

PFCC Decision Report

Please ensure all sections below are completed

Report reference number: DR 098-23

Classification (e.g. Not protectively marked/restricted): Not protectively marked

Title of report: 2022/23 Provisional Outturn and Year End Appropriations to Reserves

Area of county / stakeholders affected: Countywide

Report by: Annette Chan, Chief Accountant

Chief Officer: DCC Andrew Prophet

Date of report: 30th May 2023

Enquiries to: Annette Chan

1. Executive Summary

The Provisional Outturn Report, reported to the PFCC on 30th May, provides commentary on the provisional outturn position for the financial year 2022/23 prior to formal closure of the accounts. The report sets out the key movements since the month 12 reported position including confirmation of the small revenue overspend of £0.116m (0.03%) after adjusting for earmarked reserve movements detailed within this report.

The Draft Unaudited Statement of Accounts for 2022/23 for the Chief Constable and the PFCC/Group were considered by the Joint Audit Committee on 25th May, the Chief Constables Chief Officer Group on 26th May and an extraordinary Strategic Board of the PFCC on 30th May.

This decision report sets out the year end appropriations to and from reserves noted within the Provisional Outturn Report for 2022/23, that require approval by the PFCC, and the year end position on 2022/23 capital expenditure.

2. Recommendations

Approval is sought for the following in relation to the 2022/23 outturn position:

- 2.1. That the net overspend of **£0.116m** is funded by an appropriation from the **General Reserve**.
- 2.2. That the following amounts are appropriated to earmarked reserves:

PFCC Commissioning Budget Carry Forward Reserve – Contribution of **£2.084m** to the reserve representing the net underspend for the Community Safety Fund, Community Safety Development Fund, Victims, Violence and Vulnerability and Safer Streets for use in future years.

Future Capital Funding Reserve – A contribution of **£0.144m** to fund capital expenditure in relation to a project funded by forfeitures income.

POCA (Proceeds of Crime Act) Reserve – A contribution of **£0.153m** following confirmation of the final income figures.

Forfeitures Reserve – A contribution of **£0.124m** following confirmation of the final income figures.

PEQF (Police Education Qualifications Framework) Reserve – A contribution of **£0.018m** following confirmation of the net underspend to return to this reserve for use in 2023/24.

Op Dagenham Reserve – A contribution of **£0.014m** for the Essex Police element of planned maintenance for future years in respect of a jointly-controlled asset managed by Bedfordshire Police.

- 2.3. That the financing of capital payments in 2022/23 is approved on the basis set out within section 6.1 of the Provisional Outturn Report i.e. that the capital outturn of **£8.573m** is financed by **£1.586m** capital receipts, **£5.279m** revenue contributions, **£0.021m** from external contributions and that the remaining **£1.697m** increases our Capital Financing Requirement with the spend to be financed in the future and charged to revenue in the form of Minimum Revenue Contributions (MRP) in line with the MRP policy.
- 2.4. Capital payment budgets and associated capital financing of **£8.714m** are re-profiled into subsequent financial years, in respect of slippage in schemes.
- 2.5. Capital payment budgets and associated financing are reduced by **£1.827m** (Underspends) and increased by **£0.604m** (Overspends).
- 2.6. That the Draft Unaudited Statement of Accounts for 2022/23 for the Chief Constable and the PFCC/Group are to be published by the statutory deadline of 31st May once signed by the Chief Constable and PFCC Section 151 Officers allowing the public inspection period to commence by the 1st June 2023.

- 2.7. **To agree**, that having received final pension fund valuation information on the day of the statutory publication deadline, which reduces the pensions valuation by £7.943m from an asset of £95.734m to £87.791m within the Balance Sheet, **that the adjustments for the late pension information are not reflected in the published unaudited Statement of Accounts**. This is due to the lateness of receipt of this information and the fact that the adjustments that would need to be made would not have an impact on the financial position reported by the group, which is based on the regulatory requirements that determine the funding basis and the charge to the taxpayer. To adjust for this information would lead to the publication of the unaudited Statement of Accounts being after the statutory deadline.

3. **Background to the Proposal**

The Provisional Outturn for 2022/23 incorporates a series of year-end appropriations to and from earmarked reserves following confirmation of the final year end position. Other appropriations being actioned at provisional outturn that do not require approval or have previously had approval are contained within the Provisional Outturn Report sections 2.1 and 2.2.

In respect of the publication of the unaudited Statement of Accounts, the proposal is for the public inspection period to commence by 1st June following publication on the Chief Constable's and PFCC's external websites on 31st May. At the time of writing the force's external auditors, Grant Thornton, have not confirmed when the audit inspection process will commence.

4. **Proposal and Associated Benefits**

If the year-end appropriations to reserves are approved the resulting position as at 31st March 2023 will be a General Reserve Balance of **£13.394m** (3.8% of net revenue expenditure) and total earmarked reserves of **£15.501m** (£2.211m of these held on behalf of third parties).

In respect of the core financial statements, the force recognised an accounting deficit on the Provision of Services of £122.797m in the Comprehensive Income and Expenditure Statement (£135.147m deficit in 2021/22) mainly relating to pensions service costs. However, Total Comprehensive Income and Expenditure equated to a surplus of £1.377bn (£89.976m surplus in 2021/22) once the 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.

5. **Options Analysis**

The year-end revenue balances are required to be appropriated to reserves and options are presented within the recommendations section. If approval is not obtained for appropriations to earmarked reserves the unapproved balance would, by default, be appropriated to the General Reserve.

With regard to the publication of the unaudited Statement of Accounts, updated information was received from Essex County Council on the valuation of the Local

Government Pension Scheme on 31st May 2023 which is the statutory date for publication. Two options have therefore been considered:

- i) to publish the accounts by the statutory deadline of 31st May without amending for the updated pension valuation received on the same day. The impact of this would be an overstatement of pension fund assets of £7.943m for the group which could be updated prior to publication of the final audited Statement of Accounts. At the time of writing an assessment of materiality levels to be used by the external auditors, Grant Thornton, had not been advised.
- ii) to reflect the updated pension fund asset valuation in the draft unaudited Statement of Accounts and not publish by the statutory deadline with a target date of publication of 2nd June.

Due to the lateness in receiving the pension valuation and the requirement to meet the statutory deadline for publication, option i) is recommended. This is because the adjustments that would need to be made for the late pensions valuation would not have an impact on the overall financial position reported by the group which is based on the regulatory requirements that determine the funding basis and the charge to the taxpayer.

6. Consultation and Engagement

The Corporate Finance team have worked closely with the PFCC's Chief Financial Officer who has been actively involved in discussions in respect of the Provisional Outturn Report and production of the Statement of Accounts.

7. Strategic Links

This paper concerns the management of the PFCC and Chief Constable's revenue and capital resources and therefore underwrites all of the priorities and workstreams identified within the Police and Crime Plan.

8. Police operational implications

As per section 7.

9. Financial implications

To approve the year-end overspend of £0.116m and associated appropriations to earmarked reserves of £2.537m as listed in the section 2 as well as approving the final capital outturn including slippage of £8.714m.

The Draft Unaudited Statement of Accounts 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.

10. 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.

11. Staffing implications

There are no staffing implications. However, the Draft Unaudited Statement of Accounts includes various employee-related information, including content relating to senior officers.

12. Equality, Diversity and Inclusion implications

There are no equality or diversity implications of this decision report. 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.

13. Risks and Mitigations

The accounts are expected to change for the late pension valuation information received on 31st May i.e. the statutory deadline for publishing the unaudited accounts. Whilst the accounts are not materially expected to change, they are subject to audit which could result in further adjustments being required.

14. Governance Boards

The Provisional Outturn Report was presented to an extraordinary PFCC Performance & Resources Board on the 30th May.

The draft unaudited Statement of Accounts were presented to the Joint Audit Committee on 25th May, the Chief Constables Chief Officer Group on 26th May and an extraordinary Strategic Board of the PFCC on 30th May.

15. Links to Future Plans

These documents link into and align with the PFCC's Medium-Term Financial Strategy (MTFS) and the overall framework for the ongoing monitoring and scrutiny of financial performance at Essex Police, to ensure resources are available and affordable in relation to the strategic priorities of the PFCC.

16. Background Papers and Appendices

The draft Unaudited Statement of Accounts, once signed by the Chief Constable and PFCC Section 151 Officers will be published on the Chief Constable's and PFCC's external websites ready for the statutory public inspection period commencing 1st June 2023.

Report Approval

The report will be signed off by the PFCC's Chief Executive and Chief Finance Officer prior to review and sign off by the PFCC / DPFCC.

Chief Executive / M.O.

Sign:DHorsman.....

Print:Darren Horsman - Deputy Monitoring Officer.....

Date:31/5/2023.....

Chief Finance Officer

Sign: .....

Print:Janet Perry.....

Date:31 May 2023.....

Publication

Is the report for publication?

YES

NO

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'None' if applicable)

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If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

Redaction

If the report is for publication, is redaction required:

1. Of Decision Sheet? YES
NO

2. Of Appendix? YES
NO

If 'YES', please provide details of required redaction:

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Date redaction carried out:

Chief Finance Officer / Chief Executive Sign Off – for Redactions only

If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

Sign:

Print:

Chief Executive / Chief Finance Officer

Decision and Final Sign Off

I agree the recommendations to this report:

Sign:

Print:

PFCC/Deputy PFCC

Date signed:

I do not agree the recommendations to this report because:

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Sign:

Print:

PFCC/Deputy PFCC

Date signed: