

**Police Fire and Crime Commissioner for Essex
Essex Police Strategic Board**

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Chief Officer	DCC Prophet
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1. Recommendations

The PFCC is requested to note the current position with the 2021/22 PFCC/Group Draft Unaudited Statement of Accounts, to approve the proposed year-end appropriation to the General Reserve, and to approve the onward process set out in this paper with the signing date of the draft accounts proposed for the 27th June, subject to the outstanding content as set out elsewhere in this paper.

2. Executive Summary

This report sets out the Draft Unaudited Statement of Accounts for 2021/22 for the Chief Constable, and the PFCC/Group. These are attached in the appendices at the bottom of this report.

The completion and final sign-off for the draft unaudited Statement of Accounts is subject to further amendments, but the PFCC should note that any further adjustments expected to be made to the attached appendices will be immaterial and/or relate to notional areas of the accounts which do impact the General Reserve. The Chief Finance Officers will keep the PFCC abreast of the progress with these issues, and the oversight process for the final draft versions will be agreed in due course.

There is not expected to be any further changes to the General Reserve and the **proposed year-end appropriation of £1.720m** is set out within this paper, as well as the attached decision report.

3. Background

In December 2021, the Department for Levelling-Up, Housing and Communities (DLUHC) announced their intentions in respect of the dates which would apply for the 2021/22 accounts and audit process in England, which are currently based on the Accounts and Audit Regulations 2015 (as amended).

In respect of the publication of the unaudited Statement of Accounts the proposal is for the public inspection period to be commenced by the 1st August. Therefore, as this commencement can only happen at the earliest the first working day after the unaudited accounts are published, this deadline will be the 31st July.

In respect of the publication of audited Statement of Accounts the proposal from the DLUHC, based on the backlog of audits and unsigned financial statements in respect of previous financial years, was that this should be the 30th November. However, as the Accounts and Audit Regulations currently require publication by the 30th September and this has not yet been amended, it is the earlier date which is still currently being assumed as the deadline.

Following discussion with the force's external auditors, Grant Thornton, the 2021/22 audit inspection process will commence from mid-July, 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 the end of June.

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. With effect from 2020/21 onwards, 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.

4. Options and analysis (to include proposals, benefits, alternatives)

Current Position

The year-end appropriation to the General Reserve totalled **£1.720m**. Based on the closing year-end General Reserve balance of £14.818m this equated to an overall annual increase on the reserve of £1.656m, including the impact of adjustments processed earlier in the year.

The net earmarked reserves appropriations during 2021/22 were £4.807m, representing a closing balance of £17.107m (total revenue reserves of £31.925m).

In respect of the core financial statements, the force recognised an accounting deficit on the Provision of Services of £142.210m in the Comprehensive Income and Expenditure Statement, (£73.915m deficit, 2020/21) mainly relating to pensions service costs. However, Total Comprehensive Income and Expenditure equated to a surplus of £89.920m (£563.069m, 2020/21) once the impact of upward pension and asset revaluations had been reflected. All of these key movements and factors represented technical accounting entries processed for statutory purposes, which have no impact on the taxpayer.

There are no new technical requirements within the Statement of Accounts for 2021/22 and the accounts have therefore been presented within similar reporting requirements to those approved in 2020/21. This includes the ongoing deferral of the IFRS 16 leasing standard, which has now been put back to 2024/25. The force has nonetheless chosen to continue to estimate the expected impact of the standard, and these disclosures are included within Note 3 of the Statement of Accounts.

When using estimates for financial measurement there are still some key assumptions and uncertainties as the economy continues to recover from the impact of 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.

Outstanding Items

When producing the Statement of Accounts there is a requirement to use information that comes from other external bodies. Due to the fact that many organisations in the public sector are working to the statutory deadline of 31st July for their draft accounts, not all of the relevant information is available yet. In addition, there are some narrative areas and review work still outstanding that may impact the content of the accounts. We are therefore in a position where we have draft Statement of Accounts but these are still subject to change. The areas of the accounts still under review are as follows:

- Collection Fund surplus/deficits – As at the point of preparing the draft unaudited Statement of Accounts, three Essex billing authorities have not submitted their returns to precepting authorities, which set out their year-end council tax position. Under accounting regulations, the force is required to include its share of the surpluses/deficits reported, which are included in the Balance Sheet. For the authorities in question estimates have been included in the accounts, based on the most up to date information available and using trends from other authorities returns.
- Revaluation movements – Where the force has undertaken revaluations for its property assets various adjustments are required to ensure that unusable reserves have been correctly allocated with the gains or losses accrued in year. These entries will not impact on the outturn or the General Balance but will potentially change the split of unusable reserves.
- Narrative report – The Chief Financial Officer for the PFCC will be adding a commentary/report for the year's financial performance to the narrative report.
- Other narrative changes – Information is awaited from the pensions actuary in respect of expected impacts of the McCloud pensions judgement to the force, as well as an assessment of the market value movement for property assets which have not been valued at the Balance Sheet date. In respect of the latter, should this valuation movement be deemed material, then further amendments to non-current asset values held in the Balance Sheet may be recommended.
- Rounding's – A full review of rounding's throughout the document will be undertaken once the outstanding Collection Fund postings have been completed.

It should be reiterated that 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 addition, the remaining adjustments are not expected to be material based on current information available. Nevertheless, it is recommended that all of the above issues are finalised before the draft unaudited Statement of Accounts are signed off.

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 update disclosures in respect of guidance on active legal cases such as the McCloud v Sargeant pensions judgement.

Next Steps

At the point that updated versions of the accounts are available these documents will be shared with both Chief Officers and the PFCC office, with an accompanying summary of any changes which have been actioned since the versions submitted to COG and the Strategic Board, and to agree any further governance route required, prior to these documents being signed by the Chief Financial Officers.

The external auditors are due to commence their inspection of the accounts from mid-July onwards with the full engagement expected to commence from August onwards. Due to the changes in working practices since the pandemic it is expected that the external audit will be

conducted remotely, with management meetings on site with the audit leads where applicable. Arrangements will again be made to use virtual technology, which has worked well for the last couple of years. The audit process is expected to be completed by early September, with the formal approval and publication of the final audited Statement of Accounts, encompassing the Narrative Report and the Annual Governance Statement, being actioned before the statutory deadline of the 30th September.

5. Risks and Mitigations

Failure to comply with statutory requirements and deadlines. Whilst the PFCC is not required to have its Draft Unaudited Statement of Accounts signed off until the 31st July 2022, failure to achieve this before the commencement of the statutory audit in mid-July will mean that the PFCC's external audit timetable may be compromised, and also jeopardise the final audit being completed in time for the final Statement of Accounts being signed off by the 30th September 2022.

6. Links to the Police and Crime Plan

The paper concerns the management and statutory accounting for the PFCC Group's income, expenditure and reserves, which represent the key resources underwriting all of the priorities and workstreams identified within the Police and Crime Plan.

7. Financial Implications

The Draft Unaudited Statement of Accounts documents set out the financial performance in the year, telling the story of how local financial reporting links in to a statutory accounting presentation format. The documents include the core financial statements together with a set of related disclosures and narrative which provide supporting information for all of these statements, to assist with the reader's understanding.

8. Legal Implications

The Accounts and Audit Regulations 2015 came into force on 1st April 2015. The statutory requirements to publish the Statement of Accounts and the dates by which these are required, including public inspection dates, are prescribed within these regulations.

9. Staffing Implications

There are no specific staffing implications. However, the Draft Unaudited Statement of Accounts includes various employee-related information, including content relating to senior officers, within the supporting disclosures which the PFCC is requested to note.

10. Equality and Diversity Implications

There is no impact of this decision sheet in respect of issues relating to equality, diversity or human rights. The narrative report within the Draft Unaudited Statement of Accounts does however set out detail of the force's campaign to achieve a more diverse and inclusive workforce, and the progress to date which has been achieved in accordance with the overarching Diversity, Equality and Inclusion Strategy 2020-2025.

11. Police Operational Implications

The link between finances and operational activity is set out in the Narrative Report included in both the Chief Constable's and PFCC/Group's Draft Unaudited Statement of Accounts. This includes performance data, analysis of the priorities of the Police and Crime Plan and the related progress made, as well as commentaries from the Chief Constable and the PFCC.

12. Governance Boards

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 18th May. At the following COG meeting on the 1st June, the provisional outturn for 2021/22 was also presented, following by the PFCC Performance & Resources Board on the 30th May.

13. Future Plans (long-term strategic direction)

These documents link into and align with the PFCC's Medium-Term Financial Strategy (MTFS) and the overall framework for the monitoring and scrutiny of financial performance at Essex Police.

14. List of background papers and appendices

The key background papers are the two Draft Unaudited Statement of Accounts for the Chief Constable and the PFCC/Group, and the decision sheet for this covering report.

Appendices – Draft Unaudited Statement of Accounts



2021-22 CC SoA
10.06.22 V3.2.pdf



2021-22 PFCC
Group SoA 10.06.22