



west midlands
police and crime
commissioner



AGENDA ITEM 09

**JOINT AUDIT COMMITTEE
24 June 2021**

STATEMENT OF ACCOUNTS 2020/21

1. PURPOSE OF REPORT

- 1.1 This report presents the statutory Statements of Accounts for the 2020/21 financial year, subject to external audit.

2. BACKGROUND

- 2.1 The Account and Audit (Amendment) Regulations 2021 came into force on 31st March 2021 and delayed the required publication date of audited accounts for the financial year beginning in 2020 until 30th September 2021. The draft Police and Crime Commissioner and Chief Constable Accounts have been completed in accordance with this amendment and they have been checked by the Chief Finance Officers of the office for the Police and Crime Commissioner and the Chief Constable as representing a true and fair view of the accounts for the 2020/21 financial year. The accounts are presented to the Joint Audit Committee to demonstrate good governance and transparency in its scrutiny role. A copy of the draft accounts are attached. The Accounts are to be audited by Grant Thornton UK (LLP).
- 2.2 The Statement of Accounts for 2020/21 have been prepared following the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. This interprets the International Financial Reporting Standards on which these accounts are required to be based.
- 2.3 Accounts are prepared for both the Police and Crime Commissioner and Chief Constable. This report is based on the consolidated accounts of both entities referred to as the group accounts or the accounts of the PCCWM group.

3. STATEMENT OF ACCOUNTS 2020/21

3.1 The Statement of Accounts sets out the financial position of the PCC and the Chief Constable, in accordance with formal legal and technical guidelines and, in particular:

- (a) Those costs that are chargeable to the general fund (the taxpayer) and those costs which reflect statutory accounting adjustments required to deal with movements in reserves
- (b) Includes a Comprehensive Income and Expenditure Statement (CIES) which shows the net cost for the year of the functions for which the Group is responsible and demonstrates how the costs have been financed.
- (c) Shows the re-measurements (formerly actuarial gains and losses) on the police and police staff pension schemes and the surplus or deficit on the revaluation of non-current assets as other Comprehensive Income and Expenditure within the CIES
- (d) Shows non-specific Government grants in the CIES as part of recognised capital grants then transfers them to the Balance Sheet depending on the presence or absence of particular grant conditions.
- (e) Presents a Balance Sheet which shows the assets and liabilities of the group and how these are financed from a mixture of useable and non-useable reserves.
- (f) Presents a Cash Flow Statement showing a net increase or decrease in cash and cash equivalents and how cash flows through the operating, investing and financing activities of the group.
- (g) Shows that the net cost of Police Services has moved from a £199.6m deficit in 2019/20 to a £221.6m deficit in 2020/21.

Details of the financial outturn for 2020/21 are presented below.

<i>Revenue Expenditure</i>	<i>Budget 2020-21 £m</i>	<i>Actual 2020-21 £m</i>	<i>Variation + (-) £m</i>
Employee costs	547.2	546.6	(0.6)
Premises costs	18.6	19.1	0.5
Transport costs	9.0	7.1	(1.9)
Supplies and Services	45.1	44.8	(0.3)
Collaborative working costs	14.1	13.7	(0.4)
Capital Financing	26.9	16.6	(10.3)
Income	(59.4)	(72.1)	(12.7)
Police Force (Excl. Change Programme & COVID 19)	601.5	575.8	(25.7)
Change Programme	20.2	17.2	(3.0)
COVID-19	(2.1)	(0.7)	1.4
Police Force (Incl. Change Programme & COVID 19)	619.6	592.3	(27.3)
Police and Crime Commissioner			
Office for Police and Crime Commissioner	2.8	2.8	0.0
Commissioned Services	9.7	7.1	(2.6)
Police and Crime Commissioner	12.5	9.9	(2.6)
Net Cost Police Services	632.1	602.2	(29.9)
Other Contributions to (from) Reserve	(15.1)	16.2	31.3
Net Contribution to (from) Budget Reserves	(6.1)	(7.8)	(1.7)
Net Budget Requirement	610.9	610.6	(0.3)

3.2 It is worth noting that the revenue budget outturn of £610.6m is presented differently in the Statement of Accounts due to technical accounting adjustments required to ensure the presentation in the Statement of accounts complies with IFRS.

3.3 As a result, the bottom line of the Comprehensive Income and Expenditure Statement (shown on page 33 of the Accounts) shows the Group with a deficit for the year on the provision of services of £221.6m. This is not a real cash deficit but an accounting view. The deficit is derived from material actuarial movements affecting the liabilities of the Police and Local Government Pension Schemes.

3.4 In accounting terms, we are required to include in the Accounts the total cost of net Pension liabilities (i.e. the difference between total future pension liabilities and the current value of assets), which are:

<i>2019/20 £m</i>		<i>2020/21 £m</i>
7,518.2	Police Officers' Unfunded Scheme	8,025.0
307.8	Police Staff Funded Scheme	551.3
7,826.0	Total Net Liability	8,576.3

- 3.5 There has been an increase in the pension liability of £750m. This actuarial adjustment is due to a reduction in the discount rate (which results in future pension payment costing more at the present value) and the assumed increase in salaries and inflation rates.
- 3.6 The significant liability on police officer pensions, reflects the fact that the Scheme is unfunded (the Home Office support this with liability with a pension top up grant). The liabilities on both pension schemes reflect actuarial assumptions based on the current economic and demographic position.
- 3.7 The net liability on police staff pensions, which is a funded scheme, reflects the national position and results from a review of recent stock market performance and the increasing cost of annual pensions. The accounts show the Local Government Pension Scheme split to show the assets and liabilities of the Commissioner separately from those of the Chief Constable.

4. INSPECTION AND AUDIT OF ACCOUNTS

- 4.1 The annual Audit of the accounts takes place from 21st June. The period during which local electors or their representative may formally ask questions of the PCCWM or the External Auditor commences on 21st June following publication of the draft Accounts on 18th June 2020.

5. RECOMMENDATIONS

- 5.1 The Committee is asked to note the contents of the draft Statement of Accounts for 2020/21 which has been agreed by the Chief Finance Officer for each entity as representing a true and fair view of the financial position of the PCC and CC as at 31 March 2021 and the income and expenditure of each entity for the end of that financial year.

Mark Kenyon
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Police and Crime Commissioner

Neil Chamberlain
Chief Finance Officer
Chief Constable of West
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