



NORTHUMBRIA POLICE AND CRIME COMMISSIONER

REPORT TO THE POLICE AND CRIME PANEL 30 JULY 2018 REPORT OF JOINT CHIEF FINANCE OFFICER STATEMENTS OF ACCOUNTS 2018/19 AND THE EXTERNAL AUDITORS CONCLUSIONS

1. PURPOSE

- 1.1 The Statements of Account (SOA) are one of the key governance documents published each year. This report provides an update to the Panel on the preparation, audit, authorisation and publication of the Statements.
- 1.2 The Local Audit and Accountability Act 2014 requires:
 - Draft SOA and Annual Governance Statement (AGS) to be signed and published by 31 May each year; and
 - Final SOA, AGS and the audit opinion to be signed and published by 31 July each year.
- 1.3 The following report provides assurance to the Panel that robust governance arrangements were in place for the preparation, publication and audit of the Statements for 2018/19. The report sets out:
 - The compilation and publication process for the SOA and AGS statements in-line with relevant regulations.
 - An overview of budget performance and how the final outturn compared with the budget plans for the Police and Crime Commissioner (PCC) and the Chief Constable (CC).
 - Confirmation that the external auditor, Mazars, have issued an unqualified opinion on the SOA for both the PCC and CC for Northumbria. The unqualified Value for Money conclusion also confirms that both organisations have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources

2. RECOMENDATION

- 2.1 The Police and Crime Panel are recommended to note:
 - The preparation of the SOA and AGS for 2018/19;
 - The Financial Outturn position for 2018/19;

- The arrangements for the scrutiny and certification, leading to the publication of the final Statements by 31 July 2019; and
- The issuing of an unqualified opinion, without modification, on the SOA and Value for Money assessment for both the PCC and CC for Northumbria.

3. PREPARATION, PUBLICATION, AUDIT AND AUTHORISATION OF THE STATEMENTS

- 3.1 The 2018/19 SOA have been prepared in-line with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code), issued by CIPFA, and are prepared in accordance with International Financial Reporting Standards (IFRS).
- 3.2 The statements also include the AGS for each organisation; an annual assessment of the governance arrangements and their effectiveness. Further details can be found at section 6 of this report.
- 3.3 The timetable for the publication of the 2018/19 draft accounts, the external audit and final approval are shown in the table below:

Date	Task
31 May 2019	Draft SOA signed off by Chief Financial Officer of the PCC and CC Director of Finance. Draft AGS prepared, signed as appropriate for PCC/CC. Statements published on PCC/CC websites.
03 June – 12 July 2019	Accounts open for public inspection in accordance with Accounts and Audit Regulations. Notice published on both websites 31 May 2019.
03 July – 31 July 2019	External Audit on site, complete audit.
22 July 2019	Joint Independent Audit Committee: <ul style="list-style-type: none"> • Audited SOA reviewed and recommended for approval by the PCC/CC. • Revised AGS recommended for signature by PCC/CC.
25 July 2019	CC statements authorised and signed.
30 July 2019	PCC statements authorised and signed. Report the completion of the audit and intended publication of the statements to the Police and Crime Panel.
31 July 2019	Publication of SOA, AGS, Narrative Statement and External Audit opinion to 31 March 2019 on websites. Publish notice that the audit has been concluded and the statements published.

- 3.4 The draft SOA's and AGS's are available on the PCC's website. The final signed statements, along with the External Auditors Audit Completion report and opinion, will be published on 31 July 2019, available at:

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

4. FINANCIAL PERFORMANCE 2018/19

- 4.1 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 2018/19 financial year. A summary of the statements is provided over the page.
- 4.2 Budget Background – 2018/19 revenue budget was approved at £266.245m and based upon:
- Increases in pay and prices of £7.500m; budget pressures of £2.900m and an increase in capital financing costs of £0.100m;
 - Budget savings of £6.700m in 2018/19;
 - A balanced budget with no planned use of reserves; and
 - An increase of £12 on the Council Tax precept in 2018/19.
- 4.3 The revenue outturn for 2018/19, subject to any final changes as a result of the statutory audit, is shown in the table below:

Revenue Budget 2018/19	Approved		
	Budget	Outturn	Variance
	2018/19	2018/19	2018/19
	£m	£m	£m
Group Position			
Chief Constable	256.801	254.022	(2.779)
Police & Crime Commissioner	2.061	1.764	(0.297)
Capital Financing	7.383	7.022	(0.361)
Group Position Total	266.245	262.808	(3.437)
Central Government Grant	(222.624)	(222.624)	-
Council Tax Precept	(43.621)	(43.621)	-
Central Grant & Precept Total	(266.245)	(266.245)	-
Appropriations (To)/From Reserves	-	(3.437)	(3.437)

- 4.4 Further information on the outturn is provided below.

Chief Constable

- 4.5 The PCC delegated a budget of £256.801m to the CC for 2018/19 to enable the discharge of the activities under his control. The outturn position against the CC's revenue budget is £254.022m, reflecting an underspend of £2.779m.

- 4.6 The position used as the baseline for the preparation of the Medium Term Financial Strategy (MTFS) and Precept recommendations, as reported to the Panel in February, was a planned underspend of £1.695m, due to re-profiling expenditure into 2019/20. The additional movement in the final outturn position was mainly attributable to the late notification of a one-off Home Office Special Grant which was awarded to cover budgeted expenditure incurred earlier in the financial year.

Police and Crime Commissioner

- 4.7 The 2018/19 approved budget for the Office of the Police and Crime Commissioner was £2.061m, which included £0.750m for the Commissioner's Community Fund. The overall outturn position is £1.764m, an underspend of £0.297m.
- 4.8 Of the underspend, £0.145m relates to the Community Fund and has been set aside in the OPCC Partnership Working Reserve as at 31 March 2019. This reserve will be used in future years to support projects with partners in the public and voluntary sector to deliver against priorities in the Police and Crime Plan.
- 4.9 Capital Financing is also under the direction of the PCC. The Capital Financing budget for 2018/19 was £7.383m, comprising interest on borrowing and investments and the minimum revenue provision for repayment of borrowing. The outturn position is £7.022m reflecting an underspend of £0.361m, primarily due to a reduction in planned capital spend, securing improved interest rates on new long term borrowing, and additional investment income received due to the base rate increase in August 2018

2018/19 Capital Programme

- 4.10 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.
- 4.11 The total capital investment for 2018/19 was £7.351m. Further details of the capital investment programme can be found within the narrative statement to the Commissioners Group accounts.

5. GENERAL RESERVES

- 5.1 The General Reserves are a key strategic resource to assist with the management of the MTFS and meet unexpected costs. At 31 March 2019, the General Reserves are £9.728m, subject to any final changes as a result of the statutory audit, and outlined below:

General Reserves 2018/19	Approved		
	Budget	Actual	Variance
	2018/19	2018/19	2018/19
	£m	£m	£m
Group Position			
Opening Position as at 01 April 2018	9.436	9.436	-
Planned Transfer To/(From) General Reserve	-	3.437	3.437
Transfers To/(From) Earmarked Reserves			
Workforce Management Reserve	(1.000)	(1.000)	-
Police Pension Scheme Funding Reserve	-	(2.000)	(2.000)
OPCC Partnership Workforce Reserve	-	(0.145)	(0.145)
Closing General Reserve as at 31 March 2019	8.436	9.728	1.292

- 5.2 The additional variance in the final reserves outturn position is mainly attributable to the late notification of the one-off Home Office Special Grant which was awarded to cover budgeted expenditure incurred earlier in the financial year.
- 5.3 Based on the outturn, the PCC will be able to maintain the General Reserves at a level above the 2% minimum (£5.000m) threshold, in accordance with the reserves policy. Thus, enabling them to continue to support the MTFs as intended.

6. ANNUAL GOVERNANCE STATEMENTS

- 6.1 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.
- 6.2 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 22 July 2019 and subsequently authorised by the PCC and CC.
- 6.3 The process did not identify any weaknesses in the governance arrangements.

7. EXTERNAL AUDITOR CONCLUSIONS

- 7.1 The Audit of the SOA and AGS for both the PCC and CC is now complete. Only minor changes were made to the draft SOA, primarily disclosure and narrative in nature, with no numeric changes.
- 7.2 However, in addition to the above minor changes, in-line with national guidance the draft statements contained a contingent liability for the potential impact of 'Transitional Provisions in the Police Pension Regulations 2015'. During the course of the audit, this national guidance was changed as a result of the Government being denied the right to appeal by the Supreme Court. This had the impact of changing the nature of the original national guidance and requires

the potential value of the additional liability to be included within the final SOA's. Revised figures were requested from the respective actuaries, for both officers and staff, and the final SOA's, in agreement with the external auditors, now contain the additional pensions liabilities.

- 7.3 The external auditor (Mazars) has issued an unqualified opinion, without modification, on the SOA for both the PCC and CC for Northumbria. The unqualified Value for Money conclusion also confirms that both organisations have made proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
- 7.4 The Audit Completion Reports (ACR) were presented at the meetings with the PCC and CC as part of the final sign off of the SOA's and AGS's. They will be published on the Police and Crime Commissioner's and Chief Constable's websites on 31 July 2019 along with the statements and Notice of Conclusion of the Audit.