

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

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

**Title: Statement of Accounts 2020/21**

**1 Purpose**

1.1 The purpose of this report is to enable Members of the Joint Independent Audit Committee to discharge their responsibilities' in relation to the Statement of Accounts for the PCC and CC as set out in the Terms of Reference for the Committee, which are specifically to:

- Review the Annual Statement of Accounts and make recommendations, or bring to the attention of the PCC or CC, any concerns or issues.
- Consider whether appropriate accounting policies have been followed and any changes to them.

1.2 In addition to these responsibilities the Terms of Reference also contain the following, which can be discharged through items elsewhere on today's agenda but which are linked to the Statement of Accounts process:

- Reviewing the external auditor's Annual Completion Report and any other reports;
- Reporting on these to the PCC and Chief Constable of Cleveland Police as appropriate and including progress on the implementation of agreed recommendations.

1.3 It is expected that the final area of responsibility for the Committee will be addressed at the next meeting of the Committee:

- Reviewing External Auditor's Annual Audit Letter and making recommendations as appropriate to the PCC and Chief Constable of Cleveland Police.

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 Consider whether there are any concerns arising from the financial statements, which are appended to this report, or from the Audit that need to be brought to the attention of the PCC and/or Chief Constable prior to the formal sign off of the accounts, before the end of November 2021.
- 2.2 To review the accounting policies as set out in the Statement of Accounts. These policies are used consistently throughout the sets of accounts attached to this report.
- 2.3 To consider the analytical review of the accounts contained within the body of this report and specifically within paragraphs 3.8 to 3.26 below, to provide Members with confidence in the financial statements.

## **3 Reasons**

- 3.1 As a result of the impact of Covid-19 the timelines for finalising the statement of accounts as set out in the Account and Audit Regulations where extended. For 2020/21 therefore the Responsible Financial Officer of a Local Authority, which includes a Police and Crime Commissioner and a Chief Constable must, no later than the 31<sup>st</sup> July 2021, sign and date the statement of accounts, and certify that they present a true and fair view of the financial position of the body. The PCC's CFO and CC CFO duly undertook this role.
- 3.2 Under the same amended regulations the PCC and CC must, no later than 30<sup>th</sup> November 2021:
  - consider either by way of a committee or by the members meeting as a whole the statement of accounts;
  - following that consideration, approve the statement of accounts by a resolution of that committee or meeting;
  - following approval, ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval was given; and
  - publish (which must include publication on the body's website), the statement of accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 (general report) of the 1998 Act.

The responsible financial officer must re-certify the presentation of the statement of accounts before the relevant body approves it.

A larger relevant body must keep copies of the documents mentioned for purchase by any person on payment of a reasonable sum.

- 3.3 In undertaking a review of the Statement of Accounts the Audit Committees' role is essentially to provide assurance to the PCC and CC and to the wider stakeholder base that they conform to proper practices.
- 3.4 The Police Reform and Social Responsibility Act 2011 established both the PCC and CC as separate 'corporations sole' which has therefore necessitated the production of 2 sets of accounts. These are attached to this report as follows:
- Group and PCC Statement of Accounts – 2020/21
  - Chief Constable of Cleveland – Statement of Accounts 2020/21
- 3.5 The changes that have been made to the Statement of Accounts since authorisation by the CFO's in July, which were provided to Members of this Committee in draft at their June meeting along with the following summary financial overview, are referenced in the Annual Completion Report from the External Auditors which is included elsewhere on today's agenda.
- 3.6 None of the changes have impacted on the Outturn.
- 3.7 The review of the Statement of Accounts has been undertaken with the following areas highlighted for Members information:
- 3.8 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.
- 3.2 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.
- 3.3 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.

3.4 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.

3.5 Usable reserves have increased by £1,210k to £17,584k. This is the same level as they were in 2018/19.

3.6 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.

3.7 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.

3.8 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.

3.9 The net assets of the PCC (assets less liabilities) are matched by the reserves held by the PCC.

3.10 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.

3.11 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.

3.12 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

3.13 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.

- 3.14 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.
- 3.15 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.
- 3.16 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
- 3.17 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.
- 3.18 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.
- 3.19 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.

Both Chief Finance Officers are responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and both will sign the Statement of Accounts stating that:

They give a true and fair presentation of the financial position of their organisations at the accounting date