

**Report of the Chief Finance Officer for the PCC to the Chair
and Members of Audit Committee
29th September 2022**

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

Title: Statement of Accounts 2021/22

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 Audit 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 them formally signing off the accounts.
- 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 note that while all internal processes have been completed, well within the statutory deadlines, there remains an element of risk that the publication of the finalised accounts, by the statutory deadline of the 30th of November 2022, is not met due to the external information required by the External Auditors in relation to the Local Government Pension Scheme.
- 2.4 To consider the analytical review of the accounts contained within the body of this report and specifically within paragraphs 3.10 to 3.28 below, to provide Members with confidence in the financial statements.

3 Reasons

- 3.1 On the 28 June 2022 the Government laid an amendment to the Accounts and Audit Regulations 2015 which set out the following:

Regulation 2 of this instrument amends regulation 10 of the 2015 Regulations. These amendments change the deadline for Category 1 Authorities (defined in regulation 2 of the 2015 Regulations) to publish their statement of accounts and supporting documents (together with any certificate or opinion of the local auditor) from 30th September to 30th November for the financial year beginning in 2021, and from 31st July to 30th September for the financial years beginning in 2022, 2023, 2024, 2025, 2026 and 2027.

- 3.2 These amended regulations therefore amended the latest date for the publication of draft accounts from 31 May to 31 July and the publication of the final audited accounts from 31 July to 30 November.
- 3.3 Members received the draft accounts at their meeting on the 30th June and the accounts were provided for Audit significantly before the statutory deadline.
- 3.4 In line with the requirements to do so the public were given an opportunity to [inspect the accounts](#).

- 3.5 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.
- 3.6 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 – 2021/22
 - Chief Constable of Cleveland – Statement of Accounts 2021/22
- 3.7 The changes that have been made to the draft Statement of Accounts since authorisation by the CFOs 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 Audit Completion Report from the External Auditors which is included elsewhere on today's agenda.
- 3.8 None of the changes have impacted on the Outturn.
- 3.9 The review of the Statement of Accounts has been undertaken with the following areas highlighted for Members information:
- 3.10 Comprehensive Income and Expenditure Statement (Page 17)
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.
- 3.11 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.
- 3.12 The 'Expenditure and Funding Analysis Year Ending 31 March 2022' (note 2 – starting on page 33) 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.

3.13 Movement on Reserves Statement (Page 19)

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.

3.14 Usable reserves have increased by £4,145k to £21,799k. Of this £21.8m of reserves, £8.8m is set aside to fund Capital Expenditure and has not already been used due to slippage in the Capital programme.

3.15 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.

3.16 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.

3.17 Balance Sheet (Page 21)

The Balance Sheet shows the value as at 31st March 2022 of the assets and liabilities recognised by the PCC.

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

3.19 Property, Plant & Equipment, Intangible Assets and Assets held for sale has decreased by £3.746m which comprises spend of £6.216m which is offset by in year depreciation charges of £4.730m, a revaluation reduction of £1.605m and part disposals of assets held for sale of £3.626m.

3.20 The value of Debtors (long and short term) has increased by £1.887m, primarily as an increase in Government debtors of £1.057m, and net increase in Local Authority debtors and Other debtors of £2.127m a decrease in Prepayments (£2.067m) and long term debtors of (£0.198m) and a reduction in provision for bad debt of £0.268m.

3.21 The value of Creditors (short and long term) has increased by £1.866m, primarily as a result of the increase in the liability across all creditors with the main increase on Local Authority and Sundry debtors £2.483m offset by small reduction in Government debtors £0.068m and a £0.549m reduction in income in advance.

3.22 Provisions have decreased by £0.507m, as a result of the release of Insurance related provision £0.507m to offset the costs of Insurance claims paid and settled in year.

- 3.23 No new borrowing was undertaken in the year, however £4.000m was repaid, current borrowing stands at £21.020m and is well within the limits approved by the PCC.
- 3.24 The Pension Liability and Reserves have both decreased by £103.905m, mainly as a result of changes in actuarial assumptions as detailed within the notes to the accounts.
- 3.25 The Usable Reserves of the PCC Group has seen a net overall increase of £4.145m; a net increase on earmarked reserves of £2.520m, a reduction in capital grant reserve of £1.399m. In addition to this the capital receipts reserve has increased by £3.024m. A detailed breakdown of the earmarked reserves can be found at Note 9 of the accounts.
- 3.26 Whilst the 'Net Assets' of the PCC is showing an overall negative balance of £1,879m this is as a result of the large liability showing on the Pension Fund of £1,903m. Once the Police Pension liability, of £1,827m 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 -£52.4 (£23.9m £20.1m if the LGPS liability is removed too) in comparison to -£69.5m (£20.1m if the LGPS liability is removed too) in 2020/21.
- 3.27 Cash Flow Statement (Page 23)
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.
- 3.28 The Group had a Net decrease in cash in the year of £2.339m. This resulted from:
- A Net inflow of £10.8m from Operating Activities
- Offset by:
- £4.5m increase in Investments
 - £4.0m outflow from repayment of loans
 - £3.2m of outflows on Interest
 - £1.4m 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 2021/22 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