

**Report of the Chief Finance Officer for the PCC to the Chair  
and Members of Audit Committee  
24<sup>th</sup> June 2021**

**Executive and Presenting Officer: Mr M Porter, PCC CFO  
Status: For Decision**

**Title: Statement of Accounts 2020/21 (Subject to Audit)**

**1 Purpose**

- 1.1 In March 2021 the Government laid regulations before Parliament that amended the draft and final accounting deadlines for principal councils, police and fire bodies. The regulations amended the draft and final accounts publication deadlines from 1 June and 31 July, to 1 August and 30 September for the next two accounting years (2020/21 and 2021/22). The regulations also include a new requirement for all local bodies to post a notice on their website if they fail to publish their draft accounts by 1 August 2021. The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) came into force on 31 March 2021.
- 1.2 The Ministry of Housing, Communities and Local Government (MHLCG) confirmed that a statutory instrument (SI) amending the Accounts and Audit Regulations had been laid and came into force on 30 April 2020. The new effects of the amendments to the regulations are to change the dates that local authorities, and police and fire bodies, are required to publish draft and final accounts, and to remove the 'common' period during which local electors can inspect and object to local authority accounts.
- 1.3 The requirement for a 'common' inspection period has been removed. The requirement to hold a 30-working-day inspection period remains, but for 2020-21 authorities, including police bodies, can commence the inspection period at any time, except it must commence no later than 1 August 2021. This will allow authorities to produce their draft accounts and commence their inspection periods as soon as they are able.
- 1.4 The role of the Audit Committee in this process is set out in the terms of reference for this Committee and includes:
  - Reviewing the Annual Statement of Accounts and make recommendations, or bring to the attention of the PCC or CC, any concerns or issues.
  - To consider whether appropriate accounting policies have been followed and any changes to them.

- 1.5 Attached to this report are the Statement of Accounts for the Group and PCC; and also the Accounts for the Chief Constable.

## **2 Recommendations**

Members are asked:

- 2.1 To review the accounting policies as set out in the Statement of Accounts on pages 35 to 43 inclusive in the PCC Groups Accounts, which the PCC Group has followed in producing these accounts. These policies are used consistently throughout the sets of accounts attached to this report.
- 2.2 To consider the analytical review of the accounts contained within the body of this report and specifically within paragraphs 3.14 to 3.32 below, to provide Members with confidence in the financial statements.
- 2.3 To review the Annual Statement of Accounts and make recommendations, or bring to the attention of the PCC or CC, any concerns or issues.

## **3 Reasons**

- 3.1 The Statement of Accounts are a valuable source of information for a range of Stakeholders including, but not limited to:
- Public – Accountability
  - Lenders – Security of Investments
  - Partners – spending
  - Government – spending levels and financial position
- 3.2 Preparation and publication is governed by legislation, regulations and Codes of Practice. (Over recent years there has been a concerted effort to bring UK public sector accounting in line with International Financial Reporting Standards (IFRS))
- Primary Legislation – eg. Local Government Finance Act
  - Statutory Regulations – eg. Account and Audit Regulations
  - Code of Practice – eg. International Financial Reporting Standards Code
- 3.3 The role of the Audit Committee in reviewing the statement of accounts is essentially to provide assurance to the PCC and CC and to the wider stakeholder base that they conform to proper practices.
- 3.4 Under the amended Account and Audit Regulations, local authorities, including Police and Crime Commissioners, are required to receive and approve the Statement of Accounts for 2020/21 before the end of July 2021.
- 3.5 The accounts are prepared in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom. This specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair presentation of the financial position of the PCC and CC.

- 3.6 The Statement of Accounts is presented subject to audit. The audited accounts and any amendments resulting from the audit will be presented to a future meeting of this Committee depending on the timeframes of the conclusion of the Audit.
- 3.7 Sections 25 and 26 of the Local Audit and Accountability Act 2014 ('the Act') provide local government electors, journalists and citizen journalists with the right to inspect and make copies of the statement of accounts, accounting records and all documents relating to those records, for the financial year ended 31st March 2021.
- 3.8 Rights to inspect the accounts and relevant accounting records will be advertised in accordance with the legislation.
- 3.9 Under section 26 of the Act, a local government elector may question the auditor about the accounting records for the financial year ended 31st March 2021 and, under section 27 of the Act, a local government elector may make an objection to the auditor which:
  - concerns a matter in respect of which the auditor could make a public interest report under section 24 of the Act; or
  - concerns an item of account in respect of which the auditor could apply for a declaration that the item is unlawful under section 28 of the Act.
- 3.10 Given the likely timing of the Audit we will link in with the External Auditors to ensure that this is appropriately advertised in line with legislation.
- 3.11 Formal notice will be provided on the websites of both the PCC and Force.
- 3.12 The statement of accounts appended to this paper detail the Accounting Policies that the PCC has used during 2020-21 and which underpin these accounts. These accounting policies have been used consistently within the 2 sets of accounts attached to this report. There have been no changes to accounting policy for the 2020/21 financial year in comparison to 2019/20.
- 3.13 The review of the Statement of Accounts has been undertaken with the following areas highlighted for Members information:

- 3.14 Comprehensive Income and Expenditure Statement (Page 29)  
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from precept. Authorities (including the PCC) raise precept to cover expenditure in accordance with regulations; this may be different from the accounting cost. The amount chargeable to precept is shown in the Movement on Reserves Statement.
- 3.15 This statement is impacted to a greater extent than others from the accounting entries required in relation to Pensions and also as a result of the technical accounting entries required to meet the statutory guidelines that differ significantly from the way that precept is raised and the budgets are managed and reported.
- 3.16 The 'Expenditure and Funding Analysis Year Ending 31 March 2021' (note 2 – starting on page 44) sets out the entries included within the Comprehensive Income and Expenditure Account that are 'stripped' out to arrive at the 'actual Surplus/Deficit' for the financial year.
- 3.17 Movement on Reserves Statement (Page 30)  
This statement shows the movement in the year on the different reserves held by the PCC, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local precept) and unusable reserves.
- 3.18 Usable reserves have increased by £1,210k to £17,584k. This is the same level as they were in 2018/19.
- 3.19 The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the PCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.
- 3.20 The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the PCC.
- 3.21 Balance Sheet (Page 32)  
The Balance Sheet shows the value as at 31<sup>st</sup> March 2021 of the assets and liabilities recognised by the PCC.
- 3.22 The net assets of the PCC (assets less liabilities) are matched by the reserves held by the PCC.

- 3.23 Property, Plant & Equipment, Intangible Assets and Assets held for sale has decreased by £2.815m which comprises spend of £5.490m which is offset by in year depreciation charges of £4.715m, a revaluation reduction of £0.481m and part disposals of assets held for sale of £3.109m.
- 3.24 The value of Debtors (long and short term) has decreased by £4.192m, primarily as a reduction in Government debtors of £3.914m, and net increase in Local Authority debtors and Prepayments £0.167m. Plus an increase in provision for bad debt of (£2.373m) and precepts adjustment of £2.167m.
- 3.25 The value of Creditors (short and long term) has increased by £3.951m, primarily as a result of the increase in the liability in respect of accumulated absences. This is due to the Tupe transfer back of staff and the impact of Covid-19 on annual leave balances and a change in policy to allow an increase in employees carry forward allowances. Plus precept adjustments of £1.925m
- 3.26 Provisions have decreased by £0.730m, as a result of the release of Insurance related provision £0.730m to offset the costs of Insurance claims paid and settled in year.
- 3.27 No new borrowing was undertaken in the year, however £3.272m was repaid, current borrowing stands at £25.020m and is well within the limits approved by the PCC.
- 3.28 The Pension Liability and Reserves have both increased by £352.905m, mainly as a result of changes in actuarial assumptions as detailed within the notes to the accounts.
- 3.29 The Usable Reserves of the PCC Group has seen a net increase of £1.210m; a net decrease on earmarked reserves of £1.286m and capital grant reserve of £0.643m. Offset by capital receipts of £3.139m. A detailed breakdown of the earmarked reserves can be found at Note 9 of the accounts
- 3.30 Whilst the 'Net Assets' of the PCC is showing an overall negative balance of £1,987m this is as a result of the large liability showing on the Pension Fund of £2,007m. Once the Police Pension liability, of £1,917m is removed, and it is not unreasonable to do this given that this liability is effectively underwritten by the Government, then the Net Assets would show as -£69.5m (£20.1m if the LGPS liability is removed too) in comparison to -£18.6m (£24.5m if the LGPS liability is removed too) in 2019/20.

### 3.31 Cash Flow Statement (Page 34)

The Cash Flow Statement shows the changes in cash and cash equivalents of the PCC during the reporting period. The statement shows how the PCC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

### 3.32 The Group had a healthy Net increase in cash in the year of £3.042m. This resulted from:

- A Net inflow of £12.0m from Operating Activities
- Offset by:
  - £3.3m outflow from repayment of loans
  - £3.5m of outflows on Interest
  - £2.2m of outflows on Capital Activities

## **4 Implications**

### **4.1 Finance**

There are no financial implications other than those mentioned above.

### **4.2 Diversity & Equal Opportunities**

There are no issues arising from this report to bring to Members attention.

### **4.3 Human Rights Act**

There are no Human Rights Act Implications from this report.

### **4.4 Sustainability**

This report is part of the governance arrangements to oversee and assess the sustainable financial position of the PCC.

### **4.5 Risk**

Incorrectly prepared Statement of Accounts may materially misrepresent the financial position of the PCC, CC and PCC Group, giving rise to risks to reputation, service and financial planning processes, as well as exposure to additional costs. Adherence to proper practices, the closure processes undertaken within the Force, combined with reviews by the PCC CFO and CC CFO are designed to mitigate such risks.

## **5 Conclusion**

The role of the Audit Committee in reviewing the statement(s) of accounts is set out in the agreed terms of reference. This report is to provide Members of the Committee with the required information for them to discharge this role.

The PCC CFO is content to release these accounts for Audit having taken into account the responsibilities that he has for this process as set out on page 23 of the Group Accounts.