

**STATEMENTS OF ACCOUNTS 2017/18 AND THE EXTERNAL AUDITORS
CONCLUSIONS**

REPORT OF JOINT CHIEF FINANCE OFFICER

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 implemented changes to the timeframe for the production of the SOA and Annual Governance Statements (AGS) with effect from 01 April 2017. In summary, these changes required:
- Draft SOA and 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 2017/18. 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, without modification, on the SOA for both the Police and Crime Commissioner and Chief Constable 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 2017/18;
 - The Financial Outturn position for 2017/18;
 - The arrangements for the scrutiny and certification, leading to the publication of the final Statements by 31 July 2018; 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 report should be read in conjunction with the Statements of Account, which were published on 26 July 2018 and are available at:

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

3.2 The 2017/18 SOA have been prepared in-line with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (The Code), issued by CIPFA, and are prepared in accordance with International Financial Reporting Standards (IFRS).

3.3 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 5 of this report.

3.4 The timetable for the publication of the 2017/18 draft accounts, the external audit and final approval are shown in the table below:

Date	Task
31 May 2018	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.
01 June – 12 July 2018	Accounts open for public inspection in accordance with Accounts and Audit Regulations. Notice published on both websites 31 May 2018.
01 July – 31 July 2018	External Audit on site, complete audit.
23 July 2018	Joint Independent Audit Committee: – Audited SOA reviewed and recommended for approval by the PCC/CC. – Revised AGS recommended for signature by PCC/CC.
26 July 2018	Statements authorised and signed. Publication of SOA, AGS, Narrative Statement and External Audit opinion to 31 March 2018 on websites. Publish notice that the audit has been concluded and the statements published.
31 July 2018	Report the completion of the audit, publication of the statements and to report to the Police and Crime Panel.

3. FINANCIAL PERFORMANCE 2017/18

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 2017/18 financial year. A summary of the statements is provided below.

3.2 Budget Background – the 2017/18 revenue budget was approved at £262.543m and based upon:

- Increases in pay and prices of £6.800m; budget pressures of £2.300m, including an annual budget increase of £0.800m relating to the government's introduction of the Apprenticeship Levy;
- Budget savings of £12.200m in 2017/18;
- The use of £1.529m 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 2017/18.

3.3 The revenue outturn for 2017/18 is shown in the table below:

Group Position	Approved Budget 17/18 £m	Outturn 17/18 £m	Variance £m
Chief Constable	252.943	254.227	1.284
Police and Crime Commissioner	2.262	1.853	(0.409)
Capital Financing	7.338	7.173	(0.165)
	262.543	263.253	0.710
Central Government Grant	(222.624)	(222.624)	-
Council Tax Precept	(38.390)	(38.390)	-
Central Grant and Precept Total	(261.014)	(261.014)	-
Appropriations (To)/From Reserves	1.529	2.239	0.710

3.4 Further information on the outturn is provided below.

Chief Constable

3.5 The PCC delegated a budget of £252.943m to the CC for 2017/18 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 £254.227m, reflecting an in-year overspend of £1.284mm.

3.7 The overspend is primarily attributable to the Northumbria response to the increased counter terrorism threat level in 2017 and pay settlements being in excess of the budgeted 1%. Despite national representation by all Forces the Home Office determined that no additional funding was to be provided in-year.

Police and Crime Commissioner

- 3.8 The 2017/18 approved budget for the Office of the Police and Crime Commissioner is £2.262m. The outturn for 2017/18 is £1.853m which is an underspend of £0.409m.
- 3.9 Of the underspend, £0.258m has been set aside within earmarked reserves as at 31 March 2018 to pilot additional support for victims in specialist domestic violence courts and pilot additional project support for the Local Criminal Justice Board (LCJB).
- 3.10 Capital Financing is also under the direction of the PCC, the Capital Financing budget for 2017/18 was £7.338m, comprising interest on borrowing and investments and the minimum revenue provision for repayment of borrowing. The outturn position is £7.173m reflecting an under spend of £0.165m. 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.

2017/18 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 2017/18 was £9.553m. 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 2018 the General Reserves, are £9.436m, as outlined below:

2017/18 General Reserve - Year End Position			
	Approved 2017/18 £m	Actual 2017/18 £m	Variance 2017/18 £m
<u>Group Position</u>			
Opening Balance (01/04/17)	11.865	11.865	0.000
Planned Use of Reserve	(1.529)	(2.429)	(0.900)
Closing Balance (31/03/18)	10.336	9.436	(0.900)

- 4.2 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.

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 23 July 2018 and subsequently authorised by the PCC and CC.
- 5.3 The process did not identify any weaknesses in the governance arrangements.

6. EXTERNAL AUDITOR CONCLUSIONS

- 6.1 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.
- 6.2 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.
- 6.3 The audit completion reports attached set out the main findings of the work of the auditor, the unqualified opinion on the financial statements, the Value for Money conclusion and other comments. The reports can be found in Appendix 1 and 2. There were no outstanding matters or recommendations contained within the reports.
- 6.4 The Joint Independent Audit Committee considered and recommended the Statements and the Audit Completion reports at their meeting of 23 July 2018.
- 6.5 The Police and Crime Commissioner, Chief Constable and the Chief Finance Officer signed the accounts on 19 September 2017 and the auditor certified them as completed on 26 July 2018.
- 6.6 The Statements will be published on the Police and Crime Commissioner's and Chief Constable's websites on 31 July 2018 along with the Notice of Conclusion of the Audit.

Appendix 1 – Chief Constable Audit Completion Report

Appendix 2 – Police & Crime Commissioner Audit Completion Report