

Strategic Board Programme

Report to: the Office of the Police, Fire and Crime Commissioner for Essex

Title of Report:	2020/21 Draft Unaudited Statement of Accounts
Agenda Number:	TBC
Chief Officer:	DCC Pippa Mills
Date Paper was Written:	3rd June 2021
Version Number:	V1.1
Report from:	Corporate Finance
Date of PFCC Strategic Board Meeting:	10th June 2021
Author on behalf of Chief Officer:	Matt Tokley, Corporate Accounting Manager
Date of Approval:	2nd June 2021 – Chief Officer Group

Corporate Finance

2020/21 Draft Unaudited Statement of Accounts

Meeting: 10th June 2021

Date: 3rd June 2021

Author: Matthew Tokley

1. Purpose of Report

- 1.1 This report sets out the Draft Unaudited Statement of Accounts for 2020/21 for the Chief Constable, and the PFCC/Group. These are attached at Appendix A and B.

2. Background

- 2.1 The Accounts and Audit Regulations 2015 came into force on 1st April 2015 requiring Essex Police to publish draft unaudited Statement of Accounts (signed by the Chief Finance Officer of the Chief Constable and the PFCC Head of Finance) by 31st May and the publication of the audited Statement of Accounts by 31st July. Following the decision to extend the 2019/20 deadlines due to the impact of the COVID-19 pandemic, there has subsequently been a further extension to these deadlines for 2020/21 and 2021/22, which are now 31st July and 30th September respectively.
- 2.2 Following discussion with the force's external auditors, Grant Thornton, the 2020/21 audit inspection process will commence on 15th June, and internal timetables and reporting deadlines have therefore been aligned to ensure the Statement of Accounts work is completed by this date. The intention is for the draft documents to be signed, published on external websites, and shared with Grant Thornton by no later than 14th June.
- 2.3 There are three Statement of Accounts within two documents. The Group & PFCC accounts are within one document and the Chief Constable's accounts are in the second. Following discussions in respect of potentially streamlining the amount of performance information within the Narrative Report, the version presented within the Chief Constable's accounts is now different to the version included in the PFCC/Group accounts.

3. Current Status

- 3.1 The extracts of the Statement of Accounts, encompassing the Narrative Report, Annual Governance Statement and Officers Remuneration disclosures, were presented to Chief Officers on the 19th May, as well as the PFCC Performance & Resources Board on the 26th May. The Draft Unaudited Statement of Accounts were subsequently presented to Chief Officers on the 2nd June.
- 3.2 Included within, and presented alongside the Statement of Accounts extracts, was the provisional outturn for 2020/21. The Draft Unaudited Statement of Accounts now provided within Appendix A and B include the following amendments to the outturn position which the PFCC would not have previously had oversight of:-
 - **Supplies & services (£0.673m)** – this relates to a technical accounting adjustment in respect of the *Allard and Ors v Devon and Cornwall Constabulary* legal case, which has previously been treated as a provision in the Statement of Accounts. Following a review of accounting guidance, this provision has now been reclassified with the remaining balance being released back into revenue, and a corresponding addition to

earmarked reserves actioned instead, thus continuing to ringfence the funds to pay potential claims in the future.

- **Income (£0.468m)** – this relates to an additional S31 grant to be recognised in 2020/21 in respect of ESMCP, which was not notified to Corporate Finance until the 17th May. Based on an assessment of the grant it is proposed that the funds are appropriated to the Transformation Reserve and a separate additional entry into reserves has been actioned for this. These funds will be drawn down in 2021/22.
- **Contributions to/(from) earmarked reserves £1.641m** – this increase reflects the impact of the above two items (Allard and ESMCP grant) being transferred into earmarked reserves, as well as the decision taken at the 19th May COG meeting to appropriate £0.500m into the Chief Constable’s Operational Carry Forward Reserve.
- **Contributions to/(from) General Reserve (£0.500m)** – this decrease reflects the element of the original transfer to the General Reserve now being appropriated to the Chief Constable’s Carry Forward Reserve instead.

3.3 The decision sheet submitted to the PFCC on the 24th May sets out the above changes. There have been no further appropriations to usable reserves since this date.

3.4 In accordance with section 2.1 of the CIPFA Code the force is required to present financial statements in accordance with UK GAAP, including a balance sheet which encompasses any residual revenue balance. In view of this, the force underspend has been transferred to the General Reserve at year-end. Therefore, for the final 2020/21 outturn position there was a net surplus of £6.728m after sources of finance had been applied but before transfers to earmarked reserves and the General Reserve. Of this balance, £2.841m has been transferred to earmarked reserves, with the remaining element of £3.887m transferred to the General Reserve. The £3.887m comprises £1.527m in respect of 2019/20 Operation Melrose funding from the Home Office received in 2020/21, with the remaining element of £2.360m relating to the force underspend.

3.5 There are no new technical requirements within the Statement of Accounts for 2020/21 and the accounts have therefore been presented within similar reporting requirements to those approved in 2019/20. When using estimates for financial measurement there are still some key assumptions and uncertainties following the COVID pandemic, which may potentially impact on the material accuracy of the financial statements. These issues are set out within Note 6 of both the Chief Constable and PFCC/Group Accounts, Assumptions and Uncertainties.

4. Outstanding Items

4.1 When producing the Statement of Accounts there is a requirement to use information that comes from external bodies. Due to the ongoing impact of the pandemic and the fact that there is another extension to statutory deadlines in 2020/21, not all contributing bodies are working to the same timetable. We are therefore in a position where we have Draft Unaudited Statement of Accounts which are continuing to be updated with further notional accounting entries. These entries do not impact on the outturn or the General Reserve but will need to be included before the final version of the Draft Unaudited Statement of Accounts can be signed and published. These items, including the areas which will be impacted, are summarised as follows:-

- **Police Officer Pensions Scheme (IAS 19 technical adjustments)** – Accounting requirements determines that the force removes its cash-based costs from the accounts, and replace these with a notional/accruals based value, which reflects future employer liabilities at the time they are earned by the employee. This information is provided by the force actuary Barnett Waddingham, via Essex County Council, and the officers element of this was not received until the 2nd June 2021. The main reason for the delay is that a full valuation of the Essex scheme has been undertaken this year rather than the normal roll-forward approach, and thus extra work has been required for the actuary. The impact of all of the IAS 19 adjustments will be reflected within the final draft unaudited version of the accounts.
- **Collection Fund surplus/deficits** – As at the point of preparing the Draft Unaudited Statement of Accounts for this board, five Essex billing authorities have not submitted their returns to precepting authorities, which set out their year-end council tax position (two of these have subsequently submitted their returns). Under accounting regulations, the force is required to include its share of the surpluses/deficits reported, which are included in the Balance Sheet. Rather than adopt a piecemeal approach, no collection fund entries will be posted to the 2020/21 Statement of Accounts until all the information is available.
- **PPE shared stock** – During the year the force has received PPE free of charge from the national police distribution hub. The year-end stock value, for which the force is obliged to include in its year-end accounts, has now been confirmed and will be included in the revised Balance Sheet within the final draft unaudited version of the accounts.
- **Narrative report** – The Police Objective Analysis (POA) table has now been completed and will also be included in the final version of the accounts.

4.2 It should be reiterated that whilst the above outstanding entries have no impact on the outturn or usable reserves they do impact a wide array of notes within the Statement of Accounts, as well as the four core financial statements. In particular, the materiality of the outstanding IAS 10 entries for the Police Officer Pension Scheme means that it would not be

advisable to sign off the Draft Unaudited Statement of Accounts until such a time that these figures are included. It would therefore not be advisable to sign off the Draft Unaudited Statement of Accounts until such a time that these figures are included.

- 4.3 In addition to needing to make the above updates as and when we are able to, we will continue to review the draft unaudited Statement of Accounts up to the point of formal sign-off and publication. In doing this there will be an opportunity to amend disclosures in respect of updated guidance on active legal cases such as the McCloud v Sargeant pensions judgement. Any material changes will be highlighted to the PFCC prior to final sign-off of the accounts.

5. Next Steps and Audit Process

- 5.1 The Corporate Finance team will assess the expected timings of the outstanding information and pro-actively seek to ensure this is received, reviewed and processed at the earliest opportunity, together with the information which has now been received but included within the accounts included in these appendices. At the point that final proposed versions of the Draft Unaudited Statement of Accounts are available, these documents will be shared with both Chief Officers and the PFCC office, to agree the governance route prior to these documents being signed by the Chief Finance Officer and the Head of Finance.
- 5.2 The external auditors are due to commence their inspection of the accounts from 15th June and if this information is still unavailable at this stage then the latest versions of the accounts will be made available from the outset of their engagement, with the remaining adjustments made as the information becomes available.
- 5.3 Due to the ongoing impact of the pandemic it is not expected that the external audit will be conducted by an on-site inspection, with the exception of the latter half of the engagement when some time will be spent on site. Arrangements will again be made to undertake the audit remotely using virtual technology, which worked well for the 2019/20 process. The inspection is expected to be completed before the summer holiday period, with the formal approval and publication of the final audited Statement of Accounts, encompassing the Narrative Report and the Annual Governance Statement, taking place in September.

6. Joint Audit Committee

- 6.1 The Draft Unaudited Statement of Accounts are due to be presented to the Joint Audit Committee on Friday 25th June.
- 6.2 The final Statement of Accounts are due to be presented to the Joint Audit Committee on Friday 24th September and signed by the Chief Constable, PFCC, the Chief Finance Officer and the Head of Finance. After the Statement of Accounts are signed, the external audit opinion is issued and the audited Statement of Accounts will be published on the external websites by

the end of September.

- 6.3 The closure presentation at the Joint Audit Committee includes the Statement of Accounts, the external auditors Audit Results Report (ARR) and the Letter of Representation's (one each from the PFCC and Chief Constable).

7. Conclusion

- 7.1 The completion and final sign-off for the draft unaudited Statement of Accounts is subject to further third party information being received, and the versions included within the appendices to this report are subject to further material changes. The Chief Finance Officer and the Head of Finance will keep the Chief Constable and the PFCC abreast of the progress with these issues, and the oversight process for the final Draft Unaudited Statement of Accounts will be agreed in due course.