



**POLICE AND CRIME PANEL
REPORT OF JOINT CHIEF FINANCE OFFICER**

01 August 2017

STATEMENTS OF ACCOUNTS 2016/17 SUBJECT TO AUDIT

1. Purpose of the Report

- 1.1 The following report provides assurance to the Panel that robust governance arrangements are in place for the production and audit of the Statements of Account for 2016/17. The report sets out:
- The compilation and publication process for the Statements of Account and Annual Governance Statements in line with relevant regulations. These statements are currently subject to audit and the public inspection notice has been published.
 - An overview of budget performance and how the final outturn compared with the budget plans for the Police and Crime Commissioner and the Chief Constable.
- 1.2 The report should be read in conjunction with the Statements of Account, subject to audit, which were published on 30 June 2017 and are available at:

<http://www.northumbria-pcc.gov.uk/transparency/finance/accounts/>

2. Preparation, Publication, Audit and Authorisation of the Statements

- 2.1 The 2016/17 Statements of Account have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code), issued by CIPFA, and are prepared in accordance with International Financial Reporting Standards (IFRS).
- 2.2 The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.
- 2.3 Within the 2016/17 code there are a number of changes in relation to the presentation of the financial statements. The revised code requires changes to the format of the Comprehensive Income and Expenditure Statement (CIES); Movement in Reserves Statement (MIRS); and the introduction of a new Expenditure and Funding Analysis (EFA). The primary aim of these

changes is to provide greater transparency to the reader of the statements and show how resources have been applied.

- 2.4 In practical terms these changes result in the top half of the CIES being more aligned to how financial monitoring is carried out within the organisation, and is aligned to the Group monitoring position presented to the Joint Business Meeting on a quarterly basis. The objective of the EFA is to demonstrate to Council Tax payers how the funding available to the Chief Constable (i.e. the financing provided by the Police and Crime Commissioner) for the year has been used in providing services in comparison with those resources consumed in accordance with generally accepted accounting practices.
- 2.5 The statements also include the Annual Governance Statement (AGS) for each organisation; an annual assessment of the governance arrangements and their effectiveness. Further details can be found at section 5 of this report.
- 2.6 The timetable for the publication of the 2016/17 draft accounts, the external audit and final approval are shown in the table below:

Date	Task
30 June 2017	Draft Statement of Accounts signed off by Chief Financial Officer of the PCC and CC Director of Finance. Draft Annual Governance Statements prepared and signed as appropriate for PCC / CC. Statements published on PCC / CC websites.
1 July – 11 August	Accounts open for public inspection for 30 working days in accordance with Accounts and Audit Regulations 2015. The notice was published on both websites on 23 June 2017. Electors can only exercise their rights of inspection and objection during this 30 working day period.
July / August	External Audit on site, complete audit.
18 September	Joint Independent Audit Committee: <ul style="list-style-type: none"> – Audited Statement of Accounts reviewed and recommended for approval by the PCC / CC. – Revised AGS recommended for signature by the PCC / CC.
By 30 September	Statements authorised and signed. Publication of Statement of Accounts, AGS, Narrative Statement and External Audit opinion for the year ended 31 March 2017 on websites. Publish notice that the audit has been concluded and the statements published.

October 2017	Report the completion of the audit, publication of the statements and to report to the Police and Crime Panel.
--------------	--

3. Financial Performance 2016/17

- 3.1 The statements of account for the PCC, CC and Group each include a narrative statement that sets out the key financial and other performance for the 2016/17 financial year. A summary of the statements is provided below.
- 3.2 Budget Background – the 2016/17 revenue budget was approved at £266.840m and based upon:
- Increases in pay and prices of £5.200m; budget pressures of £3.800m and the impact on employer National Insurance of £4.300m;
 - A reduction in revenue costs of £0.200m to support capital investment;
 - Budget savings of £15.300m in 2016/17;
 - The use of £5.692m from the Commissioner's reserves to support the revenue budget and provide headroom to manage savings going forward; and
 - An increase of £5 on the Council Tax precept in 2016/17 to raise an additional £1.872m income.
- 3.3 The revenue outturn for 2016/17 is shown in the table below:

2016/17	Approved Budget 2016/17	Outturn 2016/17	Variance 2016/17
Group Position	£m	£m	£m
Chief Constable	256.080	255.553	(0.527)
Police and Crime Commissioner	2.262	1.493	(0.769)
Capital Financing	8.498	7.380	(1.118)
	266.840	264.426	(2.414)
Central Government Grant	(225.666)	(225.666)	0
Council Tax Precept	(35.482)	(35.482)	0
Central Grant and Precept Total	(261.148)	(261.148)	0
Appropriations (To)/From Reserves	5.692	3.278	(2.414)

- 3.4 Further information on the outturn is provided below.

Chief Constable

- 3.5 The PCC delegated a budget of £256.080m to the CC for 2016/17 to enable the discharge of the activities under his control.

- 3.6 The in-year budget strategy and regular monitoring resulted in an outturn of £255.553m, reflecting an in-year under spend of £0.527m.
- 3.7 The under spend can be primarily attributed to: additional income claimed to offset expenditure incurred across Innovation and Transformation projects; underspend on the Workforce and Investment budget; and following the conclusion of a number of potentially costly legal cases, Zurich has advised that the Force insurance provision should be lowered.

Police and Crime Commissioner

- 3.8 The 2016/17 approved budget for the Office of the Police and Crime Commissioner is £2.262m. The outturn for 2016/17 is £1.493m which is an under spend of £0.769m.
- 3.9 The under spend largely relates to: an underspend on the Commissioners Community Fund; one off savings on Treasury Management costs and external Legal advice; and a strategy to maximise the use of the Ministry of Justice Grant for the commissioning of services in year. This has been partially utilised to create a specific earmarked reserve of £0.300m to support the cost of Health Advocates in future years.
- 3.10 Capital Financing is also under the direction of the PCC, the Capital Financing budget for 2016/17 was £8.498m, comprising interest on borrowing and investments and the minimum revenue provision for repayment of borrowing. The outturn position is £7.380m reflecting an under spend of £1.118m. These savings have been as a direct result of tactical decisions made as part of the Treasury Management Strategy, to defer long term borrowing at higher interest rates, with shorter term borrowing at lower rates and using cash balances to fund expenditure.

2016/17 Capital Programme

- 3.11 In addition to the day-to-day revenue activities, the Commissioner incurs expenditure on capital related items. This includes: acquisition of fixed assets; building alterations; Information and Communications Technology; vehicles; and other major items of plant and equipment.
- 3.12 The total capital investment for 2016/17 was £9.887m. Further details of the capital investment programme can be found within the narrative statement to the Commissioners Group accounts.

4. General Reserves

- 4.1 The General Reserves are a key strategic resource to assist with the management of the Medium Term Financial Strategy (MTFS) and meet unexpected costs. At 31 March 2017 the General Reserves, subject to audit, are £11.823m, as outlined below.

General Reserve Position - Year End Outturn			
	Approved 2016/17 £m	Revised 2016/17 £m	Variance 2016/17 £m
Group Position			
Opening Balance (01/04/2016)	15.100	15.400	0.300
Planned Use of Reserve	(5.700)	(3.577)	2.123
Closing Balance (31/03/2017)	9.400	11.823	2.423

- 4.2 Based on the outturn, the PCC will be able to maintain the General Reserves at a level above the 2% minimum (£5m) threshold, in accordance with the reserves policy. Thus, enabling them to continue to support the MTFS as intended.

5. Annual Governance Statements

- 5.1 Regulations require public bodies to produce an Annual Governance Statement (AGS) that provides an assessment of the adequacy of the governance arrangements and their effectiveness. This separate statement accompanies the Statement of Account for each body.
- 5.2 The PCC and CC Joint Governance Monitoring Group have undertaken a review of the governance and internal control arrangements and have prepared an AGS for each body. These were reported to, and scrutinised by, the Joint Independent Audit Committee on 19 June 2017 and subsequently authorised by the PCC and CC.
- 5.3 The process did not identify any weaknesses in the governance arrangements.

6. Recommendations

- 6.1 The Police and Crime Panel are recommended to note:
- The publication of the draft Statements of Account and Annual Governance Statements for 2016/17, subject to audit;
 - The Financial Outturn position for 2016/17, subject to audit; and
 - The process for the scrutiny and certification arrangements, leading to the publication of the final Statements of Account by 30 September 2017.