

# PFCC Decision Report

**Please ensure all sections below are completed**

**Report reference number:** 092-24

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

**Title of report:** 2023/24 Provisional Outturn, Year End Appropriations to Reserves and Draft Statement of Accounts

**Area of county / stakeholders affected:** Countywide

**Report by:** Annette Chan, Head of Finance

**Chief Officer:** DCC Andrew Prophet

**Date of report:** 29th May 2024

**Enquiries to:** Annette Chan

## 1 Executive Summary

- 1.1 The Provisional Outturn Report for the financial year 2023/24 was presented to the PFCC's Performance, Resources and Scrutiny Board on 28<sup>th</sup> May. The report set out the key movements since the month 12 reported position including confirmation of the revenue underspend of £3.1m after adjusting for year-end earmarked reserve appropriations. Some of the year-end appropriations require PFCC approval and due to the need to produce and publish the statutory Statement of Accounts by 31<sup>st</sup> May approval is needed for these year end adjustments to enable the Chief Constable's Corporate Finance department to action the necessary adjustments within the general ledger.

- 1.2 This decision report sets out the year end appropriations to and from reserves noted within the Provisional Outturn Report for 2023/24, that require approval by the PFCC and approval for the final appropriations required to move the £3.1m underspend to reserves. It also seeks approval for the year end position on capital including the financing of capital payments. The paper also explains that there is a delay in the receipt of key information for the production of the Unaudited Statement of Accounts, namely the police officer pension fund valuation, and requests approval to delay publication and publish a note to this effect.

## 2 Recommendations

- 2.1 Approval is sought for the following year-end appropriations in relation to the 2023/24 outturn position (as included in the Provisional Outturn report presented to the 28th May Performance, Resources and Scrutiny Board):

- 2.1.1 That the following amounts are appropriated to earmarked reserves:

**PFCC Commissioning Budget Carry Forward Reserve** – A contribution of **£1.650m** 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.

**Restricted Grant Reserve** – A contribution of **£0.449m** in respect of a Section 31 grant announced by the Home Office on 25<sup>th</sup> March 2024 to support software licence costs. Proper accounting treatment requires this to be recognised in 2023/24 and placing into this reserve allows the funds to be appropriately utilised in 2024/25.

**Transformation Reserve** – A contribution of **£0.298m** in respect of i) underspends for electrical testing (£0.186m) which will allow for the work to be carried out in 2024/25 and ii) utilising underspend for additional licence costs associated with the ICCS project within Contact Management (£0.112m) in 2024/25.

- 2.1.2 That the net underspend of £3.1m is appropriated to:

- **£0.5m** to the **Transformation Reserve** to be set aside for expenditure linked to Welfare, Wellbeing and Workplace improvement proposals;
- **£0.2m** to the **Insurance Reserve** to help with mitigation of material movements in future insurance claims (*based on an assessment of the PFCCs Insurance Fund auditor the liability over the medium term is expected to be substantially higher than the insurance reserve value. Whilst it is not feasible to set aside financial resources for the total expected financial outlay advised by the auditors it would be prudent to increase the value of the reserve*);
- **£2.4m** (the balance) to the **General Reserve**.

**2.2** That the financing of capital payments in 2023/24 (£14.625m) is approved by use of the following resources:

- £1.551m capital receipts
- £2.402m revenue contributions
- £0.313m from external contributions
- £10.359m Prudential Borrowing (i.e. an increase to 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.)

**2.3** That the following is approved in relation to Capital Payment Budgets:

- Capital payment budgets and associated capital financing of £4.631m are re-profiled into subsequent financial years, in respect of slippage in schemes.
- Capital payment budgets and associated financing are reduced by **£1.138m** (Underspends) and increased by **£0.453m** (Overspends).

**2.4** To agree, that we delay publication of the 2023/24 Unaudited Statement of Accounts until such time that we receive the police officer pension valuation from the pension administrator (currently expected to be received on 7th June).

**2.5** To publish a delay of publication notice on 31st May as follows:

**Delayed, Public Inspection of the unaudited Statement of Accounts for year ended 31 March 2024.**

The Accounts and Audit Regulations 2015 – Regulation 15, as amended by The Accounts and Audit (Amendment) Regulations 2021, and by The Accounts and Audit (Amendment) Regulations 2022.

The Accounts and Audit (Amendment) Regulations require the PFCC to publish the unaudited Statement of Accounts for the financial year ending 31 March 2024 and make these available for public inspection by 1<sup>st</sup> June. The publication of the unaudited Statement of Accounts 2023/24 will be delayed.

The PFCC is unable to commence the statutory period for public inspection of the accounting records for the financial year ended 31 March 2024 by the first working day in June as required by paragraph 15 of the Accounts and Audit Regulations 2015 (as amended).

The delay has arisen due to the valuation of the police officer pension not being available from the pension administrator before the 31<sup>st</sup> May 2024.

Once the PFCC receives the police officer pension valuation we will publish the unaudited statement of accounts as soon as is reasonably practicable.

- 2.6** Once we are in a position to include the impact of the police officer pension valuation as at 31st March 2024 we will publish the accounts and the public inspection period will commence the following day.

### **3 Background to the Proposal**

- 3.1** The Provisional Outturn for 2023/24 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 were reported within the Provisional Outturn Report sections 2.1 and 2.2.
- 3.2** The Statement of Accounts for 2023/24 have been produced with the intention of publication by the 31st May. Unfortunately, the police officer pension valuation that has been arranged by the pension administrator is not yet available and we therefore do not have any information to reflect the financial impact of the change in valuation of the police officer pension within the 2023/24 Statement of Accounts. All other matters are expected to be complete and ready for publication by 31st May.
- 3.2.1** We are awaiting from the pension administrator the IAS19 valuation adjustments for Police Officers. These are advised to the pensions administrator by the pension actuary. We have been informed that we will receive these by 7th June, after the statutory deadline for publication.
- 3.2.2** The amount at 31st March 2023 on the balance sheet for the police officers pensions liability was £2.210bn with an offsetting unusable reserve of the same amount. Any movement on these balances will be reflected through the Comprehensive Income and Expenditure Statement (CIES). In the most recent financial years the impact of this movement on the 'other comprehensive income and expenditure' line within the CIES has been £1.184bn in 2022/23 and £143m in 2021/22.
- 3.2.3** Materiality in the 2022/23 accounts was specified by Grant Thornton, our external auditors for those accounts, as £8m. Both of these movements posted through the CIES in the last two years were considerably in excess of materiality thresholds.
- 3.2.4** For the 2023/24 Statement of Accounts we will have new auditors who will have not yet specified their view on materiality and our expectation is that it would be at a similar level.
- 3.2.5** The Accounts and Audit Regulations 2015 place a statutory duty on the S151 officers to do the following in this order:
- ensure that the statement of accounts are prepared in accordance with the regulations and proper accounting practice; and

- sign and date the statement of accounts and confirm that they are satisfied that it presents a **'true and fair'** view of the financial position at 31st March and of the income and expenditure for the year. The Section 151 officers are required to sign as 'true and fair' before the public inspection period i.e. for the unaudited accounts being published. There is no provision that covers an 'except for' scenario.

The accounts that are being certified are those produced in line with proper accounting practice (statutory) and the true and fair view is not just related to the impact on the general reserve/tax payer.

#### **4. Proposal and Associated Benefits**

If the year-end appropriations to reserves are approved the resulting position as at 31<sup>st</sup> March 2024 will be a General Reserve Balance of **£12.622m** (3.3% of the 2024/25 net revenue budget) and total earmarked reserves of **£14.704m** (£0.109m of these held on behalf of third parties).

The proposed delay in publication of the unaudited Statement of Accounts will allow the Section 151 officers to meet their statutory and professional obligations.

The delay of the publication notice will keep the public informed around our intentions to publish as soon as we are able to.

#### **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.

In respect of publication of the accounts the alternative option is to publish the accounts knowing that we do not have the correct pension position for police officers. We are not recommending this option as it will compromise the Section 151 officer's duty to present a true and fair view.

We could consider publication without S151 certification of a true and fair view. This does not comply with the requirements of the statutory regulations and we are therefore not recommending this option.

#### **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 publication 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 underspend of £3.073m and associated appropriations to earmarked reserves of as listed in section 2 as well as approving the final capital outturn including slippage of £4.631m.

## **10. Legal implications**

The provisional outturn position informs the statutory statement of accounts which are currently in production.

The recommendation to delay the publication the unaudited Statement of Accounts will ensure that the PFCC and the Chief Constable meet their statutory obligations.

## **11. Staffing implications**

There are no direct staffing implications.

## **12. Equality, Diversity and Inclusion implications**

There are no expectations that this decision will impact any individual with protected characteristics, either more or less favourably than any other individual.

## **13. Risks and Mitigations**

Whilst the provisional outturn is not expected to change materially, the accounts will be subject to audit which could result in further adjustments being required.

## **14. Governance Boards**

The Provisional Outturn Report is due to be presented to the PFCC Performance & Resources Board on the 28th May. To produce the statutory statement of accounts, the appropriations to and from reserves need to be approved thus requiring decisions prior to this date.

## **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**

There are no background papers for this decision report.

**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: .....

Print: .....

Date: .....

Chief Finance Officer Sign: .....

Print: .....

Date: .....

**Publication**

Is the report for publication? YES  Y  
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  N  
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:

.....  
.....  
.....

**Sign:**

**Print:**

**PFCC/Deputy PFCC**

**Date signed:**