

**POLICE AND CRIME COMMISSIONER FOR NORTHUMBRIA****NORTHUMBRIA POLICE AND CRIME PANEL****26 JULY 2016**

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**STATEMENTS OF ACCOUNTS 2015/16 – SUBJECT TO AUDIT****REPORT OF THE JOINT CHIEF FINANCE OFFICER**

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**1. PURPOSE OF REPORT****1.1 This report explains:**

- How we have complied with the regulations to publish the statements of accounts and annual governance statements subject to audit and that we have ‘opened the books’ for public inspection;
- Provides an overview of budget performance and how the final outturn compared with the budget plans of the Police and Crime Commissioner and the Chief Constable;
- Highlights notable items within the Statements of Account 2015/16 subject to audit.

**1.2 This report should be read in conjunction with the Statements of Accounts, subject to audit that were published on 30 June 2016. They can be found on the websites of the Police and Crime Commissioner and Chief Constable at the following ‘quick’ links.**PCC - <http://goo.gl/4kH5Fm>Chief Constable - <http://goo.gl/Dtxwo8>**2. PREPARATION, PUBLICATION, AUDIT AND AUTHORISATION OF THE STATEMENTS**

- 2.1** The 2015 Accounts and Audit Regulations set out the requirements for the publication and approval of the annual statements of accounts, annual governance statement and narrative statement. They include a number of changes for 2015/16 including who calls the audit, how and when electors are informed of their rights of inspection and objection, and the publication of draft and audited statements of account and information that accompanies those statements.
- 2.2** For 2015/16 the Explanatory Foreword is replaced by a new Narrative Statement. This statement is not subject to audit. It presents the key finance, performance and other issues arising from the Statements.

- 2.3 The Statements also include the Annual Governance Statement (AGS) for each body; an annual assessment of governance arrangements and their effectiveness. Further details can be found in Section 6 of this report.
- 2.3 The timetable for the publication of the accounts subject to audit, the audit and final approval are shown in the table below.

Date	What We Have Done / What Will We Do?
30 June	Statement of Accounts subject to audit were signed and published on the PCC/CC websites. See links in Section 1.
1 July – 11 August	Accounts open for public inspection for 30 working days in accordance with the Accounts and Audit Regulations 2015.  The notices were published on our websites on 24 June 2016.  Note – Under the 2015 rules electors can now only exercise their rights of inspection and objection during this 30 working day period.
July/August	External Audit on site to complete the audit.
12 September	Joint Independent Audit Committee – to review the audited Statement of Accounts and audit conclusion. To recommend approval by the PCC and Chief Constable.
By 30 September	Statements to be authorised.  Publication of Statement of Accounts, Annual Governance Statement and Narrative Statement for the year ended 31 March 2016 on websites.
By 30 September	Publish notice that the audit has been concluded and the statements published.
October	Report the completion of the audit, publication of the statements and to report to the Police and Crime Panel.

### 3. FINANCIAL PERFORMANCE 2015/16

- 3.1 The Statement of Accounts for the Chief Constable, PCC and Group each includes a narrative statement that sets out the key financial and other performance for the 2015/16 financial year. A summary of those statements follows.
- 3.2 Budget Background

- The 2015/16 revenue budget was approved at £269.039 following:
  - A cut to grant funding of 5.1%, a cash reduction of £11.5m;
  - The requirement to make a further £16.2m of savings bringing the total achieved since 2010 to £108.1m;
  - Provision for increases in pay and prices of £4.4m;
  - Budget pressures of £1.7m;
  - An increase in revenue costs of £2.2m to support capital investment in buildings, vehicles and new technology;
  - The use of £9.22m from the Commissioner's reserves to support capital investment and phase budget savings to minimise the impact on frontline policing; and,
  - Acceptance of an increase in the council tax precept of 1.99%.

### 3.3 The Revenue Outturn

- A £2.173m (0.8%) under spend on the revenue budget of £269.039m
- Savings achieved
- Budget pressures contained
- Reduced the £9.220m we intended to draw from reserves to support the revenue budget in 2015/16 to £7.047m.
- Reserves above 2% threshold.

### 3.4 The provisional revenue outturn is summarised in Table 1.

Table 1

Revenue Monitoring - Provisional Outturn			
<u>Group Position</u>	Approved Budget 2015/16 £m	Provisional Outturn 2015/16 £m	Variance 2015/16 £m
Chief Constable	258.187	257.428	(0.759)
Police and Crime Commissioner	10.852	9.438	(1.414)
<b>Net Expenditure</b>	<b>269.039</b>	<b>266.866</b>	<b>(2.173)</b>
Central Government Grant Income	(226.915)	(226.915)	0.000
Council Tax Precept	(32.904)	(32.904)	0.000
<b>Central Grant and Precept Total</b>	<b>(259.819)</b>	<b>(259.819)</b>	<b>0.000</b>
<b>Appropriations (to) / from reserves</b>	<b>9.220</b>	<b>7.047</b>	<b>(2.173)</b>

### 3.5 Further information about the outturn can be found below.

#### CHIEF CONSTABLE

### 3.6 The PCC delegated a budget of £258.187m to the Chief Constable for 2015/16 to enable the discharge of the activities under his direction and control.

- 3.7 The post-election announcement before the 2015 summer recess that the Chancellor of the Exchequer wanted government departments and forces to model the impacts of budget cuts of between 25% and 40% added concerns of further severe grant cuts.
- 3.8 The PCC and Chief Constable therefore agreed on a strategy to minimize the potential impact of further significant grant cuts by acting in-year. They implemented a number of measures including slowing the recruitment of new officers, continuing the programme of staff redundancy and banking one-off savings to reduce the call on reserves so that they could support future years.
- 3.9 This strategy along with regular monitoring and management of the budget has resulted in a provisional underspend of £0.759m; the workforce budgets (pay, pensions and NI) had a variance of £0.810m that was offset by a surplus on non-pay budgets of £1.569m.
- 3.10 The non-pay budgets included significant one off savings including estate rate rebates, the sale of masts and liquidated damages relating to the supply of vehicles contract. This also helped to offset the unexpected Municipal Mutual Insurance levy of £0.248m related to the 'run off' of the former insurance provider.

#### **POLICE AND CRIME COMMISSIONER**

- 3.11 The Office of the Police and Crime Commissioner provisional outturn has resulted in an underspend of £1.414m for 2015/16.
- 3.12 Office costs were underspent by £0.111m resulting from staff vacancies, a reduction in the audit fee and employment and property advice lower than anticipated.
- 3.13 The OPCC Volunteers budget underspent by £0.037m.
- 3.14 The provisional outturn for the Commissioners Fund is £0.484m; an under spend of £0.266m.
- 3.15 Other Expenditure under the Direction of the Commissioner under spent by £0.931m. One-off treasury management savings were realised in year as tactical decisions were made to defer long term borrowing at higher rates with shorter term borrowing at lower rates and by using cash balances. Interest income benefited from a windfall dividend of £0.211m relating to the pay-out from the former Icelandic Heritable Bank.

#### **2015/16 CAPITAL OUTTURN**

- 3.16 In addition to spending on day-to-day activities, the Commissioner incurs expenditure on the acquisition of fixed assets that will be used in providing services beyond the current accounting period; or expenditure

that adds value to an existing fixed asset, such as buildings, computers and communications and other major items of plant and equipment. This spending on capital totalled £12.246 million.

- 3.17 Further details of the capital investment for 2015/16 can be found in the narrative statement within the Commissioners group accounts.

#### 4. GENERAL RESERVES

- 4.1 The General Reserves are a key strategic resource to manage the funding of budget plans and meet unexpected costs, such as those that may arise when possible future obligations become payable as noted above. As at 31 March 2016 the General Reserves subject to audit are shown in Table 2.

<b>Table 2 - Provisional Outturn - Use of Reserves</b>	General Reserve	Capital Development Reserve	External Funding Reserve	Total
	£m	£m	£m	£m
Opening Balance 01/04/15	21.786	0.914	0.208	<b>22.908</b>
Planned Use of Reserves	(8.306)	(0.914)	0.000	<b>(9.220)</b>
Provisional Outturn	2.190	0.000	(0.017)	<b>2.173</b>
Closing Balance 31/03/16	<b>15.670</b>	<b>0.000</b>	<b>0.191</b>	<b>15.861</b>
Total use of reserves	<b>(6.116)</b>	<b>(0.914)</b>	<b>(0.017)</b>	<b>(7.047)</b>

- 4.2 The budget surplus has reduced the £9.220m we intended to draw from reserves to support the revenue budget in 2015/16 to £7.047m.
- 4.3 Based on the outturn we will be able to maintain the general reserves at a level above the 2% minimum (£5m) in accordance with our reserves policy and continue to support the Medium Term Financial Plan as intended. The latest MTFS will be revised for the 2015/16 outturn in due course.

#### 5. OTHER NOTABLE ITEMS WITHIN THE STATEMENTS – SUBJECT TO AUDIT

- 5.1 The narrative statements for each of the Statements of Accounts include further detail of the financial and performance highlights for the year including the pension funds, assets held for sale and contingent liabilities.

#### 6. ANNUAL GOVERNANCE STATEMENTS

- 6.1 The Regulations require public bodies to produce an Annual Governance Statement (AGS) that provides an assessment of

governance arrangements and their effectiveness. This separate statement accompanies the Statement of Accounts for each body.

- 6.2 The PCC and Chief Constable's Joint Governance Monitoring Group undertook a review of the governance and internal control arrangements to prepare the AGS for each body. They were then scrutinised by the Joint Independent Audit Committee on 20 June 2016 and subsequently authorised by the Chief Constable and PCC.
- 6.3 The process did not identify any weaknesses in governance arrangements.

## **7. RECOMMENDATIONS**

7.1 That the Police and Crime Panel note:

- the publication of the Statements of Accounts 2015/16 subject to audit;
- the financial outturn subject to audit; and,
- the process of scrutiny and certification leading to publication of the final Statements of Accounts by 30 September 2016.