutiny that is in place at the PFCC over the Force. The plans for utilising this underspend have been reviewed and agreed at Chief Officer Group.

Whilst there are several reasons for the £5m underspend, the 2021/22 budget, at least in part, contained pessimistic assumptions which did not crystallise.

Improvement recommendation: Management should review the underlying reasons for the £5m underspend and ensure the budget is baselined appropriately to minimise budget variations in the future.

Financial sustainability

2022/23 budget and a review of the key financial assumptions

The 2022/23 budget was agreed with a 4.79% increase to the precept. This additional funding, coupled with the government uplift funding, will enable growth of 200 police officers taking the establishment from 3,555 FTEs to 3,755 FTEs by March 2023.

As part of our work, we have reviewed the key underlying financial assumptions in the 2022/23 budget for reasonableness. From a high level review, we have not identified any unreasonable assumptions in the budget at the time it was set, and key risks and pressures have been considered. It will be important for management to fine-tune the budget in light of the factors driving the prior year underspend, as noted above.

The most sensitive assumption in the budget is the percentage increase on police officer pay. In the 2022/23 budget this was forecast at 2.5% from September 2022. The MTFP continues to assume 2.5% annually up to 2026/27. The NPCC submission to the Police Remuneration Review Body put forward a three-year settlement frontloaded at 3.5% in 2022, 2.5% in 2023 and 2% in 2024. The Chief Constable's formal proposal to the PFCC was to match the pay increases put forward by the NPCC.

A budget assumption of 2.5% each year, whilst reasonable, does have some risk attached to it because the pay increase could be as high as 3.5%.

Despite the pay increase percentage being uncertain, the PFCC has sufficient reserves and contingencies to cover a slightly higher pay increase. A significant increase would, however, lead to challenging financial pressures.

The Medium Term Financial Plan (MTFP)

In September 2021, management produced an MTFP that forecasted a cumulative shortfall of £67.4m by March 2027. However, by February 2022, the forecast for future years was significantly more positive, partly due to a 3-year settlement. The cumulative shortfall by March 2027 had been reduced to just £3.7m. The MTFP does however assume the delivery of circa £3m cashable savings and efficiencies a year. Given 3m a year represents under 1% of the annual budget coupled with the Authority's strong track record of delivering savings, we consider this a realistic expectation and one that does not pose a significant risk to financial sustainability. However, given the growth challenges, this does still remain a challenging assumption and will need careful monitoring.

Summary of the Medium Term Financial Plan as at January 2022

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	5 year total £m
Budget expenditure	333.8	356.1	369.5	375.1	384	390.1	1,874.8
Total Funding	(330.3)	(352.2)	(363.1)	(373)	(379.7)	(386.6)	(1,854.6)
Budget gap (before savings and reserve movements)	3.5	3.9	6.4	2.1	4.3	3.5	
Savings & Efficiencies (Cashable)	(3.5)	(3.7)	(3)	(3)	(3)	(3)	(15.7)
Transfers (from) reserves	0	(0.2)	(0.6)	0	0	0	(0.8)
Annual Shortfall/(Surplus)	0	0	2.8	(0.9)	1.3	0.5	3.7

Financial sustainability

Inflation

The MTFP does not assume any inflation on non-pay in general. Instead, inflation is only assumed on specific contracts which are contractually linked to RPI. Since the budget for 2022/23 was approved, inflation has risen to a level which far exceeds what was assumed in the MTFP. The sudden up turn in inflation was not predictable and was as a result of unforeseen exogenous economic and global factors. Nonetheless, this does present an inflationary risk to the 2022/23 budget as well as the MTFP.

Given the level of reserves the and the way in which the Force can manage the budget through officer recruitment, we are satisfied that the Force and the PFCC has sufficient resilience to manage the inflationary pressure for the 2022/23 budget. However, if this inflationary pressure were to persist for several years, it is unlikely that the Force would be able to provide the same level of service within the current funding envelope.

During the coming year, the PFCC and Force will need to revisit the MTFP in light of the changes in inflation assumptions. This is likely to increase the budget gap and the PFCC and Force will need to put in place plans to address this. This could include be a combination of savings as well as delaying or suspending planned investments. Though this is a national issue it is unlikely the entirety of the solution will be provided nationally in the form of increased funding.

Improvement recommendation: 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.

Reserves

In our 2018-19 value for money report, we benchmarked your useable reserves as a percentage of gross revenue expenditure across all police forces. This analysis put Essex Police second bottom with total useable reserves being below 5%. As at the end March 2021, total useable reserves at Essex Police was £25.4m which represents 7.6% of the budget. The forecast useable reserves position for March 2022 is circa £26m. Overall, financial sustainability in terms of reserves has improved since 2018-19 and the PFCC's reserves as a percentage of gross revenue expenditure are now comparable to the average across other forces.

The PFCC does have a reserves strategy that sees the general reserve reduced to circa 3% with earmarked reserves being largely utilised by 2026/27. Whilst it is important that the PFCC invests excess reserves to improve services and productivity, the ambition to run useable reserves down to 3% is one that needs constant reflection. At 3%, this is at the bottom end of what we would consider reasonable and sustainable. The PFCC should continue to assure itself that given the risks and uncertainties that it faces, a 3% general reserve remains appropriate. As the risk profile changes, including economic factors such as inflation, it might be appropriate to increase the baseline general reserves position.

Historically, the arrangements to set up, 'transfer to' and 'transfer from' earmarked reserves were not well established between the Chief Constable and the PFCC. In 2021-22, arrangements were improved to codify the requirement for PFCC approval to be sought for the creation and the 'transfer to' earmarked reserves. These new arrangements have been operating effectively during 2021-22 as evidenced during the budget setting process. These improvements in 2021-22 with regards to earmarked reserves acknowledged previous weakness in those arrangements during the period of review. For avoidance of doubt, this weakness is not considered to be significant. The improvement recommendation for the 2020-21 year below is raised, noting that the recommendation has already been actioned in 2021-22.

Improvement recommendation: To strengthen the approval arrangements for the creation and 'transfers to' earmarked reserves for the PFCC.

Financial sustainability

Savings Plans

The Force has a good track record of delivering savings. In 2020/21 £5.8m of savings were delivered with £4.8m recurring annually. There are good arrangements in place to monitor and report on the delivery of savings and efficiencies during the year.

The 2021/22 budget was approved by the Police, Fire and Crime Panel during February 2021. This incorporated the Medium Term Financial Strategy and the Capital Programme. This aimed to address the financial challenges by investing in key areas, whilst keeping Precept increases as low as possible. To achieve this the PFCC and the Chief Constable have implemented the Savings and Efficiency plan. The Savings plan in the budget identified total planned cashable savings of £4.466m and non-cashable savings of £0.416m. The progress of the Savings and Efficiency plan is monitored at the Performance and Resources Scrutiny Board.

Behind the aggregate savings and efficiency target there is a cascade of individual projects which are regularly monitored.

Corporate Strategic Priorities – Capital Programme

There is a significant capital programme in place. The capital position for the force at Month 8 reflects an underspend of £4.660m. The capital programme will be financed by a combination of reserves, revenue contributions to capital, capital grants, capital receipts and additional borrowing as required going forward. The cost of the programme is forecast to be £150m over the 5-year period of the MTFS.

Like many Local Authorities, the PFCC has seen significant slippages in its capital programme. In 2020/21, the PFCC budgeted £23m of capital spend but only managed to spend over half of this (£12m). The reason for the underspend is multifactorial and certainly impacted by the pandemic which has disrupted the supply of key components and labour.

Nonetheless, slippages in capital have been an issue pre-pandemic and management should continue to work with the various divisions to further improve arrangements. The issue of capital slippage also impacts on treasury management decisions in terms of when to borrow money. Delays in capital spend will also delay when the PFCC borrows money. Given what we have seen in the market with the interest rate rising, taking out borrowing later than planned is likely to be more expensive. There is therefore merit in ensuring the capital programme is reviewed for reasonableness and the profiling of spend is accurate so that the PFCC doesn't borrow in advance of need but also borrows at a time most advantageous in terms of the interest rate.

The PFCC has not needed to borrow in recent years. However, the Capital Financing Requirement (CFR) is forecast to reach £66.6. The impact on the revenue budget is forecast to be £4.2m by 2025/26 per the MTFS.

Financial sustainability

In Local Government accounting, Authorities are required to make an annual prudent provision to revenue to repay debt. This is an essential part of ensuring financial sustainability and many of the recent failings in Local Government has arisen due to weaknesses in arrangements for setting the Minimum Revenue Provision (MRP).

We have reviewed the arrangements management have put in place for the MRP. Based on our review, we are satisfied that the PFCC has well organised arrangements in place to track the need to borrow. There is a clear schedule of planned capital expenditure linked at an asset level to sources of finance including borrowings. The workings management have put in place enables the PFCC to borrow only against long life assets, which is good practice. In conclusion, we are satisfied that the arrangements in place should enable the PFCC to meet the requirements of the Code.

Arrangements for incorporating risks into financial plans

Risk registers are in place for both the PFCC and the Chief Constable which incorporate strategic and financial risks. The risk registers are discussed and reviewed at the Joint Audit Committee. The monthly Financial Monitoring reports have a section for risks/mitigation with the relevant risk register reference. Risks are considered through financial planning and budget setting processes. There are approved risk strategies in place, whereby the risks are managed through agreed risk processes. The risk registers are reviewed regularly, and the registers and risk strategy are scrutinised by the audit committee. The PFCC risk register includes all the risks separated across the Police and Crime Plan and the Fire and Rescue Plan, which are scored and RAG rated. Furthermore, actions and mitigations are described. There is also a target date in place to ensure that each risk is managed in a timely manner.

Improvement recommendations



Financial Sustainability

01 Recommendation	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.
Why/impact	Recurring budgetary underspends could result in opportunity costs of not making alternative investment decisions to improve the service for the public.
Auditor judgement	Not all of the £5m budgetary underspend will relate to an underlying issue. In part, some of the £5m underspend will relate to greater than expected revenue income which could not be predicted.
Summary findings	As at month 08 of the 2021/22 financial year, management identified a budgetary surplus of £5m. Whilst management across the force and the PFCC did good work to quickly reallocate this funds to priority spending areas, it does indicate that improvements can be made in budgetary arrangements.
Management comment	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 Council Tax Sharing Agreement. The significant income was £2.022m from the Local Council 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.



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

Improvement recommendations



Financial Sustainability

02 Recommendation To strengthen the approval arrangements for the creation and 'transfers to' earmarked reserves for the PFCC.

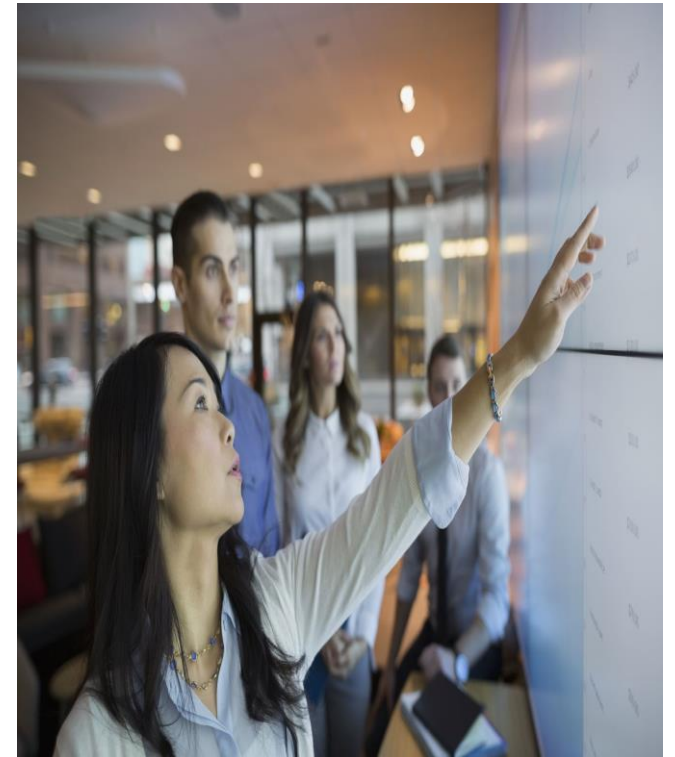
Conclusion: This recommendation was already actioned in 2021-22.

Why/impact Earmarked reserves are an important tool to manage the budget and investment into the Authority over the medium term. The creation of earmarked reserves and transfers to those reserves ought to be for specific purposes linked to planned or proposed investment. If the arrangements are not effective, there is a risk that earmarked reserves become an extension of the general reserve and are not utilised in a way that is Value for Money for the taxpayer.

Auditor judgement N/A

Summary findings During 2021-22 management identified that the arrangements to create and 'transfer to' earmarked reserves were not well established. Whilst, formal PFCC approval arrangements were put in place, they were done so in 2021-22.

Management comment Confirm recommendation already implemented.



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

Improvement recommendations



Financial Sustainability

03 Recommendation	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.
Why/impact	Inflation is a cost pressure which if not funded, will create a budget gap over the medium term and therefore pose a risk to financial sustainability
Auditor judgement	N/A
Summary findings	Pay inflation assumed in the MTFP is 2.5% each year. Except for some specific contracts, non-pay inflation assumed in the MTFP is 0% each year except for specific contracts. Although these assumptions were reasonable at the time the budget was set, the actual inflation rate during 2022 has far exceeded them.
Management comment	The 2022/23 budget and the MTFS are being reviewed. The police staff pay award for 2022/23 has been agreed at 2.1% from April 2022 (as opposed to 2.5% from September 2022); this resulted in a manageable in year cost pressure. Work is being undertaken in terms of both the pay awards and inflation for the MTFS which is being updated for the June Strategic Board and will be further updated for the September Strategic Board.



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

Governance



How the body approaches and carries out its annual budget setting process

We considered how the PFCC and CC:

- 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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Budget setting and monitoring

The PFCC and Chief Constable have an appropriate annual budget setting process in place and the strategic board is involved to provide strategic governance and oversight of the MTFs. The budget setting timetable is also tabled at the strategic board. Proposed changes are incorporated into the Treasury Management Strategy approval process, allowing the PFCC to review and scrutinise the proposed changes before implementation.

Subjective analysis is carried out in respect of revenue, workforce, reserves and capital. Cashflow trends are considered and explored in order to understand their impact on the projected final out-turn. In addition, alternative proposals and scenarios are considered before the approval of the final budget (worst case scenarios and reasonably anticipated scenarios) based on discussions at the strategic board.

An area of good practice in the arrangements for setting the 2022/23 budget is the link between the additional 200 officer investment and how they will be deployed to meet the objectives of the Police and Crime Plan. This investment plan is prepared by the Chief Constable and agreed by the PFCC ahead of the budget being set. This investment plan is communicated to taxpayers via a short precept summary. Work has been done to reconcile the figures in the communication back to the investment plan proposed by the Chief Constable.

Financial management and reporting

There are multiple arrangements in place to monitor and manage financial performance. Treasury management activity is reported on a quarterly basis. There is also a Monthly Financial Monitoring report which is written by the Head of Business Partnering and Management Accounting. This report is presented to the Strategic Board. An Objective Analysis report from the Corporate Finance team is also produced in order to identify in-year variances to budget. This is then taken to the Chief Officer Group (COG) or PFCC Strategic Board for a discussion of the variances. Variances are also addressed through the cashflow report. Budget holders are held to account for delivering the budget and provide updates on the forecast movements as well as overtime underspend allocations and capacity issues. Non-financial information such as service activity and workforce information is also integrated into financial reports. The Corporate Finance report includes a section titled "Workforce Analysis" which includes information regarding the workforce such as their pay and the FTE. The information provided is sufficiently detailed and includes budget uplift vs variance information.

There was reduced capacity in the finance department in 2020/21 which resulted in delays in the accounts process as well as other Financial Management duties. To address this, two new staff members have been recruited to increase capacity and minimise delays.

Governance

Monitoring and ensuring appropriate standards

We identified arrangements to monitor compliance and legislation with regulatory standards. This included documents which are available on the Force's Intranet for officers and staff to refer to in order to understand what behaviours are and are not expected of them. The documents outline the rules and policies, as well as the implications of non-compliance. The PFCC and Force also adhere to the CIPFA guidelines and undergo HMIC inspections in order to ensure compliance. However, there have been no HMIC inspections since 2018/19.

Regular performance monitoring and reporting is carried out within the force and PFCC which demonstrates effective leadership from senior officers.

PFCC and CC Relationship

The relationship between the PFCC and the Chief Constable is strong and has continued to develop and mature during 2020/21 and into 2021/22. Changes in the latter part of 2021 in the structure and personnel within the PFCC brought a new focus and enabled the PFCC to scrutinise the Force at a level of detail it had not done for several years.

In our experience, the roles and responsibilities of the PFCC and the Chief Constable are discharged best where there is a healthy level of tension between the two entities. The new management structure within the PFCC's office asked more questions of the Chief Constable and challenged the way things had always been done.

The first few months of the new structure and personnel changes at the PFCC were challenging. This was partly because there was limited previous police finance experience in the team and because the changes happened at the same time as budget setting for 21/22. Over several months, as the PFCC's team built their understanding of the sector, we observed that the quality of informed challenge and scrutiny, particularly around areas of finance, improved. It is also worth recognising that the Force responded appropriately and constructively by providing additional information, presenting information in a different way or, where appropriate, challenging back.

The S151 of the PFCC is an important strategic role and in order to discharge it properly, sufficient assurances must be obtained from the Force. Our view is that the new balance in the relationship between the office of the PFCC and the Force is positive, with an appropriate level of 'healthy tensions' to ensure challenge is effective and responded to appropriately.

7 Forces Procurement

Essex Police is part of the 7 Forces (7F) programme which is a procurement function including 6 other forces, including Kent. The procurement personnel are part of their respective forces. This function consists of multiple boards, with additional boards being added onto the programme over time.

Whilst we have not identified any issues in the procurement arrangements within the 7F, we have identified a weakness in how the 7F model links into the overall governance arrangements of the PFCC. In particular, the Standing Financial Instructions (SFIs) of the PFCC require all contracts over £250k to be signed off by the PFCC. In making such a decision, it must be supported by a decision sheet.

We have been made aware of at least two instances in which the PFCC's office ostensibly entered into a contract via the 7F without it going through the decision sheet process in a timely fashion. This has led to retrospective reviews or in another case, a procurement exercise.

Recommendation: Management should ensure the 7 Forces procurement arrangements align, support and feed into the PFCC governance arrangements in a timely fashion.

Governance

Arrangements in place to identify strategic risks

The PFCC and the Force have arrangements in place to identify strategic risk. This is done through regular horizon scanning which is outlined in the Procedure SOP Risk Management Document. The Force has a joint risk policy with Kent Police to manage their exposure to risk. For the purpose of recording risks, there is a risk management process which includes a risk register for the Force and collaborative directorates and departments. This joint risk register operates on strategic, management and operational levels.

The Joint Audit Committee (JAC) is responsible for monitoring and reviewing how effective the risk management arrangements are, as well as the systems of internal control of both the PFCC and Chief Constable.

The risk management policies and frameworks are created in compliance with the CIPFA guidance. Assurance was given on these policies and frameworks in 2020/21 which concluded that the controls were designed well and there was an understanding amongst the risk owners of how the risks would inform core activities to deliver the objectives of the PFCC and Chief Constable.

Strategic risks and associating mitigating actions are also frequently reviewed by the Force, PFCC and JAC. A Risk Star Chamber is held on a quarterly basis to ensure that risk is being managed effectively.

Risk reporting

The procedure SOP Risk Management document outlines that risks can be recorded on dedicated registers (operational or management levels). These risks can be redirected to a Force level register if the risk poses force-wide significance.

Risk management and risk portfolios are a compulsory standing agenda item at Command/Senior Leadership Team meetings as well as directorate boards.

At these meetings new risks are identified and considered. In addition, there is a review of the current risk portfolios whereby the level of risk is assessed and recommendations are provided to individual risks. Proposals are discussed in relation to increasing or decreasing the risk score or closing it.

There is an assurance process set out for each risk reported to emphasise that risks are being managed effectively. The Continuous Improvement Manager (Essex) and the Force Risk Co-ordinator (Kent) undertake a mapping exercise in relation to strategic and management level risks which are recorded on the joint risk register. The mapping is based on information recorded on the risk register, and information captured from consultations with the risk owners. This provides evidence of the allocation of the risks to a named senior officer. Furthermore there is evidence of healthy scrutiny for both the Chief Constable and PFCC risks. We found this to be an area of good practice.

Each risk is also linked to PCP objectives or statutory responsibilities. The findings of the assurance mapping are reported to Chief Officers, and can also be presented to the PFCC and JAC. JAC challenge of this area is also strong, informed and challenging.

Overall, we are satisfied that the arrangements in place in relation to the reporting of risks and the escalation of those risks to appropriate registers are appropriate and effective.

Internal Audit

Internal audits are carried out regularly by RSM to monitor and assess the design and operation of internal controls in accordance with the Audit Plan. An internal audit was carried out in 2020/21 of the risk management arrangements which were implemented by both the PFCC and Chief Constable. Reasonable assurance was given within the report, which also commented that the controls were well designed and the risk owners had an understanding of how the risks would determine the core activities and delivery of PFCC and Chief Constable objectives. We are satisfied that both entities have in place an effective Internal Audit arrangement that provides the required assurances and advice to management.

Governance

Police and Crime Plan

In 2020/21, the PFCC published an extension to the 2016-2020 Police and Crime Plan (PCP) as a result of the Covid-19 pandemic. The extended PCP built on the priorities set out in the original PCP with some updates to reflect development over the past 4 years.

In 2021, the PFCC then published his new PCP for 2021-2024. This document expanded the plan from 7 priorities to 12 priorities. It included priorities such as Preventing Dog Theft, a crime which is not a traditional high harm crime, but one nonetheless the people of Essex and the PFCC felt strongly about. This is evidence that the governance model of elected Police and Crime Commissioners is operating as intended, as the strategic direction of the police force is being influenced by the public through the elected official.

As in previous years, we have continued to see that there are strong arrangements in place to monitor the delivery of key priorities through a number of KPIs. Much discourse and time is spent between the PFCC and the CC to get the right KPIs and to ensure that the data being reported on is reliable.

Improvement recommendations



Governance

04	Recommendation	Management should ensure the 7 Forces procurement arrangements align, support and feed into the PFCC governance arrangements in a timely fashion.
	Why/impact	To avoid the PFCC entering into contracts without it going through due governance process including a decision sheet and sign off.
	Auditor judgement	N/A
	Summary findings	During the period, we identified that through the 7F procurement model, the PFCC entered into two contracts which failed to go through due process. In both cases these were identified and appropriate remedial action was taken. Nonetheless, it does indicate a weakness in arrangements which needs to be addressed.
	Management comment	<p>The 7 Force Contract Standing Orders were originally agreed in 2019 by the 7 CCs and P(F)CCs and are the agreed governance processes for procurement for the region. The two contracts referenced, Internal Audit and SEERPIC Insurance, followed the correct procurement processes as per Contract Standing Orders and the Public Contracts Regulations but encountered different issues with regards the final sign off. It should be noted that the internal audit contract was not entered into without going through due governance. Following consultation with the OPFCC and the JAC the contract was retendered following concerns over the liability cap being renegotiated by the supplier post recommendation to award and to enable JAC members from Essex to participate in the evaluation. The SEERPIC contract followed the agreed governance in the SEERPIC s22 Agreement which states that the SEERPIC board '18.1.5 approve the tender award for any SEERPIC Contracts' – this ensured that all forces had continuity of insurance cover in spite of delays in getting the actual contract signed.</p> <p>Going forward we are aligning the contract award decision reports as closely as possible to the PFCCs Strategic Board and working with the OPFCC to understand what supplementary information is required beyond the main decision report to take a decision, considering the professional expertise employed in procurement, drafting contracts, finance etc which is relied upon in the other 6 forces. The higher level of scrutiny does raise the risk of delaying contract awards with the consequence of impacting the other collaborating Policing Bodies.</p>

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

Improving economy, efficiency and effectiveness



We considered how the PFCC and CC:

- 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
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance monitoring

The Force has demonstrated that it has a robust performance monitoring and reporting regime in place in which performance Indicators for both financial and operational metrics are monitored at a variety of levels. Monthly reporting is in place which includes the monthly Chief Officer's Group (COG) performance report and monthly PFCC performance report.

A balanced scorecard approach is used and has a focus on the file quality, ensuring that the files have been checked by an inspector and targets are met, supporting a qualitative and quantitative approach so that context is considered. Analysis is provided on the data which is converted into a monthly report for all directorates.

Accuracy of the data is supported through the Athena programme which aims to reduce the level of duplicate records, integrate and record information and collaborate all aspects of data across all 9 forces involved in the Athena IT programme. This allows information to be retrieved across a range of systems as opposed to individual databases in silos. Essex Police also use the HMICFRS benchmarking tool in order to benchmark their costs and performance against other police forces.

Service improvement

Essex Police was last subject to an HMICFRS PEEL Review in 2018/19. The outcome of the report was favourable overall. One area that was flagged as requiring improvement related to vetting. There was an AFI for vetting but this has now been discharged. The arrangements around vetting is however a cause for concern for the Home Secretary at a national level and in October 2021, she commissioned HMICFRS to carry out a thematic review to inspect and assess vetting arrangements across England and Wales. As at the date of writing, this report has not been published. Vetting is therefore an area for continued oversight, monitoring and scrutiny. As at the time of writing this report, the Force was currently being inspected by HMICFRS as part of the annual PEEL assessment.

As part of our work, we reviewed the arrangements the Force had in place to use data to make informed decisions to improve service improvement. Essex Police advocates strongly the use of data across Policing, with its close links to the University. As part of our assessment we interviewed the Head of Research and performed a desktop review of core documents. No issues were identified as part of our work, effective arrangements were in place to ensure the quality of data collected and we found several instances where the Force was using this data in a predictive way to inform decision making.

A good example of this is in relation to The Fearless Futures Programme which is a key piece of work carried out by the Force's data scientists in order to understand the impact and context of violent crimes; the risk associated with people likely to harm someone are identified and understood early on through a predictive model which takes into consideration extensive factors behind these situations. Different algorithms are taken into consideration to provide risk scores which are reviewed and evaluated for police use. This information is then used to identify and provide tertiary intervention to these individuals to reduce the risk of harmful activity. Though still in a trial stage, the Force is optimistic about the positive impact this will have in being able to get 'upstream' of issues before they become crimes. The next stage is to agree, with key partners, what is the right intervention, as it may not necessarily be a policing one. General financial constraints across the public sector mean this could be challenging to agree.

Improving economy, efficiency and effectiveness

Partnership working

Working with partners is a key theme through the Police and Crime Plan and the strategic priorities of the PFCC and Chief Constable. The Force is clear that in order to protect the community it must work together with the fire and rescue service, local councils, community safety partnerships and the health sector.

Work of the partnerships is fed through a number of boards and committees. The performance and scrutiny board look at key strategic areas, for example demand, areas of harm and how local policing teams are performing. These are attended by Chief Officers. The Performance and Scrutiny board can make recommendations but it is not a decision making board. Any decisions are subject to a separate governance process involving decision sheets and relevant approval from project lead and finance. Where the decision exceeds SFIs, they will then go to the PFCC.

The Force has monitored the implications and impact of spending cuts, to understand the impact on service quality. The organisation has a good savings track record and sufficient scrutiny over savings.

There are a variety of partnerships in which Essex Police are members, including working with the ambulance and fire services and the close working with Kent police. The 7 forces collaboration is monitored at the highest level all the way down to individual programme level. There is the 7 Forces Strategic Collaboration Oversight Group and Regional Finance Steering Group. In addition to this, the work between Essex and Kent police is monitored through a number of sources. There is the Joint Chief Officers Group (JCOG) where both chief officers come together to keep an eye on this. As a result there is a variety of shared efficiencies and learnings that come from this. Collaboration across the 7 forces is also monitored on the PFCC Strategic Risk Register.

Procurement

Essex Police are part of the 7 Force Procurement which is a shared procurement service for the seven eastern region Policing Bodies. Essex Police and Kent Police have shared joint support services since 2012 including ICT and procurement. There is a procurement strategy in place approved in 2020 which sets out the 7 forces approach to procurement and supplier management and the actions necessary to achieve those. We note the procurement strategy is dated 2020 and is due a refresh. We are aware that this is currently in progress. The Director of Commercial Services undertook a review in December 2021 to review progress against actions. This was reviewed by the theme and identified both best practice and areas for improvement. One of the key themes for the 7 Force Procurement strategy is maximising opportunities for partnerships and collaboration with others to deliver better value. This highlighted the challenges that arise with collaboration and where it has been possible better value has been delivered. As the procurement strategy is going through a refresh, the 7 forces should establish a formal review process against the actions and performance and monitor this on a regular basis.

There is opportunity to learn from procurements in recent years. For example, a paper on the key learnings from complex technology was presented to brief the Chief Officer on the learnings from this. The aim of this is to ensure that future procurement exercises of this nature are not subject to the same challenges. This also gives the opportunity for the partnership to learn from the issues and make improvements. In our view, this reflects good practice.

Recommendation: We recommend that when refreshing the procurement strategy a formal review process is put in place against progress and performance.

Improvement recommendations



Improving economy, efficiency and effectiveness

05 Recommendation	We recommend that when refreshing the procurement strategy a formal review process is put in place against progress and performance.
Why/impact	
Auditor judgement	The key themes of the procurement strategy should be regularly monitored.
Summary findings	We note that a review has taken place on the procurement strategy and findings have been established in both areas of best practice and areas for improvement. As the procurement strategy is going through a refresh a formal review process should be put in place for reviewing the actions against progress and performance to ensure there is appropriate monitoring in place.
Management comment	<p>Success measures are included in the current procurement strategy and those measures are reported on regularly through the Commercial executive Board and Strategic Procurement Governance Board. Update measures will be factored into the refresh of the procurement strategy and monitored as per the governance arrangements set out in the s22A agreement i.e. by the Strategic Procurement Governance Board which reports annually to the regional Chief Constables and P(F)CCs. The terms of reference for SPGB includes as its Purpose:</p> <ol style="list-style-type: none"> 1. To ensure proper governance and oversight of all tendering, commercial and associated contract activities undertaken in the region by: <ul style="list-style-type: none"> o Annual review of regional Procurement/Commercial Policy and Strategy to ensure alignment with Force/Policing Body Strategies o Annual review of 7 Force Contract Standing Orders to ensure procedures align with best practice, legislative requirements, address audit requirements and are proportionate to the size of contracts being procured. All recommendations for change to be considered by each PCC where appropriate. 2. Review the performance of 7 Force Commercial Services by receiving quarterly highlight reports including delivery against pipeline and KPIs from the Director of Commercial Services. (Individual projects will be discussed at the Commercial Executive Board).

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

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Police services are delivered.

We have considered how arrangements have adapted to respond to the new risks you are facing.

Governance

The PFCC and Chief Constable adapted their arrangements to respond to the risks presented as a result of the Covid-19 pandemic. Operation Talla was implemented through which operating statuses were introduced where green indicated impact and blue indicated no impact. A dedicated command structure was set up to ensure the safety of the workforce working through the pandemic through virtualising meetings, training and consultations. A COVID recovery group was also set up in response to the pandemic which provided insight and monitoring of COVID related expenditure. In addition PPE was also provided to the workforce to ensure their health and safety.

Financial sustainability

Expenses incurred as a result of the pandemic have been monitored internally and by the Home Office. This has been documented in the Statement of Accounts as well as the outturn report. The Covid related expenditure over the two year period has been £4.533m which has been met through the Home Office funding for Medical Grade PPE of £1.415m, Income Loss Recovery of £1.148m, Surge funding of £0.674m, and COVID-19 enforcement and wider pressures funding of £1.303m; alongside cashable savings from non-pay expenditure budgets of £0.852m.

A comprehensive spending review was carried out in 2020 which considers the appropriateness of Covid-19 related spend.

A new agenda item was added to assess the impact of COVID on change projects. All change projects were RAG rated according to the impact of the pandemic. Furthermore, costs were carefully monitored and many were mitigated. For example pre-pandemic venues were booked to hold events and programmes. As a result of the pandemic these events and programmes are now held virtually which has helped to mitigate costs.

The COVID-19 pandemic was noted as raising a potential financial pressure on the budget for 2020/21 and 2020/22. Whilst this undoubtedly caused financial challenges over this period, potential negative effects were ameliorated by the provision of additional funding from central Government. Whilst policing did not receive the scale of COVID-19 funding that other Local Government bodies received (as the pressures and costs forces faced were considerably less), the additional grants allowed any pressures to be mitigated, with increased spend over and beyond COVID-19 funding levels accommodated within their budgets.

Our work has not identified any significant weaknesses in arrangements for managing the Covid-19 pandemic at the PFCC and Chief Constable.

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 24 November 2021

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 23 September 2021.

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 returns prepared by the PFCC and Chief Constable. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

These instructions have yet to be issued and as such we cannot complete this work or formally certify the closure of our audits.

Preparation of the accounts

The PFCC and Chief Constable provided draft accounts in line with the national deadline and provided a good set of working papers to support them.

Key findings arising from the accounts:

We did not identify any misstatements in the financial statements that resulted in management adjusting the net reported position.

We did however identify two misstatements which management have not adjusted for in relation to PPE and an accrual. These misstatements were individually and in aggregate not material.

As a result of our audit we raised four recommendations in relation to the control environment. The only high priority recommendation was in relation to management's review of the proposed movement on the defined benefit obligation was not carried out and documented.

Grant Thornton provides an independent opinion ensuring 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 Chief Constable



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the PFChief Constable's and Chief Constable's ability to continue to operate as going concerns

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 PFChief Constable's and Chief Constable's ability to continue as going concerns and use the going concern basis of accounting unless there is an intention by government that the services provided by the PFCC and Chief Constable will no longer be provided.

The PFCC and Chief Constable are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their 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 PFCC and CC under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the OPCC and CC to discuss and respond publicly to the report.	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 PFCC and CC. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the PFCC and CC, but are not a result of identifying significant weaknesses in the PFChief Constable's and Chief Constable's arrangements.	Yes	5

Appendix c - Use of formal auditor's powers

We bring the following matters to your attention:

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 recommendation.

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 any public interest reports.

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 issue any applications to the Court.

Advisory notice

Under Section 31 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:

We did not issue any advisory notices.

- 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.

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 issue any judicial reviews.



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