

**Report of the Chief Finance Officer for the PCC to the Chair
and Members of Audit Committee
27th June 2024**

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

Title: Statement of Accounts 2023/24 (Subject to Audit)

1 Purpose

- 1.1 In February 2023 the Government asked for views on the deadline for 'category 1 authorities' (which includes the PCC and CC) to make draft accounts available for public inspection by the 31st May each year.
- 1.2 The response from the Government was that 'We have taken a wide range of feedback into consideration. The Government believes it is important that all category 1 authorities endeavour to return to a normal financial reporting timetable as soon as possible.'
- 1.3 'Consequently, the Government has decided not to extend the deadline and expects category 1 authorities to continue to meet the existing 31st May deadline in line with their statutory requirements. The deadline will be kept under review going forward.'
- 1.4 As a result, therefore the statutory provisions for reporting under the Accounts and Audit Regulations require local authorities, which includes the Police & Crime Commissioner and the Chief Constable to respectively publish the unaudited Statement of Accounts for the financial year ending 31st March 2024 by 31 May 2024.
- 1.5 In addition to publication of the accounts by the 31st May 2024 there is also a requirement to hold a 30-working-day inspection period.
- 1.6 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.
- 1.7 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 note that the PCC Group Accounts and the CC Accounts for 2023/24 were approved by the respective Chief Finance Officers on the statutory deadline of the 31st May 2024 and subsequently made available for audit.
- 2.2 To note that the deadline for publishing the audited financial statements is the 31st May 2025 and therefore Members may want to make enquiries with the External Auditors of the timelines that they will be working to in respect of this.
- 2.3 To review the accounting policies as set out in the Statement of Accounts on pages 25 to 33 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.
- 2.4 To consider the analytical review of the accounts contained within the body of this report and specifically within paragraphs 3.17 to 3.31 below, to provide Members with confidence in the financial statements.
- 2.5 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 publish the unaudited Statement of Accounts for the financial year ending 31st March 2024 by 31 May 2024.
- 3.5 The Accounts and Audit (amendment) Regulations 2024 revised the statutory deadline for publishing the audited financial statements to 31st May 2025 for 2023/24, with the following years audited accounts needing to be published by the following dates:
- 2024/25 - 31st March 2026
 - 2025/26 - 31st January 2027
 - 2026/27 - 30th November 2027
 - 2027/28 - 30th November 2028.
- 3.6 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.
- 3.7 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.
- 3.8 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 2024.
- 3.9 Rights to inspect the accounts and relevant accounting records has been advertised in accordance with the legislation, giving the public 30 working days to inspect the accounts between the 3rd June 2024 to the 12th July 2024 between the hours 9.00am and 4.00pm.
- 3.10 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 2024 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.

- 3.11 Formal notice has been provided on the websites of both the PCC and Force of this right.
- 3.12 The statement of accounts appended to this paper detail the Accounting Policies that the PCC has used during 2023-24 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 2023/24 financial year in comparison to 2022/23.
- 3.13 The review of the Statement of Accounts has been undertaken with the following areas highlighted for Member's information:
- 3.14 Comprehensive Income and Expenditure Statement (Page 18)
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 2024' (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.
- 3.17 Movement on Reserves Statement (Page 20)
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 reduced by £1,402k to £23,675k. Of this £23.7m of reserves, £10.7m is set aside to fund Capital Expenditure, of which £6.1m is in the Capital Receipts reserve.
- 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 22)
The Balance Sheet shows the value as at 31st March 2024 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 increased by £10.044m which comprises spend of £6.664m which is offset by in year depreciation charges of £5.551m, a revaluation net increase of £9.106m and disposals of £0.174m.
- 3.24 The value of Debtors (long and short term) has increased by £0.849m, primarily as an decrease in Government debtors of £1.898m (comprising decrease in Pension grant and additional Uplift Grants), and net increase in Local Authority debtors of £0.694 and Other debtors reduced by £1.398m (mainly due to Council tax Precepts £1.687) an increase in Prepayments £0.916m (mainly due to the Pension payroll) and decrease in provision for bad debt of £0.830m.
- 3.25 The value of Creditors (short and long term) has increased by £1.367m, primarily as a result of the increase Council tax precept liability of £0.968m, net increase across all creditors with the main increase on Local Authority and Sundry creditors £0.660m offset by a reduction in income in advance of £0.262m
- 3.26 No new borrowing was undertaken in the year, however £2.500m was repaid, total borrowing stands at £19.520m and is well within the limits approved by the PCC.
- 3.27 The Pension Liability and Reserves have both increased by £10.725m, mainly as a result of changes in actuarial assumptions as detailed within the notes to the accounts.
- 3.28 The Usable Reserves of the PCC Group has seen a net overall decrease of £1.402m; primarily due to £0.730m to general fund and net movement on earmarked reserves and a reduction in Capital reserves of £3.241m. A detailed breakdown of the earmarked reserves can be found at Note 9 of the accounts. There has been an additional reduction in capital receipts reserves of £3.241m.

3.29 Whilst the 'Net Assets' of the PCC is showing an overall negative balance of £1,288m this is as a result of the large liability showing on the Pension Fund of £1,328m. Once the Police Pension liability, of £1,364m 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 £76m. (or £30m if the Pension Fund balance was simply ignored)

3.30 Cash Flow Statement (Page 24)

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.

3.31 The Group had a Net increase in cash in the year of £0.849m. This resulted from:

- A Net inflow of £8.4m from Operating Activities
- And a net inflow of £1.5m from reduced investments

Offset by:

- £2.5m of outflows on Loan repayments
- £6.6m 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

Both the PCC and CC produced and published the 2023/24 Statement of Accounts by the required Statutory deadline, this is a significant achievement and is testament to the hard work of the Finance team.

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.