

NORTH WALES POLICE & CRIME COMMISSIONER

GROUP STATEMENT OF ACCOUNTS

2015 – 2016

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Narrative Report

Introduction

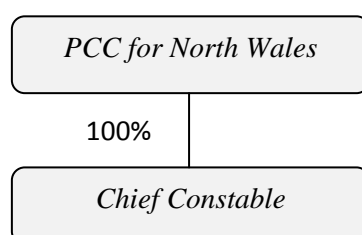
The Statement of Accounts for 2015-2016 provides a picture of the group's financial position at 31 March 2016 and a summary of the income and expenditure in the year to 31 March 2016. The end of 2015-2016 marks the fourth year since the introduction of Police and Crime Commissioners in England and Wales, following the implementation of the Police Reform and Social Responsibility Act 2011.

In principle, the Act has established both the Police and Crime Commissioner and the Chief Constable as corporations sole, each deemed a separate legal entity that can employ staff, enter into contracts and take part in legal proceedings. The Police and Crime Commissioner has the responsibility to secure the maintenance of an efficient and effective police force and will commission the delivery of this from the Chief Constable. The Act has also established Police and Crime Panels for each policing area whose role is to hold the Police and Crime Commissioners to account for their decisions and actions.

In practice the two corporations sole are required to prepare their own statutory single entity Statement of Accounts, in accordance with the Code of Practice on Local Authority Accounting and relevant International Financial Reporting Standards. In addition, the Police and Crime Commissioner is also required to produce a set of Group Accounts.

1. Group Structure

Following the Police Reform and Social Responsibility Act 2011, the Police and Crime Commissioner is identified as the holding organisation and the Chief Constable is deemed a wholly owned subsidiary. The nature of the group's structure is set out within the legislation and the preparation of the group accounts is in accordance with statutory accounting practice.



2. Group Statement of Accounts

The group accounts present a detailed picture of the financial affairs of the group, Police and Crime Commissioner and Chief Constable and comprise:-

- Group Statement of Accounting Policies (Page 10)
This statement supports the accounts and details the specific principles, rules and practices applied by the Police and Crime Commissioner in preparing and presenting the financial statements.
- Group Statement of Responsibilities (Page 25)
This sets out the responsibilities of the Police and Crime Commissioner and the Chief Finance Officer in respect of the Statement of the Accounts and confirms that the accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting.
- Group Movement in Reserves Statement (Page 26).
This statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner, analysed into usable reserves (those that can be applied to fund expenditure) and other (principally technical accounting) unusable reserves.

- Group Comprehensive Income and Expenditure Statement (Page 27).
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation.
- Group Balance Sheet (Page 29).
This shows the carrying values as at the Balance Sheet date of the assets and liabilities recognised by the Police and Crime Commissioner. The net assets of the Police and Crime Commissioner (assets less liabilities), are matched by the reserves held by the Police and Crime Commissioner.
- Group Cash Flow Statement (Page 30).
The Cash Flow statement shows the changes in cash and cash equivalents of the Police and Crime Commissioner during the year.
- Group Notes to the Statements (Pages 31 to 67).
These are all the explanatory notes which explain in more detail a number of items relating to the primary statements.
- Police Pension Fund Account (Page 68).
This details the transactions relating to Police Pension income and expenditure.

These have been produced in accordance with the accounting standards which currently apply to local policing bodies. Where this produces a conflict with the underlying legal requirement to produce accounts showing tax payers' funds, relevant adjustments have been made in accordance with the CIPFA code of practice. A schedule of these adjustments can be found in Note 6 "Adjustments between Accounting Basis and Funding Basis under Regulations".

3. The Economic Climate and the Revenue Budget for 2015-2016

The Police and Crime Commissioner operated with a net revenue budget of £139.836 million for 2015-2016. This was formally set at a meeting of the Police and Crime Panel on 19 January 2015 and represented an overall increase in precepts by 4%. However, with the Government funding reduction of 5.11%, this resulted in an overall reduction of 0.97% to the base revenue budget

The overall end of year position was a contribution from reserves of £0.733 million which is lower than the budget of £1.914 million in 2015-2016. The areas contributing to the financial outturn included police staff related pay which resulted from reductions in staff numbers and increased vacancies. A significant element of the budget strategy for 2015-2016 was to recruit officers early in order that they could be deployed at the same time that officers retired. This was successfully achieved and contributed to maintaining front line services. Expenditure within supplies and services such as IT services, mutual aid expenditure and equipment purchases were higher than expected; however these were offset by a number of other areas that have contributed to the overall underspend. These include a reduction in the insurance provision from review of the employers and public liability claims and reduced vehicle running cost expenditure aligned with the reduction in fuel prices experienced by the Force. Some additional building works identified were not fully completed in 2015-2016 and will now fall into the new financial year. Additionally, there has been increased receipt of income at the end of the year from mutual aid provision and police led prosecutions.

The Police and Crime Commissioner's reserves are specifically required to meet any unforeseen events, assist the revenue and capital plans of the Force over the next period and to facilitate the reduction strategy to deliver the estimated base budget recurring savings required of £7.4 million over the period 2016 to 2020. This is in addition to the cuts already achieved since the Comprehensive Spending Review 2010(CSR2010) up to 2015-2016 of £24.1 million and demonstrates the pressure placed upon the police service nationally. Transfers to reserves are summarised within note 7 to these accounts. Actual net revenue expenditure for 2015-2016 was £140.680 million. Analysis of the expenditure is detailed in the following table. The transfers to or from usable reserves are the net position and includes reserves used to fund capital expenditure.

The outturn position is shown in the table below:

ACTUAL 2014-2015 £m	REVENUE EXPENDITURE	BUDGET 2015-2016 £m	ACTUAL 2015-2016 £m	VARIANCE + (-) £m
119.537	EMPLOYEE COSTS	119.186	118.832	-0.354
3.232	POLICE PENSIONS	3.334	3.645	0.311
8.625	PREMISES COSTS	8.559	7.725	-0.834
4.848	TRANSPORT COSTS	5.133	4.597	-0.536
21.986	SUPPLIES AND SERVICES	20.253	21.980	1.727
2.136	CAPITAL FINANCING	1.504	1.702	0.198
1.130	COMMUNITY SAFETY FUND	1.166	1.151	-0.015
2.011	PARTNERSHIPS	2.208	2.116	-0.092
-21.975	INCOME	-19.593	-21.179	-1.586
141.530	OPERATING EXPENDITURE*	141.750	140.569	-1.181
-0.326	TRANSFERS TO/FROM RESERVES	-1.914	-0.733	1.181
141.204	NET EXPENDITURE	139.836	139.836	0
FINANCED BY:				
43.487	POLICE GRANT	40.825	40.825	0
16.411	NATIONAL NON-DOMESTIC RATES	15.064	15.064	0
5.917	REVENUE SUPPORT GRANT	6.244	6.244	0
11.287	FLOOR GRANT	11.029	11.029	0
64.102	COUNCIL TAX	66.674	66.674	0
141.204	TOTAL FINANCING	139.836	139.836	0

* includes interest payments of £1.282 million 2015-2016 (£1.251 2014-2015)

Usable Reserves – these are available for future expenditure (further details are in Note 6 and 7)

BALANCES AND RESERVES	OPENING BALANCE 01/04/2015 £m	MOVEMENT £m	CLOSING BALANCE 31/03/2016 £m
GENERAL RESERVE	4.189	0	4.189
EARMARKED RESERVES:			
POLICE PROBATIONER RESERVE	4.840	-0.866	3.974
PENSIONS ILL HEALTH RESERVE	0.697	-0.282	0.415
PRIVATE FINANCE INITIATIVE (PFI)	3.397	0.295	3.692
MAJOR INCIDENT RESERVE	2.235	0	2.235
INSURANCE RESERVE	1.259	-0.087	1.172
CAPITAL RESERVE	14.845	0	14.845
ESTATES SECURITY AND MAINTENANCE	2.000	-0.062	1.938
MANAGEMENT OF CHANGE RESERVE	1.659	0.368	2.027
PARTNERSHIPS BALANCES RESERVE	0.684	-0.096	0.588
COMMISSIONER'S COMMUNITY SAFETY FUND	0.265	0.015	0.280
OFFICE OF THE POLICE AND CRIME COMMISSIONER RESERVE	0.258	0	0.258
LEGAL RESERVE (OPCC)	0.073	0.003	0.076
PARTICIPATORY BUDGETS (OPCC)	0.023	-0.021	0.002
CAPITAL RECEIPTS RESERVE	4.641	-1.146	3.495
TOTAL USABLE RESERVES	41.065	-1.879	39.186

Provisions

PROVISIONS	OPENING BALANCE £m	MOVEMENT £m	CLOSING BALANCE £m
INSURANCE FUND	1.974	0.226	2.200

Performance 2015-2016

The Statement of Accounts is primarily focused upon the financial performance for the year; however, it is also important to consider key objectives and performance set out in the police and crime plan for 2015-2016. The following police and crime objectives were set for the financial year 2015-2016:

- Prevent Crime
- Deliver an effective response
- Reduce harm and risk of harm
- Build effective partnerships

To deliver these objectives: achieve the set outcomes of security in the home; safety in public places; and visible and accessible policing; and in response to the challenges set for the police service from the reducing government funding, we will consider collaborating and working in partnership with other organisations concerned with community safety.

There has been significant demand placed on the police service in 2015-2016 along with increased activity and threats in crimes of terrorism, sexual exploitation and cyber-crime. Recorded crime has fallen by 5.1% in North Wales and the recent Her Majesty's Inspectorate of Constabularies inspection into crime recording standards across the police service placed the Force in the top five performing forces. The Crime Survey for England and Wales's results show that there has been considerable improvement in achievements for community understanding, reliability, dealing with concerns, doing a good/excellent job, confidence and fair treatment. Although pleasing we need to sustain and build on this progress to continue to deliver the best service we can for North Wales.

The financial year 2015-2016 saw a period of sustained recovery with GDP growth of 2.2% overall, although this slowed towards the end of the year and was lower compared to 2014. However, challenges still exist for the Police Service due to the level of imposed cuts from the comprehensive spending review. The Police and Crime Commissioner continues to implement the budget strategy in place to deliver the required savings over the period and as part of this identified and delivered £4.448 million of savings over the 2015-2016 period. As part of the strategy, the level of reserves and provisions currently held is considered prudent and the general reserve of £4.2 million is at 3% of the net revenue expenditure for the year which is within the target of 3% to 5% as defined in the Medium Term Financial Plan.

The Police and Crime Commissioner has a negative reserve on his Balance Sheet arising from the treatment of IAS 19 Employee Benefits. This relates to the Police Officers' Pension Schemes and the Police Staff Local Government Pension Scheme liabilities. This amounts to a deficit of £1.366 billion as at 31 March 2016. The Police Officer Pensions Schemes are unfunded and the amount shown in the reserve of -£1.320 billion represents the amount that would be required to have a fully funded scheme, this liability is underwritten by the Home Office. The Police Staff Local Government Scheme does have a fund to finance future liabilities, the reserve shown of -£0.046 billion reflects the estimated deficit in the fund as at the end of March 2016. Further details can be obtained from Note 32 in the accounts. Both pension schemes are due for actuarial revaluation in March 2016 and the results of this will be available for inclusion in the 2016-2017 Statement of Accounts.

The Comprehensive Income and Expenditure account shows where the Police and Crime Commissioner's money comes from and what it is spent on. As can be seen from the account, the Police and Crime Commissioner received the majority of his income from Government Grants and the precept, which is raised locally and is collected by the Unitary Authorities along with their council tax.

The following are the levels of the Police share of the Council Tax that were set during the 2014-2015 and 2015-2016 financial years:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I
2014-2015	151.74	177.03	202.32	227.61	278.19	328.77	379.35	455.22	531.09
2015-2016	156.96	183.12	209.28	235.44	287.76	340.08	392.40	470.88	549.36

4. Capital Expenditure

The capital programme for 2015-2016 was set in February 2015 and slippage from the 2014-2015 programme was brought forward into the 2015-2016 programme.

The revised capital expenditure estimates for the year amounted to £8.051 million and the actual expenditure for the year amounted to £4.947 million resulting in expenditure of £3.104 million being carried forward into 2016-2017. The majority of this has been committed to the 2016-2017 capital programme as it relates to schemes that commenced towards the end of the financial year and are continuing. Areas of underspend relate to two main projects in respect of new police buildings in Wrexham and Llandudno. The delays have meant that progress against the plan will now be deferred into the new financial year. In 2015-2016 several relocation and refurbishment works were carried out across the asset portfolio. The Information technology programme expenditure was reduced in year as part of an overall review of the IT budgets and this contributed to delivering a planned underspend. In addition to this delays have been experienced in year in respect of the mobile data project which will now be delivered in the new financial year.

The table below summarises the main capital expenditure and funding for 2015-2016:-

CAPITAL EXPENDITURE	BUDGET	ACTUAL	VARIANCE
	2015-2016	2015-2016	+ (-)
	£m	£m	£m
Building/Estates Works	3.602	1.641	-1.961
Equipment	0.078	0	-0.078
Vehicles	2.524	2.385	-0.139
IT and Communications	1.847	0.921	-0.926
NET EXPENDITURE	8.051	4.947	-3.104
FUNDED BY:			
Home Office Capital Grants	0.901	0.901	0
Revenue Contribution/Use of Reserves	3.552	0.825	-2.727
Capital Receipts	2.179	1.652	-0.527
Borrowing already funded in revenue	1.419	1.569	0.150
TOTAL CAPITAL FUNDING	8.051	4.947	-3.104

The Police and Crime Commissioner has a PFI scheme for its Divisional headquarters in St. Asaph. The funding for this scheme continues to be met from credit approvals, the revenue budget and an earmarked reserve. Details of the scheme and liability can be seen in Note 29.

Full details of the capital expenditure and its financing are shown in Appendix A.

Capital Balances and Reserves:

The following table provides a summary of the capital balances held by the Police and Crime Commissioner:-

CAPITAL BALANCES AND RESERVES	OPENING	MOVEMENT	CLOSING
	BALANCE		BALANCE
	01/04/2015		31/03/2016
	£m	£m	£m
USABLE CAPITAL RESERVES			
Capital Receipts Reserve	4.641	-1.146	3.495
UNUSABLE CAPITAL RESERVES			
Financial Instruments Adjustment Account	0.188	-0.071	0.117
Revaluation Reserve	20.705	0.384	21.089
Capital Adjustment Account	15.951	-1.280	14.671

During the year, the Police and Crime Commissioner reviewed asset valuations of the remaining non-operational properties within the portfolio.

Borrowing:

During the year the Police and Crime Commissioner did not need to raise any new loans to finance capital expenditure and used internal funds to manage its cash flows. The average interest paid on the loans remained at 3.01% in 2015-2016. The total of loans outstanding at the end of the year was £2.514 million.

5. Accounting Policies

In 2015-2016 there were no major changes to the group accounting policies.

6. Collaboration with other Bodies

In 2013 the Police and Crime Commissioner transferred the helicopter to the National Policing Air Service (NPAS). This is a mandatory national contract for delivery of a Police Air Service throughout the whole of the UK.

Police and Crime Commissioners are encouraged to explore areas where they could collaborate on the delivery of services, either with other police forces or on a local level with other public bodies. The Police and Crime Commissioner is working closely with the other Welsh Forces and the North West Region to explore areas for collaboration, details of current arrangements are in Note 38. On a local level, the Force's Facilities Department are jointly managing the estate of the Police and Crime Commissioner and the North Wales Fire and Rescue Service and further opportunities for joint working are being explored. The Police and Crime Commissioner also operates a joint control room with North Wales Fire and Rescue Service in St. Asaph.

The Police and Crime Commissioner continues to work with Cheshire Constabulary delivering an Armed Policing Alliance to enhance operational performance whilst continuing to deliver efficiencies and savings necessary to meet the government funding reductions in the service.

7. Future Outlook

With the recent Welsh Government election results, the austerity measures put in place by the UK Government are expected to continue over this planning period. Uncertainty surrounding the level and potential impact of the future funding reductions in the Police Service mandates the need to continue to ensure that we review and transform our services. The Police and Crime Commissioner is committed to ensuring that the police service in North Wales is fit for purpose and provides value for money to the people of North Wales. An essential part of

this is the requirement for adequate reserves to meet forthcoming challenges and ultimately protect front line services.

The 2016-2017 Budget was set by the Police and Crime Commissioner and approved by the Police and Crime Panel in January 2016 at £141.067 million. This represented a 2.00% Council Tax increase and an overall net increase of 0.9% compared to the 2015-2016 budget of £139.836 million. Savings of £2.8 million have been identified to be delivered in 2016-2017.

The results of the June 2016 European Union (EU) referendum where the UK has elected to leave the EU will have a political impact across the country. It is uncertain at this time what impact this may have upon the police service.

8. Events after the reporting period.

At the time that the Statement of Accounts were submitted to the Police and Crime Commissioner on the 21 September 2016, all material adjusting or non-adjusting events which would be required to be included in the Statement of Accounts have been reflected under Note 5 to the accounts.

Group Statement of Accounting Policies

1. General

The Group Statement of Accounts summarises the Police and Crime Commissioner's transactions for the 2015-2016 financial year-end and its position at the year-end of 31 March 2016. The Police and Crime Commissioner is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014. The Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015-2016 and the Service Reporting Code of Practice 2015-2016, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The code specifies the principles and practices of accounting required to prepare a Group Statement of Accounts which presents a 'true and fair' view of the financial position, financial performance and cash flows of the Police and Crime Commissioner, including group financial statements.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made and received. In particular:

- Revenue from sale of goods is recognised when the Police and Crime Commissioner transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Police and Crime Commissioner.
- Revenue from the provision of services to the Police and Crime Commissioner is recognised when the Police and Crime Commissioner can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Police and Crime Commissioner.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date that supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services rendered (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that can mature immediately from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Police and Crime Commissioner's cash management.

4. **Exceptional items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to understanding the Police and Crime Commissioner's financial performance.

5. **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in the accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are made only when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Police and Crime Commissioner's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and the comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. **Charges to Revenue for Non-Current Assets**

The Police and Crime Commissioner does not charge depreciation, revaluation and impairment or amortisation separately to services, support services or trading accounts.

The Police and Crime Commissioner is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, he is required to make an annual contribution from revenue towards the reduction in his overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Police and Crime Commissioner in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), and by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. **Employee Benefits**

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Police and Crime Commissioner. An accrual is made for the cost of leave arising from holiday entitlements or time off in lieu earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being in the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed

through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Police and Crime Commissioner to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Police and Crime Commissioner can no longer withdraw the offer of those benefits or when the Police and Crime Commissioner recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Police and Crime Commissioner to the pension fund or pensioner in the year, not the amount calculated in accordance to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with the debits for the cash paid to the pension fund and pensioners together with any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The Police and Crime Commissioner participates in two different pension schemes. Both schemes provide members with defined benefits related to pay and services.

Police Officers -

Until 2005-2006 the cost of the police pensions scheme, which was an unfunded, defined benefits scheme, was met from the preceding Police Authority's Income and Expenditure Account. In 2006-2007 there was a change in the way that police pensions were accounted for and a central fund was created by the Home Office to meet the cost of pensions and commutation payments. Police and Crime Commissioners pay a percentage of officers' salaries into the fund. Injury pensions continue to be the responsibility of the Police and Crime Commissioner and are met from the Police and Crime Commissioner's Income and Expenditure Account.

Police Staff (including staff employed in the Office of the Police and Crime Commissioner) -

These employees are eligible to join the Local Government Pension Scheme, which is administered by Gwynedd Council. The triennial actuarial assessment carried out in 2013 stated that the employer's contribution needed to be set at a minimum of 16.3% per annum plus a lump sum of £0.8m to meet the liabilities of the fund. The next triennial assessment will take place in 2016.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- the liabilities of the Gwynedd Pension Fund attributable to the Police and Crime Commissioner are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and estimates of projected earnings for current employees.
- the liabilities are discounted to their value at current prices, using a discount rate of 3.5% based on an indicative rate of return on Government bonds adjusted for additional yield from high quality corporate bonds (iBoxx Sterling Corporates AA).
- the assets of the Gwynedd Pension Fund attributable to the Police and Crime Commissioner are included in the Balance Sheet at their fair value:

Quoted securities at current bid price
Unquoted securities at professional estimate
Unitised securities at current bid price
Property at market value.

- the change in the net pensions liability is analysed into the following components:

Service cost comprising:

- (i) Current Service Cost – the increase in liabilities as a result of years of service earned this year and allocated in the Comprehensive Income and Expenditure Statement.
- (ii) Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years and which are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- (iii) Net interest on the net defined benefit liability (asset) – the net interest expense for the Police and Crime Commissioner from the change during the period in the net defined liability (asset) that arises from the passage of time and is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability obligation at the beginning of the period to the net defined benefit liability (asset) at the end of the period by taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- (i) The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) and is charged the Pensions Reserve as Other Comprehensive Income and Expenditure.
- (ii) Actuarial gains or losses – changes in the net pensions' liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Gwynedd Pension Fund – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require that the General Fund balance be charged with the amounts payable by the Police and Crime Commissioner to the pension fund or directly to pensioners in the year, not the amount calculated in accordance with the relevant accounting standards. In the Movement in Reserves Statement, this means there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for cash paid to the pension fund and pensioners and together with any other amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Police and Crime Commissioner has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the

same policies as are applied to the Local Government Pensions Scheme and in accordance with the Police and Crime Commissioner's early retirement process.

8. **Events after the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period, which require the Statement of Accounts to be adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period, which do not require the Statement of Accounts to be adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. **Financial Instruments**

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Police and Crime Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are subsequently carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The amount presented in the balance sheet with respect to long and short term borrowing is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable in the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums or discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Police and Crime Commissioner has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by the transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables which are assets that have a fixed or determinable repayments but are not quoted in an active market
- available-for-sale assets which are assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Police and Crime Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Police and Crime Commissioner has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because the likelihood arising from a past event that payments due under a contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise in the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Police and Crime Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Police and Crime Commissioner.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Police and Crime Commissioner can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value

are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10. **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grant and third party contributions and donations are recognised as due by the Police and Crime Commissioner when there is reasonable assurance that:

- the Police and Crime Commissioner will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Police and Crime Commissioner are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is transferred to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. **Interest in other entities**

The Police and Crime Commissioner has material interests in other entities that have the nature of a subsidiary, associate and jointly controlled entities and is required to prepare group accounts. In the Police

and Crime Commissioner's single entity accounts interests in other entities are recorded in accordance with proper accounting practice. In respect of the North Wales Police and the Police and Crime Commissioner's group accounts, the Chief Constable of North Wales is deemed to be a 100% wholly owned subsidiary of the Police and Crime Commissioner.

12. Inventories and Long term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in first out (FIFO) costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works or services received under the contract during the financial year.

13. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Police and Crime Commissioner in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Police and Crime Commissioner recognises on the Balance Sheet the assets that the Commissioner controls including his share of any assets held jointly and the liabilities that the Commissioner incurs including his share of any liabilities incurred jointly and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure and any share of expenditure incurred jointly and the share of income that is earned from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Police and Crime Commissioner and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Police and Crime Commissioner accounts for only his share of the jointly controlled assets, the liabilities and expenses that he incurs on his own behalf or jointly with others in respect of his interest in the joint venture and income that is earned from the venture. Details of any jointly controlled operations can be seen in Note 39 to the Accounts.

14. Leases

Finance leases transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Police and Crime Commissioner as a Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by the liability for the obligation to pay the lessor. Initial direct costs to the Police and Crime Commissioner are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Police and Crime Commissioner at the end of the lease period).

The Police and Crime Commissioner is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense for the use of leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Police and Crime Commissioner as a Lessor

A lessor lets property, plant or equipment under a lease arrangement to others.

Finance Leases

Where the Police and Crime Commissioner grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the balance sheet, (whether property, plant or equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. A gain representing the Police and Crime Commissioner's net investment in the lease, is credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset on the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

The gain credited to the comprehensive income and expenditure statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement.

When the future rentals are received the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the capital receipts reserve. The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements under capital financing. Amounts are therefore appropriated to the capital adjustment accounts from the general fund balance through the Movement in Reserves Statement.

Operating Leases

Where the Police and Crime Commissioner grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the comprehensive income and expenditure statement. Credits are made on a straight line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating or arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

15. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015-2016 (SeRCOP). The total absorption costing principle is used, the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core which contains the costs relating to the Police and Crime Commissioner's status as a democratically elected corporation sole and
- Non Distributed Costs comprising the cost of discretionary benefits awarded to the employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Net Expenditure on Continuing Services.

16. Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Police and Crime Commissioner and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- if applicable, the initial estimate of costs of dismantling and removing the item and then restoring the site on which it is located.

The Police and Crime Commissioner does not capitalise borrowing costs incurred whilst the assets are under construction.

The cost of an asset other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows to the Police and Crime Commissioner). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset is given up by the Police and Crime Commissioner.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, (unless the donation has been made conditionally); until conditions are satisfied the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement basis:

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Dwellings and all other assets – fair value determined as the amount that would be paid for the asset in its existing use (i.e. existing use value or EUV)

Where there is no market based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost is used as a substitute for fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a substitute for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year-end, as a minimum every five years. Increases in the valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before this date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as following:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (assets under construction).

Where an asset has major components with significant value, the components are depreciated separately. The Police and Crime Commissioner has applied the following de-minimus limits and components will be recognised separately only where:

- (i) Remaining life of component is between 0 and 10 years and value of component is over £50k
- (ii) Remaining life of component is between 10 and 15 years and value of component is over £100k
- (iii) Remaining life of component is between 15 and 20 years and value of component is over £250k
- (iv) Remaining life of component is between 20 and 30 years and value of component is over £400k
- (v) Remaining life of component is between 30 and 40 years and value of component is over £800k
- (vi) Remaining life of component is between 40 and 50 years and value of component is over £1500k
- (vii) Remaining life of component is between 50 and 60 years and value of component is over £2000k

Asset Type:	Depreciation Policy:
Buildings	Depreciated over the life expectancy as stated by the valuer on a straight line method and revalued at least every 5 years
Computer Equipment	Straight line over 3 to 5 years commencing in the year following purchase.
General Equipment, Furniture and Fittings and Radio Equipment	Straight line over 7-10 years commencing in the year following purchase.
Vehicles	Straight line over 4 years commencing in the year of purchase.
Land	Undeveloped sites are not depreciated.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less

costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

Details of any properties classified as Assets Held for Sale are disclosed in the Balance Sheet and relevant notes. The Police and Crime Commissioner had no assets held for sale at 31 March 2016.

Assets that are to be abandoned or scrapped are not classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and then can be used only for new capital investment (or set aside to reduce the Police and Crime Commissioner's underlying need to borrow - the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The value of disposals written out is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

17. Private Finance Initiative

The Police and Crime Commissioner has entered into one long term contractual agreement under PFI where the contractor is responsible for design, construction, finance and maintenance of the Custody Suite, Major Incident facility, Scientific Support facility and office space at St. Asaph. As the Police and Crime Commissioner is deemed to control the services that are provided under its PFI scheme and as ownership of the fixed assets will pass to the Police and Crime Commissioner at the end of the contract for no additional charge, the Police and Crime Commissioner carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets has been balanced by a corresponding liability for the amounts due to the scheme operator.

18. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the Police and Crime Commissioner a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the Police and Crime Commissioner becomes aware of the obligation, and are measured at the best

estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is recognised as income for the relevant service only when it is virtually certain that reimbursement will be received if the Police and Crime Commissioner settles the obligation.

The insurance provision covers insurance liability for those risks not covered externally and also covers any excess on external insurance policies. The provision covers public and employer's risk. There are contingent liabilities to be met from this provision.

The provision for doubtful debts is included within impairment in Current Assets.

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme – this is a mandatory scheme for large public and private sector organisations and is designed to improve energy efficiency and cut emissions. Organisations that qualify are required to purchase and surrender carbon allowances on the basis of their emissions and reflect any liabilities within their accounts. The Police and Crime Commissioner is currently not required to participate in the scheme due to current emissions being below the qualification threshold.

Contingent Liabilities

A contingent liability arises when an event has taken place that gives the Police and Crime Commissioner a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Police and Crime Commissioner. They can arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises when an event has taken place that gives the Police and Crime Commissioner a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Police and Crime Commissioner.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

19. **Reserves**

The Police and Crime Commissioner sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged in that year to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge to council tax for the expenditure during the accounting period.

Unusable Reserves - certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Police and Crime Commissioner. Reserves are explained in the relevant policies within the Medium Term Financial Plan.

20. **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure in the Comprehensive Income and Expenditure Statement in the year. Where the Police and Crime Commissioner has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses the amounts charged so that there is no impact on the level of revenue expenditure.

21. **Recognition of Revenue from Non-Exchange Transactions**

Assets and revenue arising from non-exchange transactions are recognised in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, except where interpreted or adapted to fit the public sector are detailed in the Code and/or IPSAS 23, "Revenue from Non- Exchange Transactions (Taxes and Transfers)."

Taxation transactions - Assets and revenue arising from taxation transactions are recognised in the period in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset.

Non-taxation transactions - Assets and revenue arising from transfer transactions are recognised in the period in which the transfer arrangement becomes binding. Services in-kind are not recognised. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the Police and Crime Commissioner recognises a liability until the condition is fulfilled.

Basis of Measurement of Major Classes of Revenue from Non-Exchange Transactions - Taxation revenue is measured at the nominal value of cash, and cash equivalents. Assets and revenue recognised as a consequence of a transfer are measured at the fair value of the assets recognised as at the date of recognition:

- Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset; and
- Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognised when a binding transfer arrangement is in place but cash or other assets have not been received.

22. **VAT**

Value added tax is only included in the Comprehensive Income and Expenditure Statement if it is irrecoverable. Generally, the Comprehensive Income and Expenditure Statement excludes VAT as any collected is paid to HM Revenues and Customs and any VAT paid is recoverable from them.

Statement of Responsibilities for the Group Statement of Accounts

The purpose of this statement is to set out the responsibilities of the Police and Crime Commissioner and the Chief Financial Officer in respect of the Statement of Accounts.

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required:-

- * to make arrangements for the proper administration of its financial affairs and to secure that one of his officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Chief Finance Officer.
- * to manage his affairs to secure economic, efficient and effective use of resources and safeguard his assets.
- * approve the group statement of accounts.

I approve this Statement of Accounts for the year ended 31 March 2016



Date: 21/9/16

Arfon Jones Police and Crime Commissioner for North Wales

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Group Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- * selected suitable accounting policies and then applied them consistently.
- * made judgments and estimates that were reasonable and prudent.
- * complied with the Code of Practice.

The Chief Finance Officer has also:

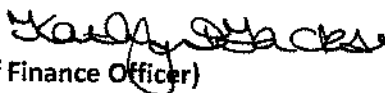
- * kept proper accounting records which were up to date.
- * taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCE OFFICER'S CERTIFICATE

The statement of accounts has been prepared in accordance with the requirements of the Local Government Accounts and Audit (Wales) Regulations 2014, and reflects the format and content of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2015-2016 and the Service Reporting Code of Practice.

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Police and Crime Commissioner and the Group at the reporting date and of its income and expenditure for the year ended 31 March 2016.

The audit certificate appears on pages 80 to 81.



Kate Jackson (Chief Finance Officer)

Date: 21 September 2016

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Police and Crime Commissioner's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Police and Crime Commissioner.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Police and Crime Commissioner Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014	7,189	30,942	3,239	0	41,370	-1,291,331	-1,249,961
<u>Movement in reserves during 2014-15</u>							
Surplus(+) or deficit (-) on provision of services	-55,781	0	0	0	-55,781	0	-55,781
Other Comprehensive Expenditure and Income	0	0	0	0	0	-168,151	-168,151
Total Comprehensive Expenditure and Income	-55,781	0	0	0	-55,781	-168,151	-223,932
Adjustments between accounting basis & funding basis under regulations (Note 6)	54,074	0	1,402	0	55,476	-55,476	0
Net increase (+)/decrease (-) before transfers to Earmarked Reserves	-1,707	0	1,402	0	-305	-223,627	-223,932
Transfers to (-)/from (+) Earmarked Reserves (Note 7)	-1,293	1,293	0	0	0	0	0
Increase (+)/Decrease (-) in Year	-3,000	1,293	1,402	0	-305	-223,627	-223,932
Balance at 31 March 2015 carried forward	4,189	32,235	4,641	0	41,065	-1,514,958	-1,473,893
<u>Movement in reserves during 2015-16</u>							
Surplus (+) or deficit (-) on provision of services	-49,992	0	0	0	-49,992	0	-49,992
Other Comprehensive Expenditure and Income	0	0	0	0	0	228,195	228,195
Total Comprehensive Expenditure and Income	-49,992	0	0	0	-49,992	228,195	178,203
Adjustments between accounting basis & funding basis under regulations (Note 6)	49,259	0	-1,146	0	48,113	-48,113	0
Net increase (+)/decrease (-) before Transfers to Earmarked Reserves	-733	0	-1,146	0	-1,879	180,082	178,203
Transfers to (-)/from (+) Earmarked Reserves (Note 7)	733	-733	0	0	0	0	0
Increase (+)/Decrease (-) in Year	0	-733	-1,146	0	-1,879	180,082	178,203
Balance at 31 March 2016 carried forward	4,189	31,502	3,495	0	39,186	-1,334,876	-1,295,690

Group Comprehensive Income and Expenditure Statement 2015-2016

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Police and Crime Commissioner raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Group Accounts			Police & Crime Commissioner			Chief Constable
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Local Policing	76,881	-5,546	71,335	0	-5,546	-5,546	76,881
Dealing with the Public	13,107	-260	12,847	0	-260	-260	13,107
Criminal Justice	16,959	-2,841	14,118	0	-2,841	-2,841	16,959
Road Policing	7,723	-1,142	6,581	0	-1,142	-1,142	7,723
Specialist operations	12,082	-3,338	8,744	0	-3,338	-3,338	12,082
Intelligence	6,672	-327	6,345	0	-327	-327	6,672
Investigation	26,713	-1,573	25,140	0	-1,573	-1,573	26,713
Investigative Support	6,453	-177	6,276	0	-177	-177	6,453
National Policing	7,669	-5,098	2,571	0	-5,098	-5,098	7,669
Non Distributed Costs	-115	0	-115	-115	0	-115	0
Corporate and Democratic Core	2,261	-777	1,484	8,321	-6,837	1,484	0
Cost of Services	176,405	-21,079	155,326	8,206	-27,139	-18,933	174,259
Commissioning Cost (intra group transfer)						174,259	-174,259
Group Cost of Services	176,405	-21,079	155,326	8,206	-27,139	155,326	0
Other Operating Expenditure (note 8)			643			643	0
Financing & investment income and expenditure (note 9)			51,972			1,043	50,929
Home Office Grant Payable towards the cost of retirement benefits			-17,212			-17,212	0
Surplus (-)/Deficit (+) on discontinued operations			0			0	0
Taxation & Non-specific grant income			-140,737			-140,737	0
Surplus (-)/Deficit (+) on Provision of Services			49,992			-937	50,929
Surplus (-)/Deficit (+) on revaluation of non-current assets			-681			-681	0
Surplus (-)/Deficit (+) on revaluation of available for sale financial assets			0			0	0
Actuarial Gains (-)/Losses (+) on pensions assets/liabilities			-227,514			0	-227,514
Other Comprehensive Income and Expenditure			-228,195			-681	-227,514
Total Comprehensive Income and Expenditure			-178,203			-1,618	-176,585

Group Comprehensive Income and Expenditure Statement 2014-2015

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Police and Crime Commissioner raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Group Accounts			Police & Crime Commissioner			Chief Constable
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Local Policing	81,240	-5,724	75,516	0	-5,724	-5,724	81,240
Dealing with the Public	14,264	-380	13,884	0	-380	-380	14,264
Criminal Justice	17,584	-2,337	15,247	0	-2,337	-2,337	17,584
Road Policing	7,852	-1,201	6,651	0	-1,201	-1,201	7,852
Specialist operations	12,976	-3,650	9,326	0	-3,650	-3,650	12,976
Intelligence	7,050	-326	6,724	0	-326	-326	7,050
Investigation	26,032	-1,784	24,248	0	-1,784	-1,784	26,032
Investigative Support	6,147	-188	5,959	0	-188	-188	6,147
National Policing	7,142	-4,670	2,472	0	-4,670	-4,670	7,142
Non Distributed Costs	-115	0	-115	-115	0	-115	0
Corporate and Democratic Core	1,846	-490	1,356	7,830	-6,474	1,356	0
Cost of Services	182,018	-20,750	161,268	7,715	-26,734	-19,019	180,287
Commissioning Cost (intra group transfer)						180,287	-180,287
Group Cost of Services	182,018	-20,750	161,268	7,715	-26,734	161,268	0
Other Operating Expenditure (note 8)			0			0	0
Financing & investment income and expenditure (note 9)			59,136			989	58,147
Home Office Grant Payable towards the cost of retirement benefits			-22,319			-22,319	0
Surplus (-)/Deficit (+) on discontinued operations			0			0	0
Taxation & Non-specific grant income			-142,304			-142,304	0
Surplus (-)/Deficit (+) on Provision of Services			55,781			-2,366	58,147
Surplus (-)/Deficit (+) on revaluation of non-current assets			-709			-709	0
Surplus (-)/Deficit (+) on revaluation of available for sale financial assets			0			0	0
Actuarial Gains (-)/Losses (+) on pensions assets/liabilities			168,860			0	168,860
Other Comprehensive Income and Expenditure			168,151			-709	168,860
Total Comprehensive Income and Expenditure			223,932			-3,075	227,007

Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Police and Crime Commissioner. The net assets of the Police and Crime Commissioner (assets less liabilities) are matched by the reserves held by the Police and Crime Commissioner. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Police and Crime Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Police and Crime Commissioner is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Chief Constable	Police & Crime Commissioner	Group		Chief Constable	Police & Crime Commissioner	Group
2014-2015				2015-2016		
£000	£000	£000		£000	£000	£000
0	54,459	54,459	Land & Properties	0	54,266	54,266
0	9,105	9,105	Vehicles, Plant, Furniture and Equipment	0	7,441	7,441
0	336	336	Non Operational Assets: Land & Buildings	0	612	612
1,547,626	0	0	Long-term Debtors to PCC (note 32)	1,366,201	0	0
1,547,626	63,900	63,900	Long Term Assets (note 11)	1,366,201	62,319	62,319
0	19,282	19,282	Short Term Investments (note 35)	0	22,875	22,875
376	0	376	Inventories (note 12)	304	0	304
969	15,583	16,552	Short Term Debtors (note 13)	912	5,800	6,712
20,613	0	0	Intra Group Transfer	12,067	0	0
0	13,618	13,618	Cash and Cash Equivalents (note 14)	0	9,549	9,549
21,958	48,483	49,828	Current Assets	13,283	38,224	39,440
0	-602	-602	Short Term Borrowing (note 35)	0	-602	-602
-20,613	-1,143	-21,756	Short Term Creditors (note 15)	-12,067	-1,867	-13,934
0	-25	-25	Grants received in advance-revenue (note 26)	0	0	0
-1,345	-19,268	0	Intra Group Transfer	-1,216	-10,851	0
0	-717	-717	Provisions (note 16)	0	-1,017	-1,017
-21,958	-21,755	-23,100	Current Liabilities	-13,283	-14,337	-15,553
0	-1,257	-1,257	Provisions (note 16)	0	-1,183	-1,183
0	-1,547,626	0	Long Term Creditor	0	-1,366,201	0
0	-2,514	-2,514	Long Term Borrowing (note 35)	0	-1,933	-1,933
0	-13,124	-13,124	Finance Lease (note 29)	0	-12,579	-12,579
-1,547,626	0	0	Other long Term Liabilities (note 32)	-1,366,201	0	0
0	0	-1,547,626	Liability Related to Defined Pension Scheme (note 32)	0	0	-1,366,201
-1,547,626	-1,564,521	-1,564,521	Long Term Liabilities	-1,366,201	-1,381,896	-1,381,896
0	-1,473,893	-1,473,893	Net Assets	0	-1,295,690	-1,295,690
			Financed By:			
0	41,065	41,065	Usable Reserves (notes 6 & 7)	0	39,186	39,186
0	-1,514,958	-1,514,958	Unusable Reserves (note 18)	0	-1,334,876	-1,334,876
0	-1,473,893	-1,473,893	Total Reserves	0	-1,295,690	-1,295,690

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Police and Crime Commissioner during the reporting period. The statement shows how the Police and Crime Commissioner generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Police and Crime Commissioner are funded by way of taxation and grant income or from the recipients of services provided by the Police and Crime Commissioner. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Police and Crime Commissioner's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Police and Crime Commissioner.

2014-2015 £000		2015-2016 £000
55,781	Net surplus (-) or deficit (+) on the provision of services	49,992
-64,157	Adjust net surplus (-) or deficit (+) on the provision of services for non-cash movements (Note 19)	-55,589
2,502	Adjust for items included in the net surplus (-) or deficit (+) on the provision of services that are investing and financing activities	1,407
-5,874	Net cash flows from Operating Activities (Note 19)	-4,190
4,984	Investing activities (Note 20)	7,133
1,105	Financing Activities (Note 21)	1,126
215	Net increase (-) or decrease (+) in cash and cash equivalents	4,069
13,833	Cash and cash equivalents at the beginning of the reporting period (note 14)	13,618
13,618	Cash and cash equivalents at the end of the reporting period (Note 14)	9,549

Notes to the Group Statement of Accounts

1. Accounting Standards that have been issued but have not yet been adopted

The Code requires the Police and Crime Commissioner to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The following changes will be required from 1 April 2016 and are not considered to have a significant impact upon the Statement of Accounts:

- a) Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) – this standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding Analysis. These changes are as a result of the ‘Telling the Story’ review of the presentation of Local Government Financial Statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Boards (IASB) disclosure.
- b) Other minor changes due to Annual improvements to IFRSs cycles, IFRS11 Joint Arrangements, IAS16 Property, Plant and Equipment, IAS38 Intangible Assets and IAS19 Employee benefits are minor and are not expected to have a material effect upon the Statement of Accounts.

2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in the Statements, the Police and Crime Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:-

- There has been a reduction in funding from the government since 2011-2012, and further reductions are expected. This has necessitated a structural review and resulted in the Police and Crime Commissioner awarding voluntary redundancies for a number of employees. There are plans in place to meet the budget deficit in future years, however, it is not certain whether the current levels of contraction will be sufficient in order to meet the deficit over the period and therefore further redundancies may be necessary.

3. Assumptions Made About the Future and Other Major Source of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Police and Crime Commissioner about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Items within the Group Balance Sheet as at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about level of repairs and maintenance that will be incurred for individual assets. The current economic climate makes it uncertain that the Police and Crime Commissioner will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of the assets are reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £23,996 annually if the useful lives were reduced by one year.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension funds assets. A firm of consulting actuaries is engaged to provide the Police and Crime Commissioner with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. The impact of increase or decrease in the assumptions e.g. increase or decrease in the discount rate is set out in Note 32. During 2015-2016 the Police and Crime Commissioner actuaries advised that the net pension liability had reduced by £181.425 million. This is mainly attributed to changes incurred from remeasurements of the assumptions and estimations.

4. Material Items of Income and Expense

All applicable material items of income and expenditure are shown on the face of the Comprehensive Income and Expenditure Statement.

5. Events after the Balance Sheet Date

Material events taking place after the reporting date but prior to the financial statements being authorised for issue are reflected in the financial statements and notes. Where events taking place provided information about conditions existing at 31 March 2016 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Adjustment between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Police and Crime Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Police and Crime Commissioner to meet future capital and revenue expenditure.

General Fund Balance:

The General Fund Balance is the statutory fund into which all the receipts of a Police and Crime Commissioner are required to be paid and out of which all liabilities of the Police and Crime Commissioner are to be met except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which the liabilities and payments should impact on the General Fund Balance which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Police and Crime Commissioner is statutorily empowered to spend on its services or capital investment (or the deficit of resources that the Police and Crime Commissioner is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserves show the resources that are yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Police and Crime Commissioner has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or for the financial year in which this can take place.

2015-2016	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account: <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	6,060			-6,060
Revaluation losses on Property, plant and equipment				
Movements in the market value of Investment Properties				
Amortisation of intangible assets				
Capital grants and contributions applied	-901			901
Movement in the Donated Assets Account				
Revenue expenditure funded from capital under statute				
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,149			-1,149
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-2,254			2,254
Capital expenditure charged against the General Fund	-825			825
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement				
Application of grants to capital financing transferred to the Capital Adjustment Account				
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-506	506		
Use of the Capital Receipts Reserve to finance new capital expenditure		-1,652		1,652
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals				
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	71			-71
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 32)	67,459			-67,459
Employer's pension contributions and direct payments to pensioners payable in the year	-21,370			21,370
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	376			-376
Total Adjustments	49,259	-1,146	0	-48,113

2014-2015	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	5,984			-5,984
Revaluation losses on Property, plant and equipment				
Movements in the market value of Investment Properties				
Amortisation of intangible assets				
Capital grants and contributions applied	-1,100			1,100
Movement in the Donated Assets Account				
Revenue expenditure funded from capital under statute				
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,402			-1,402
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-2,333			2,333
Capital expenditure charged against the General Fund	-2,989			2,989
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement				
Application of grants to capital financing transferred to the Capital Adjustment Account				
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1,402	1,402		
Use of the Capital Receipts Reserve to finance new capital expenditure				
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals				
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	71			-71
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 32)	69,132			-69,132
Employer's pension contributions and direct payments to pensioners payable in the year	-14,779			14,779
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	88			-88
Total Adjustments	54,074	1,402	0	-55,476

7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2015-2016. The net movement in 2015-2016 was £0.844m.

Reserve:	Balance at 31 March 2014 £000	Transfers Out 2014-2015 £000	Transfers In 2014-2015 £000	Balance at 31 March 2015 £000	Transfers Out 2015-2016 £000	Transfers In 2015-2016 £000	Balance at 31 March 2016 £000
Capital Reserve	13,626	-1,381	2,600	14,845	0	0	14,845
Police Probationer Reserve	4,840	0	0	4,840	-866	0	3,974
Pensions ill health reserve	881	-184	0	697	-282	0	415
PFI Reserve	3,061	0	336	3,397	0	295	3,692
Major Incident Reserve	2,235	0	0	2,235	0	0	2,235
Revenue & Project costs Reserve	1,949	-1,949	0	0	0	0	0
Insurance Reserve	1,259	0	0	1,259	-86	0	1,173
Estates Security and Maintenance	0	0	2,000	2,000	-62	0	1,938
Partnerships Balances Reserve	838	-236	82	684	-188	91	587
Management of Change Reserve	1,658	-948	949	1,659	-1,449	1,817	2,027
Commissioners Community Safety Fund	229	0	36	265	0	15	280
Legal Reserve (OPCC)	70	0	3	73	0	3	76
Partnership Budgets (OPCC)	44	-21	0	23	-21	0	2
Office of the Police & Crime Commissioner Reserve	252	0	6	258	0	0	258
	30,942	-4,719	6,012	32,235	-2,954	2,221	31,502

8. Other Operating Expenditure

	2015-2016 £000	2014-2015 £000
Gains (-)/losses(+) on the disposal of non-current assets	643	0
	643	0

Income received for assets disposed of in 2014-2015 met their carrying value, thus no gain or loss was incurred.

9. Financing and Investment Income and Expenditure

	2015-2016 £000	2014-2015 £000
Interest payable and similar charges	1,282	1,251
Pension interest cost and expected return on pensions assets	50,929	58,147
Interest receivable and similar income	-239	-262
	51,972	59,136

10. Taxation and Non Specific Grant Incomes

	2015-2016	2014-2015
Council Tax Income:	£000	£000
Denbighshire County Council	-9,121	-8,729
Wrexham County Borough Council	-12,430	-11,955
Isle of Anglesey County Council	-7,108	-6,844
Gwynedd Council	-11,733	-11,305
Conwy County Borough Council	-11,686	-11,271
Flintshire County Council	-14,596	-13,998
Non Domestic Rates Income	-15,064	-16,411
Non-ringfenced government grants	-58,098	-60,691
Capital Grants and contributions	-901	-1,100
	-140,737	-142,304

11. Property, Plant and Equipment

Movements in 2015-2016	Land & Building inc. PFI	Masts & Sites	Plant & Equipment	Vehicles	Total Operational Assets	Police Houses (Non Operational)	Total all Assets
	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>							
At 1 April 2015	67,479	105	40,588	13,262	121,434	443	121,877
Additions	1,640	0	922	2,385	4,947	0	4,947
Donations	0	0	0	0	0	0	0
Revaluation Increases (+)/decreases (-) recognised in the Revaluation Reserve	178	0	0	0	178	416	594
Revaluation Increases (+)/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition - disposals	0	0	-19	-3,173	-3,192	-158	-3,350
Derecognition - other	-564	0	0	0	-564	0	-564
Assets reclassified to(-)/from (+) Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	92	0	0	0	92	-92	0
At 31 March 2016	68,825	105	41,491	12,474	122,895	609	123,504
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2015	-13,020	-105	-35,472	-9,273	-57,870	-107	-57,977
Depreciation Charge	-1,115	0	-2,487	-1,998	-5,600	-18	-5,618
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	87	87
Depreciation written out to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Surplus/Deficit in the Provision of Services	-437	0	0	-5	-442	0	-442
Derecognition - disposals	0	0	6	2,705	2,711	40	2,751
Derecognition - other	14	0	0	0	14	0	14
Other movements in depreciation and impairment	-1	0	-1	1	-1	1	0
At 31 March 2016	-14,559	-105	-37,954	-8,570	-61,188	3	-61,185
<u>Net Book Value</u>							
At 31 March 2016	54,266	0	3,537	3,904	61,707	612	62,319
At 31 March 2015	54,459	0	5,116	3,989	63,564	336	63,900

Comparative Movements in 2014-2015	Land & Building inc. PFI	Masts & Sites	Plant & Equipment	Vehicles	Total Operational Assets	Police Houses (Non Operational)	Total all Assets
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2014	69,574	105	39,826	13,244	122,749	1,215	123,964
Additions	2,166	0	762	1,844	4,772	0	4,772
Donations	0	0	0	0	0	0	0
Revaluation Increases (+)/decreases (-) recognised in the Revaluation Reserve	-910	0	0	0	-910	0	-910
Revaluation Increases (+)/decrease (-) recognised in the Surplus/Deficit on the Provision of Services	-2,087	0	0	0	-2,087	0	-2,087
Derecognition - disposals	-1,264	0	0	-1,771	-3,035	-208	-3,243
Derecognition - other	0	0	0	-55	-55	-564	-619
Assets reclassified to (-)/from (+)Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0
At 31 March 2015	67,479	105	40,588	13,262	121,434	443	121,877
Accumulated Depreciation and Impairment							
At 1 April 2014	-13,891	-105	-34,439	-9,380	-57,815	-343	-58,158
Depreciation Charge	-1,108	0	-1,032	-1,538	-3,678	-9	-3,687
Depreciation written out to the Revaluation Reserve	1,619	0	0	0	1,619	0	1,619
Depreciation written out to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Surplus/Deficit in the Provision of Services	-210	0	0	0	-210	0	-210
Derecognition - disposals	264	0	0	1,590	1,854	57	1,911
Derecognition - other	307	0	0	55	362	188	550
Other movements in depreciation and impairment	-1	0	-1	0	-2	0	-2
At 31 March 2015	-13,020	-105	-35,472	-9,273	-57,870	-107	-57,977
Net Book Value							
At 31 March 2015	54,459	0	5,116	3,989	63,564	336	63,900
At 31 March 2014	55,683	0	5,387	3,864	64,934	872	65,806

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Other Land and Buildings	35-60 years
Vehicles, Plant, Furniture and Equipment	3-10 years

Capital Commitments

As at 31 March 2016, the Police and Crime Commissioner was contractually committed to capital works which amounted to £0.704 million. £0.687 million of this amount relates to the cost of replacing the IT Network and £0.017 million related to Estates work.

Effects of Changes in Estimates

There were no material changes to the method of estimation.

Revaluations

All of the Police and Crime Commissioner's properties were revalued at 1st of April 2014. Further valuations have been made where a substantial investment has been made and a rolling programme of revaluations has commenced. The non operational Police Houses were revalued in 2015-16.

Operational properties were valued using Net Realisable Value in Existing Use and Depreciated Replacement Cost. Non-operational properties were valued or included at the average council tax banding or the District Valuer's Valuation where available. The valuation also included a review of the useful lives of the assets. The change in useful life has had no material financial effect on the accounts.

The valuation was undertaken by an independent valuer, Mr G.S.C. Harbord MA MRICS IRRV (Hons) of WilksHead&Eve Chartered Surveyors.

Information on Assets Held

Non- current assets owned by the Police and Crime Commissioner include the following:-

	Number as at 31 March 2016	Number as at 31 March 2015
<u>Operational Buildings:</u>		
Offices and Police Stations	51	53
<u>Operational Vehicles, Plant, Furniture and Equipment:</u>		
Radio Masts	1	1
Vehicles	649	649
<u>Non Operational Buildings:</u>		
Police Houses	5	6

Note: Vehicles includes those to be commissioned and de commissioned.

12. Inventories

	HQ Stores		Other Stores		Total
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016
	£000	£000	£000	£000	£000
Balance outstanding at start of year	190	154	186	130	376
Purchases	376	446	246	427	622
Recognised as an expense in the year	-373	-410	-316	-371	-689
Written off balances	0	0	-5	0	-5
Reversal of write-offs in previous years	0	0	0	0	0
Balance outstanding at year end	193	190	111	186	304

13. Debtors and Payments in Advance

	31.3.16 £000	31.3.15 £000
Amounts falling due in one year -		
Central Government Bodies	3,776	12,785
Other Local Authorities	1,860	2,097
NHS Bodies	18	13
Public Corporations and Trading Funds	96	127
Other entities and individuals	962	1,530
	6,712	16,552

14. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31.3.16 £000	31.3.15 £000
Bank Current Accounts	-713	474
Cash held by the Police and Crime Commissioner	35	35
Short Term Deposits with Building Societies	10,227	13,109
	9,549	13,618

15. Creditors

	31.3.16 £'000	31.3.15 £'000
Amounts falling due in one year -		
Central Government Bodies	4,195	11,178
Other Local Authorities	1,479	1,539
NHS Bodies	30	0
Public Corporations and Trading Funds	71	191
Other entities and individuals	8,159	8,848
	13,934	21,756

16. Provisions

The Police and Crime Commissioner has made provision in the accounts for two purposes. The first is for insurance claims. The Force has external insurance in respect of public and employer's risk. The Insurance Fund provides for payments that may be due in the next or following years on the basis of known claims at the 31 March 2016. The claims will fluctuate during the year as some claims are settled and new claims are received. The Insurance Fund can be split into two specific provisions:

(i) Outstanding Legal Cases

The Police and Crime Commissioner has a legal case in progress. A provision has been made for the possible settlement that the Police and Crime Commissioner may have to pay. In order not to prejudice seriously the privacy of individuals and the Police and Crime Commissioner's position in the case, any further information is withheld.

(ii) Injury Compensation Claims

The injury compensation claims relate to personal injuries sustained where the Police and Crime Commissioner is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Police and Crime Commissioner will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. The Police and Crime Commissioner may be reimbursed by its insurers, but until claims are actually settled, no income is recognised as the insurers will reimburse amounts only above the £100,000 excess.

The second area is other provisions:

Other provisions

The Other Provisions are in respect of three areas. The first relates to the Capital Cost of Retirements and is the cost of the Pension Fund of the early retirements. The second is the cost of redundancies payable to staff and the third relates to employment cases.

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2015	462	1,268	244	1,974
Additional Provisions made in 2015-2016	0	146	844	990
Amounts Used in 2015-2016	0	-134	0	-134
Unused Amounts Reversed in 2015-2016	0	-606	-24	-630
Unwinding of Discounting in 2015-2016	0	0	0	0
Balance at 31 March 2016	462	674	1,064	2,200

Within the total of £2.200 million, £1.017million relates to short term provisions and £1.183 million relates to long term provisions.

17. Usable Reserves

Movements in the Police and Crime Commissioner's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

18. Unusable Reserves

	31.3.16 £000	31.3.15 £000
Revaluation Reserve	21,089	20,705
Capital Adjustment Account	14,671	15,951
Financial Instruments Adjustments Account	117	188
Pensions Reserve	-1,366,201	-1,547,626
Accumulated Absences Account	-4,552	-4,176
Total Unusable Reserves	-1,334,876	-1,514,958

Revaluation Reserve

The Revaluation Reserve contains the unrealised gains recorded by the Police and Crime Commissioner arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2015-2016 £000	2014-2015 £000
Balance at 1 April	20,705	20,206
Upward revaluation of assets	681	1,439
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	-730
	21,386	20,915
Surplus (-) or deficit (+) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0	0
Difference between fair value depreciation and historical cost depreciation	-84	-89
Accumulated gains on assets sold or scrapped	-213	-121
Amount written off to the Capital Adjustment Account	0	0
Balance at 31 March	21,089	20,705

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation; impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Police and Crime Commissioner as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Police and Crime Commissioner.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, except for those involving the Revaluation Reserve.

	2015-2016 £000	2014-2015 £000
Balance at 1 April	15,951	16,705
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Charges for depreciation and impairment of non-current assets	-6,060	-5,984
Revaluation losses on Property, Plant and Equipment	213	121
Amortisation of intangible assets	0	0
Revenue expenditure funded from capital under statute	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1,149	-1,402
	-6,996	-7,265
Adjusting amount written out of the Revaluation Reserve	84	89
Net written out amount of the cost of non-current assets consumed in the year	0	0
Capital financing applied in the year:	825	2,989

	2015-2016 £000	2014-2015 £000
Capital Adjustment Account (Continued)		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,652	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	901	1,100
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund balances	2,254	2,333
	5,716	6,511
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at 31 March	14,671	15,951

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2015-2016 £000	2014-2015 £000
Balance at 1 April	188	259
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-71	-71
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0
Balance at 31 March	117	188

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Police and Crime Commissioner accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Police and Crime Commissioner makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore show a substantial shortfall in the benefits earned by past and current employees and the resources the Police and Crime Commissioner has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015-2016 £000	2014-2015 £000
Balance at 1 April	-1,547,626	-1,324,413
Remeasurements of the net defined benefit liability(-)/asset (+)	227,514	-168,860
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-67,459	-69,132
Employer's pension contributions and direct payments to pensioners payable in the year	21,370	14,779
Balance at 31 March	-1,366,201	-1,547,626

Deferred Capital Receipts Reserve

The Police and Crime Commissioner has no deferred capital receipts.

Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2015-2016 £000	2014-2015 £000
Balance at 1 April	4,176	4,088
Settlement or cancellation of accrual made at the end of the preceding year	0	0
Amounts accrued at the end of the current year	376	88
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4,552	4,176
	0	0
Balance at 31 March	4,552	4,176

19. **Cash Flow Statements - Adjustment on Provision of Services for Non cash movement, investing and financing activities and total Cash Flow from Operating Activities**

Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2015-2016	2014-2015
	£000	£000
Interest received	-190	-179
Interest paid	1,198	1,209
Total	1,008	1,030

Adjustments on the Provision of Services for Non cash movements:	2015-2016	2014-2015
	£000	£000
Depreciation, impairments and downward valuations	-6,060	-5,984
Net increase (-)/decrease (+) in revenue creditors	7,847	-8,427
Net increase (+)/decrease(-) in revenue debtors	-9,840	6,021
Net increase (+)/decrease(-) in inventories	-72	92
Pension liability	-46,089	-54,353
Contributions to(-)/from (+) provisions	-226	-103
Carrying amount of non-current assets sold (PPE, Inv. Prop, Intangibles)	-1,149	-1,402
Other non-cash movement	0	-1
Total Non-Cash Movement	-55,589	-64,157

Adjustments on the Provision of Services for items that are investing and financing activities:	2015-2016	2014-2015
	£000	£000
Capital Grants credited to surplus(-)/deficit (+) on provision of services	901	1,100
Proceeds on sale of PPE and investment and intangibles	506	1,402
Total	1,407	2,502

Net Cash Flow from Operating Activities **4,190** **-5,874**

20. **Cash Flow Statement - Investing Activities**

	2015-2016	2014-2015
	£000	£000
Purchase of PPE, Investment Property and Intangible Assets	4,947	4,772
Purchase of short-term and long-term investments	3,593	2,714
Proceeds from sale of PPE, Investment Property and Intangible Assets	-506	-1,402
Proceeds from short-term and long-term investments	0	0
Capital Grants	-901	-1,100
Net Cash Flows from Investing Activities	7,133	4,984

21. Cash Flow Statement - Financing Activities

	2015-2016 £000	2014-2015 £000
Cash receipts of short-term and long-term borrowing	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	545	505
Repayment of short-term and long-term borrowing	581	600
Net Cash Flows from Financing Activities	1,126	1,105

22. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service shown on the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Police and Crime Commissioner on the basis of budget reports analysed across subjective headings. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather than the cost of benefits accrued in the year.

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014-2015 £000	2015-2016 £000
Net Expenditure in the Analysis	141,204	139,836
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	26,304	19,541
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-6,240	-4,051
Cost of Services in Comprehensive Income and Expenditure Statement	161,268	155,326

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provisions of Services included in the Comprehensive Income and Expenditure Statement.

2014-2015		2015-2016
£000	Police and Crime Commissioner Reporting of Income & Expenditure	£000
71,776	Police Officer Pay	71,765
40,481	Police Staff Pay	40,388
2,792	Police Officer Overtime	2,299
491	Police Staff Overtime	506
2,388	Allowances	2,012
541	Training	560
1,068	Other Employee expenses	1,302
3,232	Direct Pension Payments	3,645
1,219	Energy Costs	1,063
7,406	Premises	6,662
2,660	Vehicles Running Costs	2,375
783	Vehicle Travel Allowances	828
1,405	Air Support Unit	1,394
1,011	Equipment	756
429	Clothing and Uniform	354
522	Printing & Stationery	413
10,433	IT and Communications	10,941
348	Subsistence	303
8,413	Other Supplies & Services	8,266
830	Forensics	947
2,136	Debt Charges & Contributions to Capital	1,702
1,130	Community Safety Fund	1,151
2,011	Criminal Justice Funded partnerships	2,116
163,505	GROSS EXPENDITURE	161,748
-1,859	Secondments	-1,400
-333	Interest on Balances	-310
-7,581	Income	-6,962
-10,303	Specific Grants	-10,299
-1,899	Criminal Justice Funded partnerships	-2,208
-21,975	GROSS INCOME	-21,179
336	PFI Reserve	295
-123	Speed Awareness Reserve	-133
-539	Earmarked Reserves	-895
141,204	NET EXPENDITURE	139,836
	Reconciliation of the Police and Crime Commissioner Reporting income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement	
141,204	NET EXPENDITURE IN THE REPORTING ANALYSIS (from above)	139,836
	Amounts in the Comprehensive Income & Expenditure Statement not reported to management	
18,525	Pension costs	12,372
5,984	Depreciation	6,060
1,707	Contribution to/from Reserves	733
88	Accumulated Absence account	376
26,304	Sub Total	19,541
	Amounts included in the analysis not included in the cost of services in the comprehensive Income & Expenditure Statement	
-2,333	Minimum Revenue Provision	-2,254

2014-2015 £000	Police and Crime Commissioner Reporting of Income & Expenditure (continued)	2015-2016 £000
-1,251	Interest payable	-1,282
333	Interest receivable	310
-2,989	Revenue contribution to capital	-825
-6,240	Sub Total	-4,051
20,064	Total analysis of amounts not reflected in either the Management Report or within the Comprehensive Income & Expenditure Statement	15,490
161,268	Cost of Services in the Comprehensive Income & Expenditure Statement	155,326
£000	Reconciliation to Surplus (-)/Deficit (+) on Provision of Service	£000
161,268	Cost of Services in the Comprehensive Income & Expenditure Statement	155,326
	Adjustments to the Cost of Services required to reconcile to the surplus (-)/deficit (+) on the Provision of Services	
0	Net Gain (-)/Loss (+) on Sales of Fixed Assets	643
-43,487	Police Grant	-40,825
-11,287	Floor Grant	-11,029
-5,917	Revenue Support Grant	-6,244
-16,411	Share of Non-domestic Rates	-15,064
-64,102	Council Tax	-66,674
-1,100	Capital Grants income	-901
-22,319	Home Office Grant towards cost of retirement benefits	-17,212
58,147	Pensions Interest Cost	50,929
1,251	Interest payable	1,282
-262	Interest receivable	-239
55,781	Surplus (-)/Deficit (+) on Provision of Service	49,992
£000	Reconcile to contribution to General Fund Balances	£000
-5,984	Appropriation of Depreciation, amortisation & impairment charges	-6,060
-76,672	Appropriation from (IAS 19) Pension Reserve	-63,301
0	Net Gain (-)/Loss (+) on Sales of Fixed Assets	-643
2,989	Direct Financing of Capital Expenditure	825
2,333	Provision for Debt Payment	2,254
22,319	Additional Amount payable to Pension Fund	17,212
1,100	Capital grants applied	901
-71	Movement in Deferred Loan Discount Account	-71
-88	Uncompensated Absences reversal	-376
-1,707	Contributions to(+)/from(-) Earmarked Reserves	-733
0	Contributions to(+)/from(-) Revenue Reserves	0

23. Members' Allowances

Audit Committee's costs have been shared equally between the Police and Crime Commissioner and the Chief Constable.

	2015-2016		2014-2015	
	£000	Number of Members	£000	Number of Members
Allowances	8	5	14	5
Expenses	1		2	
	9		16	

Further information on members paid allowances can be found at www.northwales-pcc.gov.uk.

24. Officers' Remuneration

The following tables set out the remuneration disclosures for Relevant Police Officers (defined as the Chief Constable and any Senior Police Officers with salary of more than £150,000 per year); Senior Police Officers (above the rank of Superintendent) and Senior Employees (designated office holder of a local government body). Within the tables below the Chief Constable, Deputy Chief Constable, Assistant Chief Constable, Director of Finance and Resources and the Force Medical Officer costs are charged to the Chief Constable's Accounts. The Police and Crime Commissioner, Deputy Police and Crime Commissioner, Chief Executive Officer and Chief Finance Officer costs are charged to the Police and Crime Commissioner's Accounts.

2015-2016	Notes:	Salary (including fees & allowances) £	Bonuses £	Expense Allowance £	Other Expenses £	Benefits in kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Post Holder:									
Chief Constable – M. Polin		141,444	0	0	0	5,338	146,782	0	146,782
Deputy Chief Constable		115,830	0	0	0	3,562	119,392	27,259	146,651
Assistant Chief Constable	1	103,785	0	9	13,462	4,067	121,323	24,528	145,851
Director of Finance & Resources	2	96,774	0	11	0	2,581	99,366	21,008	120,374
Director of Finance & Resources	3	16,250	0	236	0	4,864	21,350	2,649	23,999
Assistant Director of Finance	4	59,047	0	258	0	0	59,305	9,625	68,930
Police & Crime Commissioner	5	70,000	0	5,201	0	0	75,201	5,705	80,906
Deputy Police and Crime Commissioner	6	41,646	0	723	0	9	42,378	0	42,378
Chief Executive Officer of the Police & Crime Commissioner	7	9,151	0	0	0	0	9,151	-2,178	6,973
Chief Executive Officer of the Police & Crime Commissioner	8	75,339	0	199	0	38	75,576	12,280	87,856
Chief Finance Officer of the Police & Crime Commissioner	9	37,165	0	154	0	8	37,327	6,058	43,385
Force Medical Officer - Dr. A. Lister	10	32,993	0	0	0	0	32,993	5,378	38,371

Note 1: Other expenses related to relocation costs.

Note 2: The Assistant Chief Constable covered this post from 1/4/2015 to 16/2/2016.

Note 3: The post holder commenced with effect from the 1/2/2016 and works full time.

Note 4: This post holder covered the statutory S.151 duties for the Director of Finance & Resources post from 1/4/2015 to 31/1/2016.

Note 5: The PCC is a directly elected representative and is not an employee as defined within the accounting code of practice.

Note 6: The post covered the period 1/4/2015 to 11/3/2016.

Note 7: The post holder was on maternity leave until the 30/1/2016 and the post covered the period 1/4/2015 to 16/2/2016. A termination payment was made to this employee in 2016/2017 and will appear in the 2016/2017 accounts.

Note 8: This post covered the period 1/4/2015 to 31/3/2016

Note 9: The Chief Financial Officer works part time, full time equivalent salary is £61,942.

Note 10: The Force Medical Officer works reduced hours under agreement. The full time equivalent salary is £164,965.

2014-2015									
Post Holder:	Notes:	Salary (including fees & allowances) £	Bonuses £	Expense Allowance £	Other Expenses £	Benefits in kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Chief Constable – M. Polin		138,885	0	0	0	5,836	144,721	4,022	148,743
Deputy Chief Constable		114,714	0	0	0	4,287	119,001	26,990	145,991
Assistant Chief Constable	1	32,626	0	0	0	948	33,574	7,639	41,213
Assistant Chief Constable	2	81,220	0	1,840	8,000	15,628	106,688	19,166	125,854
Director of Finance & Resources	3	36,834	0	8	5,499	1,733	44,074	5,809	49,883
Director of Finance & Resources	4	65,806	0	18	0	1,895	67,719	15,411	83,130
Assistant Director of Finance	5	52,798	0	0	0	0	52,798	8,556	61,354
Police & Crime Commissioner	6	70,000	0	2,999	0	0	72,999	11,410	84,409
Deputy Police and Crime Commissioner		42,167	0	664	0	0	42,831	0	42,831
Chief Executive Officer of the Police & Crime Commissioner	7	66,533	0	766	0	51	67,350	12,271	79,621
Chief Executive Officer of the Police & Crime Commissioner	8	12,202	0	0	0	0	12,202	1,989	14,191
Deputy Chief Executive Officer of the Police & Crime Commissioner	9	10,252	0	0	0	0	10,252	1,671	11,923
Chief Finance Officer of the Police & Crime Commissioner	10	36,432	0	139	0	23	36,594	5,938	42,532
Force Medical Officer - Dr. A. Lister	11	32,993	0	0	0	0	32,993	5,378	38,371

Note 1: This post covered the period 1/4/2014 to 31/7/2014.

Note 2: This post covered the period 2/6/2014 to 31/3/2015 and other expenses relate to relocation.

Note 3: The DFR resigned with effect from the 31/7/2014. Other expenses refer to honoraria for PCC CFO duties covered.

Note 4: The Assistant Chief Constable commenced this post with effect from 1/8/2014.

Note 5: This post covers the statutory S.151 duties for the Director of Finance & Resources and commenced with effect from the 30/06/2014.

Note 6: The PCC is a directly elected representative and is not an employee as defined within the accounting code of practice.

Note 7: This post holder commenced maternity leave on the 2/2/2015.

Note 8: This post covered the period 2/2/2015 to 31/3/2015.

Note 9: This post commenced with effect from the 10/11/2014 until 1/2/2015.

Note 10: The Chief Financial Officer works part time, full time equivalent salary is £61,942.

Note 11: The Force Medical Officer works reduced hours under agreement. The full time equivalent salary is £164,965.

2015-2016

The Police and Crime Commissioner's and Chief Constable's other employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Bands	Number of Employees	Number of Employees
	2015-2016	2014-2015
£60,000 - £64,999	16	11
£65,000 - £69,999	7	6
£70,000 - £74,999	6	4
£75,000 - £79,999	7	8
£80,000 - £84,999	1	2
£85,000 - £89,999	3	2
£90,000 - £94,999	1	1
£95,000 - £99,999	1	0
£100,000 - £100,499	0	0
£105,000 - £109,999	2	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	1	0
£135,000 - £139,999	1	0

As a result of the redundancy exercise in 2015-16 the above table includes additional costs for some of the employees which were paid in the year.

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the table below:

Exit packages cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
	No.	No.	No.	No.	No.	No.	£000	£000
£ 0 - £20,000	0	2	1	9	1	11	15	128
£ 20,001 - £40,000	0	0	0	14	0	14	0	438
£ 40,001 - £60,000	1	1	0	8	1	9	41	459
£ 60,001 - £80,000	1	1	5	9	6	10	451	729
£ 80,001 and above	0	0	6	5	6	5	530	501

Median Pay Ratio

In respect of the group accounts, the median pay ratio compares the full time equivalent remuneration of the Chief Executive to the full time equivalent median remuneration of the staff employed by the Police and Crime Commissioner. It also compares the full time equivalent remuneration of the Chief Constable to the full time equivalent median remuneration of the staff employed by the Chief Constable.

	2015-2016	2014-2015
Chief Executive's pay	75,377	77,809
Median pay of the Police & Crime Commissioner's staff	33,263	33,263
Median pay ratio:	2.3	2.3
Chief Constable's pay	146,782	144,721
Median pay of the Chief Constable's staff	33,263	31,657
Median pay ratio:	4.4	4.6

25. External Audit Costs

The Police and Crime Commissioner has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims:

	2015-2016			2014-2015		
	Group	PCC	CC	Group	PCC	CC
	£000	£000	£000	£000	£000	£000
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor	90	45	45	67	33.5	33.5
Fees payable to the Wales Audit Office with regard to certification of grant claims and returns	0	0	0	0	0	0
Total	90	45	45	67	33.5	33.5

The above represents payments made within the financial year 2015-2016; the agreed strategy fee for the audit year November 2015 to October 2016 was £89,926 for 2015-16. The reduction in 2014-15 total is the rebate for £19,122 from the redistribution of their reserves as a result of the Public Audit Wales Act 2014 and a refund of £3,325 for part of the 2013-2014 Performance Audit Fee.

26. Grant Income

The Police and Crime Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015-2016.

	2015-2016 £000	2014-2015 £000
Credited to Taxation and Non-specific Grant Income		
Home Office Capital Grant	901	1,100
Home Office Police Grant and Floor Grant	51,854	54,774
Revenue Support Grant	6,244	5,917
Share of Non domestic Rates Grant	15,064	16,411
Total	74,063	78,202

	2015-2016 £000	2014-2015 £000
Credited to Services		
Grant Pre 1990 Debt Charges	1	6
CRB Criminal Records	557	559
Speed Reduction	907	1,455
Community Support Officers Welsh Government	2,959	2,884
School Liaison Programme	438	446
PFI Grant	1,508	1,561
Proceeds of Crime Acts	264	186
National Projects Undertaken	0	190
Drug Intervention Programme (DIP)	495	520
Security Grants	2,764	2,801
Innovation Fund	178	183
Competed Fund	0	167
Victims Commissioning/Services	771	492
Other Grants	158	55
Within cost of services in Comprehensive Income & Expenditure Statement	11,000	11,505

The Police and Crime Commissioner has received some grants and contributions which have yet to be recognised

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as income as they have conditions attached to them which are not yet satisfied and may require return to the provider. The balances at year-end are as follows:

	2015-2016 £000	2014-2015 £000
Grants received in advance (Revenue Grants) within current liabilities		
National VPC Funding	0	25
Total	0	25

27. Related Parties

Members of the Audit Committee have declared all their financial interests relating to contracts and businesses on appointment and have signed an agreement that they will abide by the Seven Nolan Principles of Life and declare any revised interests to the Chief Executive. Audit Committee members declarations of interests can be found on the Office of the Police and Crime Commissioner's website www.northwales-pcc.gov.uk

The Police and Crime Commissioner charges Denbighshire County Council, Abergele Town Council, West Yorkshire Police, North Wales Joint Branch Board and Tunnel and Network Services in respect of joint occupancy of buildings.

The Chief Constable is a trustee of PACT (North Wales Police and Community Trust). The Force allocates funding from income received via the Police Property Fund Account in support of PACT projects whose objectives are to raise the profile of community safety, significantly minimise the fear of crime and thus enhance the quality of life throughout North Wales. For 2015-2016 this equated to £56,675 donated from the fund to PACT and support in meeting the costs of the Fund administration of £41,260.

The Police and Crime Commissioner and Chief Constable participate in a Drug Intervention Programme which is a grant funded partnership with responsibility to reduce drug related offending and deaths through provision of support and services. The Partnership consists of officers from the Force, Community Safety Partnerships, Local Health Boards, North Wales Probation Service, North Wales Magistrates' Court, HM Prison Service, Jobcentre Plus and the Welsh Government.

28. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and the PFI contract), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets held by the Police and Crime Commissioner, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Police and Crime Commissioner that has yet to be financed. The CFR is analysed in the second part of this note.

	2015-2016 £000	2014-2015 £000
Opening Capital Financing Requirement	27,244	28,893
Capital Investment		
Property, Plant and Equipment	4,947	4,772
Investment Properties	0	0
Intangible Assets	0	0
Revenue Expenditure funded from Capital under Statute	0	0
Sources of Finance		
Capital Receipts	-1,652	0
Government Grants and other contributions	-901	-1,100
Sums set aside from revenue	0	-1,381
Direct revenue contributions	-825	-1,607
MRP Principal ¹	-2,254	-2,333
Closing Capital Financing Requirement	26,559	27,244

1 The 2014-2015 MRP principle has been adjusted by an additional £0.277 relating to vehicle expenditure which has not been previously reported in this note.

Explanation of Movements in year

	2015-2016 £000	2014-2015 £000
Increase (+) in underlying need to borrowing (supported by government financial assistance)	0	0
Increase (+)/decrease (-) in underlying need to borrowing (unsupported by government financial assistance) ¹	-141	-1,144
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	-545	-505
Increase (+)/decrease(-) in Capital Financing Requirement	-686	-1,649

1 The 2014-2015 decrease in underlying need to borrow has been adjusted by an additional £0.277 relating to vehicles which has not been previously reported in this note.

29. Leases

Finance Lease including Private Finance Initiative (PFI)

The PFI contract was signed in September 2002. The contract provides a serviced facility comprising a Divisional Headquarters, Police Station, Custody Block and a Scientific Support and Major Incident block in the St Asaph Business Park. The facility became operational in March 2004. The contract lasts for 25 years, and there are options available when the contract expires. The contract provides for a review of pricing in relation to the service charge element to be carried out at 5 yearly intervals. The Force was awarded notional credit approval of £19.623 million for the scheme, which translates to £36.7 million of additional revenue funding over the life of the contract. The contracted commitment on the remaining life of the contract is £42.556 million (2014-2015 £45.645 million).

Value of asset held for PFI

The PFI Asset has been assessed under the new Accounting requirements and is now included as part of the Police and Crime Commissioner's Asset portfolio on the Balance Sheet (see Note 11). The asset was revalued as at 1 April 2014 as part of the Asset Portfolio. The table below summarises the movement in the PFI asset value.

PFI	£000
Gross Value as at 31 of March 2015	22,020
Cumulative Depreciation to 31.3.2015	-1,811
Depreciation 2015-2016	-467
Total Depreciation to 31.3.2016	-2,278
Net Book Value as at 31 of March 2016	19,742

Value of Liability

PFI	£000
Value as at 31 of March 2015	13,124
Capital Repayment	-545
Net Value as at 31 of March 2016	12,579

Total payments to be made over the life of the contracts

PFI	£000
Amount due within 1 year	3,115
Due within 2 to 5 years	12,849
Due within 6 to 10 years	16,854
Due within 11 to 13 years	9,738
Total	42,556

Operating Leases

There are no un-discharged obligations at 31 of March 2016 in respect of operating leases.

30. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 11 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

31. Termination Benefits

The Police and Crime Commissioner utilised the following regulations in respect of termination benefits:

- the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended) and
- the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)

and terminated the contracts of a number of employees in 2015-2016 incurring liabilities of £2.255 million (2014-2015 £1.037 million) as disclosed in note 24.

32. Defined Benefits Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Police and Crime Commissioner offers retirement benefits. Although these benefits will not actually be payable until employees retire the Police and Crime Commissioner has a commitment to make the payments (for those benefits) and to disclose them at the time employees earn their future entitlement.

The Police and Crime Commissioner participates in two pension schemes:

- The Local Government Pension Scheme for Police Staff and the Office of the Police and Crime Commissioner is administered by Gwynedd Council. This is a funded defined benefit final salary scheme, meaning that the Police and Crime Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities to investment assets. The Police and Crime Commissioner and Chief Constable are one scheduled body within the LGPS and are not split in the accounts.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which the liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Gwynedd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Gwynedd Council. Policy is determined in accordance with the Pensions Fund regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the Police and Crime Commissioner of the scheme are the longevity assumptions, statutory changes to the scheme (e.g. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies note.

- The Police Pension Scheme for Police Officers. This is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than the amounts payable, the Police and Crime Commissioner must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police and Crime Commissioner who then must repay the amount to central government.

Discretionary Post-retirement Benefits

These benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets to build up to meet these pension liabilities.

Transactions Relating to Post Employment Benefits:

The Police and Crime Commissioner recognises the cost of retirement benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Police Pension Scheme		Total
	2015-2016 £000	2014-2015 £000	2015-2016 £000	2014-2015 £000	2015-2016 £000
Comprehensive Income & Expenditure Statement					
<i>Cost of Services:</i>					
<i>Service Cost comprising:</i>					
Current Service Cost	-7,938	-6,178	-25,580	-26,350	-33,518
Unfunded Benefits Contributions	115	115	0	0	115
Past Service Gains (-)/Losses (+)	-9	-111	-20	-30	-29
Gain (-)/loss(+) from settlements	0	0	0	0	0
Transfers In	0	0	-310	-750	-310
Police Pension top-up grant receivable	0	0	17,212	22,319	17,212
<i>Financing and investment income and expenditure</i>					
Net interest expense	-2,149	-1,747	-48,780	-56,400	-50,929
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	-9,981	-7,921	-57,478	-61,211	-67,459
<i>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>					
<i>Remeasurement of the net defined benefit liability comprising:</i>					
Return on plan assets (excluding the amount included in the net interest expense)	-957	9,749	0	0	-957
Actuarial gains(+) and losses (-) arising on changes in demographic assumptions	0	0	21,960	58,550	21,960
Actuarial gains (+) and losses (-) arising on changes in financial assumptions	23,896	-34,045	130,960	-225,590	154,856
Other experience gains (+) and losses (-)	1,785	976	49,870	21,500	51,655
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Account	14,743	-31, 241	145,312	-206,751	160,055

	Local Government Pension Scheme		Police Pension Scheme		Total
	2015-2016 £000	2014-2015 £000	2015-2016 £000	2014-2015 £000	2015-2016 £000
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of post-employment benefits in accordance with the code	-9,981	-7,921	-57,478	-61,211	-67,459
<i>Actual amount charged against the General Fund balance for pensions in the year:</i>					
Employer's contributions payable to scheme	5,522	5,558			5,522
Retirement benefits payable to pensioners			15,848	9,221	15,848

Pensions Assets and Liabilities Recognised in the Balance Sheet.

The amount included in the balance sheet arising from the Police and Crime Commissioner's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Police Pension Scheme	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Present value of the defined benefit obligation	192,222	204,725	1,320,470	1,481,630
Fair value of plan assets	-146,491	-138,729	0	0
Sub-total	45,731	65,996	1,320,470	1,481,630
Other movement in the liability (+)/asset (-) (if applicable)	0	0	0	0
Net Liability arising from the defined benefit obligation	45,731	65,996	1,320,470	1,481,630

Reconciliation of the Movement in the Fair Value of the Scheme (Plan) Assets

	Local Government Pension Scheme	
	31 March 2016 £000	31 March 2015 £000
Opening fair value of the scheme assets	138,729	119,469
Interest income	4,506	5,228
Remeasurement gain (+)/loss (-):		
- the return on plan assets, excluding the amount included in the net interest expense	-957	9,749
- Other (if applicable)	0	0
The effect of changes in foreign exchange rates	0	0
Contribution from employer	5,522	5,558
Contributions from employees into the scheme	1,925	1,906
Benefits paid	-3,234	-3,181
Other (if applicable)	0	0
Closing fair value of the scheme assets	146,491	138,729

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Scheme	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
Opening balance at 1 April	204,725	159,782	1,481,630	1,284,100
Current service cost	7,938	6,178	25,580	26,350
Interest cost	6,655	6,975	48,780	56,400
Contributions from scheme participants	1,925	1,906	7,260	7,310
Remeasurement gains (-) and losses (+):				
- Actuarial gains/losses arising from changes in demographic assumptions	0	0	-21,960	-58,550
- Actuarial gains/losses arising from changes in financial assumptions	-23,896	34,045	-130,960	225,590
- Other experience gains/losses	-1,785	-976	-49,870	-21,500
Past service costs	9	111	20	30
Losses (+)/gains (-) on curtailment (where relevant)	0	0	0	0
Liabilities assumed on entity combinations	0	0	0	0
Transfers In	0	0	310	750
Benefits paid	-3,234	-3,181	-40,320	-38,850
Liabilities extinguished on settlements (where applicable)	-115	-115	0	0
Closing balance at the 31 March	192,222	204,725	1,320,470	1,481,630

Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme 2015-2016			Local Government Pension Scheme 2014-2015		
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	4,512	0	4,512	2,503	0	2,503
Sub-total	4,512	0	4,512	2,503	0	2,503
Equity Securities:						
<i>By industry type:</i>						
Consumer	4,659	0	4,659	3,842	0	3,842
Manufacturing	0	0	0	0	0	0
Energy & Utilities	803	0	803	2,857	0	2,857
Financial Institutions	2,388	0	2,388	2,164	0	2,164
Health and Care	8,446	0	8,446	5,775	0	5,775
Information technology	4,848	0	4,848	4,033	0	4,033
Other	5,836	0	5,836	7,032	0	7,032
Sub-total	26,980	0	26,980	25,703	0	25,703

	Local Government Pension Scheme 2015-2016			Local Government Pension Scheme 2014-2015		
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total
	£000	£000	£000	£000	£000	£000
Debt Securities:						
Corporate Bonds (investment grade)	0	0	0	0	0	0
Corporate Bonds (non-investment grade)	0	0	0	0	0	0
UK Government	0	0	0	0	0	0
Other	0	19,578	19,578	0	0	0
Sub-total	0	19,578	19,578	0	0	0
Property:						
<i>By type:</i>						
UK Property	2,795	12,334	15,129	0	13,307	13,307
Overseas Property	0	277	277	0	401	401
Sub-total	2,795	12,611	15,406	0	13,708	13,708
Derivatives:						
Inflation	0	0	0	0	0	0
Sub-total	0	0	0	0	0	0
Private Equity:						
UK and overseas	0	5,952	5,952	0	5,867	5,867
Sub-total	0	5,952	5,952	0	5,867	5,867
Other Investment Funds and unit trusts:						
Equities	29,735	43,109	72,844	31,669	39,413	71,082
Bonds	0	0	0	0	19,211	19,211
Infrastructure	0	1,219	1,219	0	655	655
Sub-total	29,735	44,328	74,063	31,669	59,279	90,948
Totals	64,022	82,469	146,491	59,875	78,854	138,729

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson and the Police Pension Scheme liabilities have been estimated by the Government Actuary's Department. These are both independent actuary organisations, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2013.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions used. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimation in the sensitivity analyses have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

2015-2016	Local Government Pension Scheme		Police Pension Scheme	
	Increase in assumption £000	Decrease in assumption £000	Increase in assumption £000	Decrease in assumption £000
Longevity (increase (+) or decrease (-) in 1 year)	5,767	-5,767	29,000	-29,000
Rate of inflation (increase (+) or decrease (-) by 0.5%)	14,689	-14,689	110,500	-110,500
Rate of increase in salaries (increase (+) or decrease (-) by 0.5%)	10,776	-10,776	13,100	-13,100
Rate of increase in pensions (increase (+) or decrease (-) by 0.5%)	14,689	-14,689	110,500	-110,500
Rate for discounting scheme liabilities (increase (-) or decrease (+) by 0.5%)	-26,152	26,152	-139,300	139,300

Asset and Liability Matching (ALM) Strategy

The pensions committee of Gwynedd Council does not have an asset and liability matching strategy (ALM). Responsibility for the Fund's risk management strategy rests with the pensions committee. The Pension Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to pay pensions. The Administering Authority has produced a Funding Strategy Statement in conjunction with the Fund's Actuaries, which states how solvency and risk will be managed in relation to liabilities. The Strategy has taken an overall view of the level of risk inherent in the investment policy set out in the Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management of Investment of Funds) Regulations 2009, (the investment regulations) and the funding policy set out in the Statement. These documents continue to be reviewed to ensure that the overall risk profile remains appropriate.

Impact on the Police and Crime Commissioner's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Gwynedd County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pensions Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Police and Crime Commissioner anticipated to pay £5,520,000 expected contributions to the scheme in 2015-2016.

The weighted average duration of the defined benefit obligation for the Local Government Pension Scheme is 22.7 years, 2015-2016, (22.7 years 2014-2015). The weighted average for the Police Pension Scheme is 22.0 years, 2015-16, (21.3 years 2014-15).

33. Contingent Liabilities

The Police and Crime Commissioner has the sum of £1.173 million reserved for insurance. £0.649 million relates to the potential additional liabilities in relation to the Scheme of Arrangement for Municipal Mutual Assurance and £0.524 million for additional areas of insurance in relation to current emerging claims not currently recognised.

The Police and Crime Commissioner, along with a number of other Forces, currently have ongoing cases at an employment tribunal regarding the use of Police Pension Regulations A19. The outcome of the tribunal in February 2014 was to find in favour of the complaint and to support the test cases. Ongoing legal advice suggests

that there is a strong possibility that the appeal against the decision on the test cases would be upheld. In the event that it is not upheld, the Police and Crime Commissioner would be liable for costs. The determination of the level of financial exposure cannot be evaluated with any certainty as it would depend on the individual circumstances of the officers involved.

In October 2008 the Government has introduced Employment Support Allowance (ESA) in replacement of Incapacity Benefit and income support paid on incapacity grounds. As the Police (Injury Benefit) Regulations 2006 are currently drafted, ESA is not an 'additional benefit' by which a police injury pension can be reduced. The Home Office has indicated that when the regulations are amended, the changes are unlikely to be retrospective. However, should this not be the case the Police and Crime Commissioner will be required to recover any potential historic overpayments that may arise as a result

The Chief Constable of North Wales, along with other Chief Constables and the Home Office, currently has 27 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2015-16 Accounting Statements.

34. Contingent Assets

The Police and Crime Commissioner has underwritten a capital investment in DangerPoint to the value of £20,000 and which is currently being repaid under arrangement.

35. Financial Instruments including Nature and Extent of Risks Arising

a) Financial Instruments – Classifications

The definition of a financial instrument is:

'Any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees and derivatives. The Police and Crime Commissioner's borrowing and investment transactions are also classified as financial instruments.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Police and Crime Commissioner and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Police and Crime Commissioner. Trade payables, creditors are classed as financial liabilities.

The Police and Crime Commissioner's loan debt portfolio at the year-end consisted of PWLB debt. Under the current Code these forms of borrowing are measured at fair value initially and then at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Income and Expenditure Account.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Police and Crime Commissioner that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. Trade

receivables (debtors) are classed as financial assets.

The three classifications for financial assets under the Code are Loans and Receivables, Available for Sale, and Fair Value through Profit and Loss. The Police and Crime Commissioner's portfolio of investments consists solely of term deposits and bonds. These are classed as Loans and Receivables and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. The Police and Crime Commissioner does not have any available for sale assets or investments required to be measured at Fair Value through Profit and Loss.

Transaction Costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to Income and Expenditure over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Income and Expenditure account in the financial year that they are incurred. The Police and Crime Commissioner has adopted this latter approach in 2015-2016.

(b) Financial Instruments – Balances

The borrowings and investments disclosed in the balance sheet are analysed across the following categories:

	Long Term 31 March 2016 £000	Short Term 31 March 2016 £000	Long Term 31 March 2015 £000	Short Term 31 March 2015 £000
Financial Liabilities:				
PFI liability (Note 29)	11,989	590	12,579	545
Loans	1,933	602	2,514	602
Trade Creditors	0	13,934	0	21,756 ¹
Total Borrowings at Amortised Cost	13,922	15,126	15,093	22,903
Financial Assets:				
Investments/Available for sale financial assets	0	32,424	0	32,900
Trade Debtors	0	6,712	0	16,552 ¹
Total	0	39,136	0	49,452

1. Short term trade creditors and debtors in 2014-2015 have been increased by the £7.392 million adjustment for pension liabilities not previously reported in this note.

Within the total investments of £32.424 million above at 31 March 2016, £9.549 million was deemed cash and cash equivalents and £22.875 million were short term investments.

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The Code sets out specific accounting requirements for soft loans. The Police and Crime Commissioner has no soft loans.

(c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments consist of the following items:

	Financial Liabilities measured at Amortised Cost	Financial Assets (loans and receivables)	Financial Liabilities measured at Amortised Cost	Financial Assets (loans and receivables)
	2015-2016 £000	2015-2016 £000	2014-2015 £000	2014-2015 £000
Interest Payable	1,282	0	1,251	0
Movement on de-recognition	0	0	0	0
Total Interest Payable	1,282	n/a	1,251	0
Interest Receivable	0	-239	0	-262
Movement on de-recognition	0	0	0	0
Total Interest receivable and investment income	0	-239	0	-262

(d) Financial Instruments - Fair Values

The Police and Crime Commissioner's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The Code requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in International Financial Reporting Standard 13 (IFRS 13) as the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Police and Crime Commissioner's debt outstanding at 31 March 2014 and 31 March 2015 consisted entirely of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Police and Crime Commissioner with Fair Value amounts in relation to its debt portfolio at 31 of March 2015 and 31 of March 2016. The PWLB has assessed the Fair Values by calculating the amounts the Police and Crime Commissioner would have had to pay to extinguish the loans on these dates.

In the case of the Police and Crime Commissioner's investments, these consisted entirely of term deposits and bonds with Banks and Building Societies. The maturity dates of these investments were all within 12 months of the Balance Sheet date. None of the investments were impaired (i.e. at risk of default). Fair values have therefore been assessed as being the same as the carrying amount on the Balance Sheet.

	Carrying Amount 31 March 2016 £000	Fair Value 31 March 2016 £000	Carrying Amount 31 March 2015 £000	Fair Value 31 March 2015 £000
Financial Assets	32,424	32,433	32,900	32,900
Financial Liabilities	29,048	29,203	38,021 ¹	38,239 ¹

1. The carrying amount and fair value of financial liabilities in 2014-2015 has been increased by the £7.392 million adjustment for additional pension liabilities not previously reported in this note.

(e) Financial Instruments – Risks

The Police and Crime Commissioner has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities.

As part of the adoption of the Treasury Management Code, the Police and Crime Commissioner approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the North Wales Police & Crime Commissioner Group Statement of Accounts 2015-2016

parameters for the management of risks associated with Financial Instruments. The Police and Crime Commissioner also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government's Investment Guidance to local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Police and Crime Commissioner's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments

Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

The Police and Crime Commissioner manages this risk by ensuring that investments are placed with central government, other local authorities or Banks and Building Societies having sufficiently high credit ratings as set out in the Treasury Management Strategy. Limits are placed depending on the credit rating of both the financial instrument and the financial institution, at the minimum accepted rating level the limit is £2m. No more than £5m in total can be invested for a period longer than one year. At 31 March 2016 the Police and Crime Commissioner's list of counterparties available for investments consisted of Banks that were BBB+ rated, as well as having other sound financial indicators. The Police and Crime Commissioner has no historical experience of counterparty default.

The table below summarises the Police and Crime Commissioner's investment portfolio at the end of the financial year and the relative credit rating.

	Minimum Credit Rating	Balance Invested as at 31 March 2016 £000
Banks		
Barclays Bank	YES	4,000
Lloyds TSB	YES	3,937
HSBC	YES	9,153
Santander UK	YES	4,000
National Australia Bank	YES	1,000
Bank of Scotland	YES	2,850
Building Societies		
Nationwide BS	YES	4,000
Coventry BS	YES	4,000
Total		32,940

Liquidity Risk

The Police and Crime Commissioner has access to borrowing facilities from the Public Works Loan Board. There is no perceived risk that the Police and Crime Commissioner will be unable to raise finance to meet its

commitments. The Police and Crime Commissioner also has to manage the risk of exposure to replenishing a significant proportion of his borrowing at a time of unfavourable interest rates.

The maturity analysis of the nominal value of the Police and Crime Commissioner’s debt at 31 March 2016 was as follows:

	Years	31 March 2016 £000	%	Average Rate (%)
Short Term Borrowing	Less than 1 year	581	23.11	3.006
Long Term Borrowing	Over 1 and under 2	581	23.11	3.006
	Over 2 and under 5	1,352	53.78	3.010
	Over 5			
Total Long Term Borrowing		1,933	76.89	
Total Borrowing		2,514	100	3.01

Market Risk

(1) Interest Rate Risk:

The Police and Crime Commissioner is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 50% on external debt that can be subject to variable interest rates. At 31 March 2015 and 31 March 2016 100% of the debt portfolio was held in fixed rate instruments. Investments are also subject to movements in interest rates. As investments are made for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

(2) Price Risk:

The Police and Crime Commissioner does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Police and Crime Commissioner will suffer loss as a result of adverse movements in the price of financial instruments).

(3) Foreign exchange risk

The Police and Crime Commissioner has no financial asset or liabilities denominated in a foreign currency and therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

(f) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is shown in the Balance Sheet under the requirements of the 2009 Code. The balance in the account at the end of the financial year represents the amount that should have been charged to Income and Expenditure in accordance with proper accounting practices under the Code, but which Statutory Provisions require to be deferred over future years.

The Code requires all premiums and discounts arising from loan extinguishments from 1 April 2006 to be charged to the Income and Expenditure account in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Income and Expenditure account over the life of the new loan. A modification exists where the terms of the new debt are not “substantially different” from those of the old debt.

In the case of premiums or discounts relating to loan extinguishments after 31 March 2007, Statutory Provisions exist to override the provisions of the Code. The charges are reversed out in the Movement in Reserves Statement and premiums and discounts are amortised to the Comprehensive Income and Expenditure

Account over a period of years. Where premiums and discounts are linked to transactions meeting the criteria of a loan modification the statutory provisions do not apply.

Premiums amortised under statutory provisions are charged to the General Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts are credited to the General Fund over 10 years or the life of the original loan, whichever is the shorter period. Under the statutory provisions this discount has to be amortised to the General Fund account over 10 Years. No loans were repaid in 2015-2016.

Transactions reflected in the Financial Instruments Adjustment Account in 2015-2016.

	2015-2016
	£000
Balance Brought Forward	-188
Discount received on loan extinguishment	0
Amortisation to Income and Expenditure of 2007-2008 Discount	25
Amortisation to Income and Expenditure of 2008-2009 Discount	46
Balance at year end	-117

36. Partnership Schemes

The Police and Crime Commissioner is involved in partnership work with DangerPoint Ltd and Police and Community Trust (PACT). Details of PACT and DangerPoint accounts are available upon request.

37. Funds

The Police and Crime Commissioner administers the following funds for the purposes stated -

	31.3.16	31.3.15
	£000	£000
Police Property Act Fund (Proceeds from confiscated property for distribution to charities)	5	0
Misuse of Drugs Fund (Seized monies from Drugs enquiries used to finance expenditure in combating drugs)	89	80
	94	80

38. Jointly Controlled Operations/Collaboration

The Police and Crime Commissioner is party to a number of collaborations (both regional and national). In all instances the Group accounts reflect our share of income, expenditure and cash flows arising from the structure of the arrangement. As the Police and Crime Commissioner received all income and funding, any income receivable from the structure of the arrangement will be credited in the Comprehensive Income and Expenditure Statement of the Police and Crime Commissioner. As the Comprehensive Income and Expenditure Statement of the Chief Constable contains the expenditure arising from these collaborations, the Police and Crime Commissioner credits the Chief Constable with an equivalent amount through the intra group funding.

CIPFA guidance on accounting for collaboration has been considered in determining the nature of the relationships and, as most arrangements have joint control through a strategic management board, it is considered that most are correctly classified as joint operations. Some arrangements are of a collaborative nature but are classified as third party payments. Others involve officers from individual forces carrying out duties on a regional basis but

funded by a lead force from grants made by the Home Office, other agencies or are self-funded from fees and charges.

The following groups the arrangements into:

- Collaboration – Joint Operations
- Collaboration – Third Party payments
- Collaboration – Grant/self-funded
- Collaboration – Joint Operations**

Titan was established in April 2009 bringing together the six regional police forces in collaboration to tackle serious and organised crime across the North West. It encompasses the work of a number of teams with Merseyside as the lead force. The accounts reflect our share of the income and expenditure of the various arrangements as follows:

2014-2015 Net Expenditure £000		2015-2016		
		Expenditure £000	Income £000	Net Expenditure £000
301	Regional Crime Unit	292	0	292
38	Prisoner Intelligence	70	-24	46
30	Regional Intelligence Unit	62	-36	26
36	Technical Surveillance Unit	104	-5	99
64	Protected Persons Service	61	0	61
131	Confidential Unit	205	-8	197
0	Regional Asset Recovery Team	71	-71	0
0	Operational Security Officer	12	-7	5
0	Cyber Crime	32	-32	0
0	GAIN	4	-4	0
0	Undercover Forensics	53	0	53
0	Other Titan Grants	54	-54	0
600	Total	1,020	-241	779

The following joint operations have Cheshire as lead force:

2014-2015 Net Expenditure £000		2015-2016		
		Expenditure £000	Income £000	Net Expenditure £000
67	Joint Underwater Search Unit	68	-64	4
21	Regional Firearms	16	0	16
2,861	Armed Policing Alliance	2,768	-2,768	0
0	Regional Specialist Capability Programme	7	0	7
12	ANPR	11	-2	9
2,961	Total	2,870	2,834	36

The following operations are collaboration with other forces in Wales. The notional share of the expenditure and income has been reflected in the Comprehensive Income and Expenditure Statement allocated by population percentage across Wales.

SHARE OF SERVICE COLLABORATION 2015-2016		Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors
Gross Expenditure	Population %	£000	£000
Dyfed-Powys	16.71%	950	74
Gwent	18.77%	1,067	83
North Wales	22.45%	1,276	99
South Wales	42.07%	2,390	184
Total:	100.00%	5,683	440
Total Income & Grants	Population %	£000	£000
Dyfed-Powys	16.71%	-950	-74
Gwent	18.77%	-1,067	-83
North Wales	22.45%	-1,276	-99
South Wales	42.07%	-2,390	-184
Total:	100.00%	-5,683	-440

SHARE OF SERVICE COLLABORATION 2014-2015		Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors
Gross Expenditure	Population %	£000	£000
Dyfed-Powys	16.80%	796	81
Gwent	18.80%	891	91
North Wales	22.40%	1,062	108
South Wales	42.00%	1,991	203
Total:	100.00%	4,740	483
Total Income & Grants	Population %	£000	£000
Dyfed-Powys	16.80%	-796	-81
Gwent	18.80%	-891	-91
North Wales	22.40%	-1,062	-108
South Wales	42.00%	-1,991	-203
Total:	100.00%	-4,740	-483

Debtors and creditors in respect of the above arrangements have remained in the balance sheets of the lead forces by mutual agreement on the basis of materiality.

The Police and Crime Commissioner for Merseyside operates premises to accommodate the Regional Crime Unit, the Regional Intelligence Unit and the Regional Asset Recovery Team. This asset was fully funded by a capital grant from the Home Office and is included in the balance sheet of the Police and Crime Commissioner for Merseyside. If the regional arrangements are ever terminated the Home Office has the option of recovering the grant received to fund the building. If this option were not exercised, the sale proceeds would be divided between the participating forces (Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales).

Collaboration – Third Party Payments

The only significant of these arrangements is the payment made towards the National Police Air Service (NPAS) which was £1.394 million in 2015-2016 (£1.394 million in 2014-2015).

Collaboration – Grant/Self-funding

In a small number of collaboration arrangements North Wales provided seconded officers to support the arrangements and was fully reimbursed by other forces or agencies who received grant funding from the Home Office or Welsh Government to cover all expenditure.

Police Pension Fund Account

As from 2006-2007 Police Officer Pensions are paid separately from the main revenue account. Employer and Employee contributions and other Pensions income are paid into the Police Pension Fund account and all the Police Pensions expenditure is paid out of the account. The Police Pension Scheme is an unfunded scheme and as such has no investment assets. Each individual Police and Crime Commissioner is required by legislation to operate a Pension Fund and the amounts to be paid into and out of the Pension Fund are specified by regulation. The Police Pension Fund Regulations 2007 provide that any deficit on the account is transferred to the main Police and Crime Commissioner accounts to balance the fund to nil. This deficit is reimbursed by the Home Office and is accounted for within the main Police and Crime Commissioner accounts. Similarly, any surplus arising from the expenditure being less than the income is required to be repaid to the Home Office by the Police and Crime Commissioner. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. Long term pension obligations are detailed within note 32 Retirement Benefits.

The Pension account is designed to discharge liabilities to pay pensions as they fall due and takes no account of pensions and other liabilities after the period end. All fund transactions are treated in accordance with the Police and Crime Commissioner's Accounting Policies as set out on pages 10 to 24. Administration of the Pension Fund is carried out through a third party contract agreement.

2014-2015 £000	Fund Account	2015-2016 £000
	Contributions receivable	
	From Employer:-	
12,887	- Normal	12,774
0	- Early retirements	0
714	- Capital Charge for Ill Health Retirement	825
7,310	Members Contributions	7,267
753	Transfer Values received	348
21,664	Total Income	21,214
	Benefits Payable	
30,208	Pensions	30,981
13,447	Commuted and lump sum retirement benefits	7,401
75	Lump Sum Death Benefits	0
	Payments to and on account of leavers	
242	Transfer out to other schemes	35
11	Refund of Contributions	8
43,983	Total amounts Payable	38,425
22,319	Net Amount Payable for the year before transfer from the Police Fund	17,212
-22,319	Additional Contribution from the Police Fund (by grant) ¹	-17,212
0	Net amount payable/receivable for the year	0
	Net Asset Statement:	
7,392	Contributions due from employer	339
-7,392	Unpaid pension benefits	-222
0	Other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	-117
0	Total Liabilities	0

1. The Home Office additional contribution is based on 21.3% employers contribution as per the actuarial Valuation. The above accounts are based on 24.2% employers contribution as per the pension regulations.

Glossary of Terms

Accounting Policies

These are the set of rules and codes of practice we use when preparing the accounts.

Accrual

A sum included in the final accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been made/ received at the balance sheet date.

Budget

A statement of the Police and Crime Commissioner's plans in financial terms. A budget is prepared and approved by the Police and Crime Commissioner before the start of each financial year and is used to monitor actual expenditure throughout the year.

Capital Expenditure

Expenditure on new assets or on the enhancement of existing assets so as to prolong their useful life or enhance market value.

Capital Receipts

Proceeds of not less £10,000 from the sale of fixed assets. They may be used to finance new capital expenditure or repay debt. They cannot be used to finance normal day to day revenue spending.

Contingent Liabilities/Assets

These arise from a past event which is dependent upon future uncertain events and timing prior to being recognised in the accounts.

Creditors

Amounts owed by the Police and Crime Commissioner at 31 March for goods received or services rendered but not yet paid for.

Debtors

Amounts owed to the Police and Crime Commissioner which are collectable or outstanding at 31 March.

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence.

Direct Revenue Funding of Capital

Contributions from revenue to finance capital expenditure and thus reduce the requirement to borrow.

Earmarked Reserves

Amounts set aside for a specific purpose to meet future commitments or liabilities.

Fair Value

The amount for which asset could be exchanged, or a liability settled, between market participants at a specified date.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity

International Accounting Standard (IAS)

Standards for the preparation and presentation of financial statements created by the International Accounting Standards Committee.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board. These include Statements of Standards Accounting Practice (SSAPs)

Impairment

A reduction in the carrying value of a fixed asset below what it is currently recognised within the balance sheet (see accounting policies).

Liquid Resources

Current asset investments that are readily disposable by the Police and Crime Commissioner without disrupting business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Minimum Revenue Provision

The prudent amount provided to offset against borrowing under the prudential framework

Net Debt

The Police and Crime Commissioner's borrowings less cash and liquid resources.

Non-Current Assets

Assets that yield benefits to the Police and Crime Commissioner and the services it provides for a period of more than one year

Non-Domestic Rates (NDR)

This is the charge levied on occupiers of business premises to finance a proportion of local Police and Crime Commissioner and police revenue expenditure. The amount of NDR is set by central government by virtue of a multiplier applied to the rateable values. The multiplier is consistent throughout Wales with the total collected being distributed by the central government.

Non-operational Assets

Fixed assets held by the Police and Crime Commissioner but not directly occupied, used or consumed in the delivery of services.

Operational Assets

Fixed assets held and occupied, used or consumed by the Police and Crime Commissioner in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Outturn

The actual income and expenditure during the financial period as opposed to that budgeted.

Private Finance Initiative (PFI)

A contract involving the private sector and public sector jointly to deliver public services.

Precept

A levy which the Police and Crime Commissioner makes through the council tax to pay for services.

Provision

A liability for which monies are set aside when it is recognised that there is an obligation to pay but the timing or amount may be uncertain.

Public Works Loan Board (PWLB)

A government agency which provides longer term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

Remuneration

All amounts paid to or receivable by a person, and includes sums by way of expenses allowances (so far as these are subject to UK income tax) and the estimated money value of any other benefits received by an employee otherwise than in cash.

Reserves

Amounts set aside to cover general expenditure needs in the future. These can be usable or unusable (which are reserves held in conjunction with accounting treatments).

Revaluation

Carried out to ensure assets are accurately reflected in the accounts at fair value.

Revenue Expenditure

Spending on day to day items, including salaries, premises costs, transport and supplies and services.

Revenue Support Grant

A grant paid by central government in support of a Police and Crime Commissioner's revenue expenditure.

Slippage

Delayed capital expenditure not incurred within the original time frame.

Supported Borrowing

An approval issued by the Government that enables a Police and Crime Commissioner to borrow up to a specific amount in order to finance capital expenditure.

Unsupported Borrowing

Borrowing arranged under the prudential code regime which is funded from the Police and Crime Commissioner's general resources.

Usable Capital Receipts

Income from the sale of assets that is available for use to finance only capital expenditure.

Annual Governance Statement 2015-2016

1.0 INTRODUCTION AND BACKGROUND

- 1.1 The Police and Crime Commissioner and the Chief Constable have joint governance arrangements. Therefore, many of the controls are common to both corporations sole.
- 1.2 The Police and Crime Commissioner and the Chief Constable have a Scheme of Consent, which has been in place since 1 April 2014. The aim of this Scheme is to provide for proper arrangements for the management of activities on behalf of the Police and Crime Commissioner and the Chief Constable. The Commissioner has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the North Wales Police Force to account on behalf of the public. The Commissioner is responsible for the totality of policing. The Chief Constable is charged with the impartial direction and control of all police officers and staff within the police force that they lead and is responsible for maintaining the Queen's Peace. The Chief Constable holds office under the Crown, but is appointed by the Commissioner. This Scheme was in effect throughout the financial year and has been agreed by all the named Senior Officers within the Scheme and the Chief Constable and Police and Crime Commissioner for North Wales.
- 1.3 Both the Police and Crime Commissioner and the Chief Constable are required to have a Chief Financial Officer. The Police and Crime Commissioner's Chief Finance Officer has been in post since July 2013; and the Head of Finance was the Chief Constable's Chief Financial Officer until 31 January 2016 and replaced by the Director of Finance and Resources from 1 February 2016.
- 1.4 The Police and Crime Commissioner and the Chief Constable have established a Joint Audit Committee; the purpose of the Committee is to provide independent advice and recommendation to the Police and Crime Commissioner and the Chief Constable regarding the adequacy of the risk management framework, the internal control environment and financial reporting.
- 1.5 Governance is about how the Police and Crime Commissioner and the Chief Constable ensure they are doing the right things, in the right way for the right people, in a timely, inclusive, open and accountable manner. It comprises the systems, processes, culture and values, by which the organisation is directed and controlled and also the activities by which it is held to account and engages with the community it serves. This Annual Governance Statement (AGS) for the Police and Crime Commissioner and the Chief Constable describes how the organisation can show it has discharged its two overarching statutory duties during 2015-2016:
- To secure an effective and efficient police service and
 - To be accountable for the exercise of their functions and those of people under their direction and control.

2.0 SCOPE OF RESPONSIBILITY

- 2.1 The Police and Crime Commissioner and the Chief Constable are responsible for ensuring their business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used effectively, efficiently and economically. They also have a duty to make arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging their overall responsibility, the Police and Crime Commissioner and the Chief Constable are also responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. The financial management arrangements conform principally with the governance requirements of the CIPFA [*Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and Chief Finance Officer of the Chief Constable*](#) and the Home Office [*Financial Management Code of Practice for the Police Service of England and Wales 2013*](#). Internal audit have reviewed the CFO roles and have awarded high assurance on the governance arrangements in place. They have concluded that the statutory section 151 responsibilities are discharged fully and effectively.

- 2.3 The Strategic Executive Board (SEB) is the forum for scrutiny of the Chief Constable by the Police and Crime Commissioner. The additional functions of the Board include:
- to take such decisions as are required by the Scheme of Governance to be taken jointly by the Commissioner and the Chief Constable; and
 - to develop proposals for the delivery of the Commissioner's police and crime objectives as set out in the Plan

Decisions taken are documented on the Police and Crime Commissioner's website. The Police and Crime Plan was issued by the Police and Crime Commissioner in March 2013 and is updated in March each year.

- 2.4 This statement explains how the Police and Crime Commissioner and the Chief Constable have complied with the Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government* and also meets the requirements of the [Accounts and Audit \(Wales\) Regulations 2014](#) as amended, in relation to the statement of internal control and the publication of the annual governance statement.
- 2.5 Each force area has a [Police and Crime Panel](#) to maintain a regular check and balance on the performance of the Commissioner. The Commissioner will also be required to consult with the Panel on his plans and budget for policing, as well as the level of council tax and the appointment of a Chief Constable. The panel is made up of ten local councillors and two co-opted independent members. Conwy County Borough Council is the 'Host Authority' for the North Wales Police and Crime Panel and provides the required support services for the effective operation and discharge of duties of the Police and Crime Panel.

3.0 PURPOSE OF THE GOVERNANCE FRAMEWORK

- 3.1 The governance framework comprises the systems and processes, culture and values by which the Police and Crime Commissioner and the Chief Constable are directed and controlled and its activities through which it accounts to, engages with and leads its communities. The framework enables the Police and Crime Commissioner and the Chief Constable to monitor the achievement of their strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost effective services and the achievement of value for money.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot prevent all risk of failure to achieve policies, aims and objectives; it can provide only reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the organisation's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them efficiently, effectively and economically.
- 3.3 The governance framework has been in place throughout the year ended the 31 March 2016 and up to the approval of the Statement of Accounts.

4.0 THE GOVERNANCE FRAMEWORK

- 4.1 The Chief Constable is responsible for operational policing matters, the control of police personnel and the governance of the Force. The Police and Crime Commissioner is required to hold the Chief Constable to account for the exercise of those functions and those persons under his direction and control. It therefore follows that the Police and Crime Commissioner must satisfy himself that both he and the Chief Constable have appropriate mechanisms in place for the maintenance of good governance and that these operate effectively in practice.
- 4.2 A framework of governance and internal control has been created that seeks to ensure that the principles set out in the CIPFA '*Delivering Governance in Local Government*' *Guidance notes for the Police 2012* are delivered.

4.3 The CIPFA/SOLACE Code sets out suggested headings as to what should be reported and these have been used so as to simplify comparison with other bodies.

4.3.1 *Creating a vision and focusing on the outcomes for the communities of North Wales.*

4.3.1.1 How we achieve this:

- The Police and Crime Commissioner set the police and crime objectives and these were set out in the Police and Crime Plan which is updated and published annually.
- Our Police and Crime Plan has been communicated to the public through the website and by various engagement activities. A brief summary is included on the council tax leaflet sent to every household, either electronically or by post.
- The police and crime objectives, priorities and financial options were developed from the Police and Crime Commissioner's vision and a joint analysis of:
 - Assessment of crime and the required level of service
 - Consultation with local people
 - Consultation with partners
 - Consultation between the Police and Crime Commissioner and the Chief Constable
 - The findings of external audit and reviews by Wales Audit Office and HMIC
 - Risk assessment
- The Police and Crime Commissioner's police and crime objectives are directed and delivered by the Chief Constable and, in turn, by the Strategic Planning Board (SPB) during the year.
- Our performance is monitored and reported within the Annual Report, Statement of Accounts and the Medium Term Financial plan. The Strategic Executive Board (SEB) and Strategic Planning Board (SPB) scrutinise operational and financial performance, service delivery and the achievement of the police and crime objectives.
- A programmed approach to delivery of plans is in place via the Strategic Planning Board (SPB).

4.3.2 *Clarity of roles and responsibilities relating to governance.*

4.3.2.1 How we achieve this:

- The governance arrangements have been developed in line with the Police Reform and Social Responsibility Act 2011, statutory Policing Protocol Order 2012, Home Office Financial Management Code of Practice (FMCP) and existing guidance on financial and governance matters which continue to apply.
- Nationally set terms and conditions exist for officers and staff with agreed pay scales and job evaluation system.
- Individual post profiles exist for all roles with defined responsibilities.
- The Manual of Governance sets out respective roles and responsibilities.

- There is an approved scheme of consent in place which formalises the functions and delegation between the Commissioner and Chief Constable.

4.3.3 *Promoting values and demonstrating these through high standards of conduct and behaviour.*

4.3.3.1 How we achieve this:

- The Police and Crime Commissioner and the Chief Constable did abide by the seven Nolan Principles of public life as set out in the Corporate Governance Framework.
- The Police and Crime Commissioner has a code of conduct and the Chief Constable has a code of ethics and published values which underpin the standards expected of conduct and behaviour.
- The Police and Crime Commissioner and Chief Constable have policies and procedures and regulations in place that comply with law and conform to appropriate ethical standards.
- The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption policy and arrangements in place which effectively manage the risk of fraud and corruption.
- The Police and Crime Commissioner's and the Chief Constable's Joint Audit Committee discharged fully all the functions as identified in the relevant CIPFA publication for Audit Committees.
- The Police and Crime Commissioner has in place procedures for receiving feedback about policing in North Wales, and decisions made by or on behalf of the Police and Crime Commissioner and his officers. He also has procedures in place for the handling of complaints about the Chief Constable.
- The Police and Crime Panel fulfil functions in relation to complaints about conduct of the Police and Crime Commissioner, in accordance with the responsibilities accorded to the Panel under the Police Reform and Social Responsibility Act.

4.3.4 *Informed transparent decisions and management of risk*

4.3.4.1 How we achieve this:

- All key decisions taken include a financial impact, legal impact, equality impact and risk assessment.
- There are arrangements to record any professional advice that is required for specialist areas.
- We have an effective scrutiny function, supported by evidence & data analysis, to challenge decision makers constructively, including those who work in partnership with the Commissioner and Chief Constable.
- The post of Chief Executive to the Police and Crime Commissioner is the designated post of Monitoring Officer.
- The Chief Financial Officers for the Police and Crime Commissioner and the Chief Constable complied with the CIPFA statement '*the Role of the Chief Financial Officer of the Police and Crime Commissioner and of the Chief Constable*'.
- There is an embedded risk management culture across the organisation and at all levels.

- There are corporate and individual area risk registers which conform to approved national methodology and are regularly reviewed and updated and reported to committees and boards across the organisation.
- Our plans, processes and policies are drawn up having due regard to the risks identified.
- Internal Audit assesses the adequacy of our internal controls and report fully to the independent Joint Audit Committee.
- Internal and external audit examined and reported on compliance with applicable regulations and internal controls.

4.3.5 *Developing Capacity and Capability*

4.3.5.1 How we achieve this:

- We have a performance management framework which the Commissioner and Chief Constable use to assess performance and address any improvements required.
- Our people are our key investment and we ensure that there are member and officer training and development programmes in place so that knowledge is kept up to date, including any professional development requirements.
- There are annual assessments of effectiveness for the Police and Crime Panel and the Joint Audit Committee.
- Our recruitment and succession planning processes ensure that we appoint the right people into roles within the organisation

4.3.6 *Engaging with local people and other stakeholders to ensure robust public accountability.*

4.3.6.1 How we achieve this:

- The Police and Crime Commissioner is accountable to the people of North Wales to deliver an efficient and effective police service to the people of North Wales.
- The Chief Constable is accountable to the Police and Crime Commissioner to ensure that an effective police service is provided to the people of North Wales.
- The Police and Crime Commissioner and the Chief Constable regularly publish information on the Commissioner's and Chief Constable's work and achievements and satisfaction of users, including the publication of a Police and Crime Plan and an Annual Report.
- There is a consultation and engagement strategy in place to ensure that our services are responsive to issues raised. We regularly conduct surveys to inform our service delivery and assist in developing our priorities and objectives.

5.0 REVIEW OF EFFECTIVENESS

- 5.1 The Police and Crime Commissioner and the Chief Constable have responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report and also by comments made by the external auditors, the Police and Crime Panel, Joint Audit Committee and other review agencies and inspectorates.
- 5.2 In accordance with regulations, the Police and Crime Commissioner and Chief Constable have reviewed the effectiveness of its internal audit service. In conclusion, the service has complied fully or partially with all public sector internal auditing standards (PSIAS). The review concluded that the internal audit service fully met the assurance performance throughout the year and primarily met the service standards set for the year.
- 5.3 As part of our governance framework and to ensure that we review our arrangements for effectiveness, we have established a Governance Board which is charged with monitoring the arrangements for compliance and to make recommendations for the development of the governance arrangements as may be required. A review of the effectiveness of the governance framework is also informed by the activity and learning from the preceding year. For example, an independent investigation into NWP's decision to enter into an IT managed services contract with an IT contractor identified failings within the operation of the governance framework that has led to a number of recommendations which are being fully implemented.
- 5.4 In assessing the governance arrangements that are in place, the Governance Board will also develop and monitor any action plans to address any governance issues identified or where improvement to current arrangements is required. A copy of the current action plan can be seen at Appendix 1 to this report.
- 5.5 Internal Audit carried out their annual service review of our key financial systems in 2015-2016 and provided positive reports during the year and the annual report concluded:
- In the Head of Internal Audit's opinion, the Police and Crime Commissioner and the Chief Constable can have 'medium' assurance in the overall adequacy and effectiveness of their internal control environments, including their arrangements for governance and risk management. There are no qualifications to the opinion.*
- 5.6 The Wales Audit Office annual audit letter for 2014-2015 gave an unqualified opinion on the accounts for the Police and Crime Commissioner and the Chief Constable and recorded that they had not identified any significant weaknesses in the overall framework. It also concluded that the Police and Crime Commissioner and Chief Constable had appropriate arrangements in place to secure economy, efficiency and effectiveness in the use of their resources.
- 5.7 During 2015-2016 there has been consultation upon the impact of changes made to the CIPFA-SOLACE framework upon good governance guidance in the Police service. These changes will take effect in 2016-2017 and will form part of the Police and Crime Commissioner and Chief Constable's governance framework and future published annual governance statements.

6.0 SIGNIFICANT GOVERNANCE ISSUES

- 6.1 The HMIC conducted a number of inspections as part of their annual inspection programme. Issues raised are reported to the relevant Force Committee and to Strategic Executive Board. Of the reports that have been finalised no significant issues have been raised.
- 6.2 The Medium Term Financial Plan identified that £7.4m is to be cut from the budgets over the next three years. A Strategic Planning Board will continue to provide governance in developing plans to identify these savings.

7.0 ASSURANCE SUMMARY

- 7.1 No statement of internal control can provide absolute assurance against material loss; this statement is intended to provide reasonable assurance.
- 7.1.1 However, on the basis of the review of the sources of assurance set out in this statement, we are satisfied that the North Wales Police and Crime Commissioner had in place satisfactory governance arrangements, including appropriate systems of internal control and risk management which facilitate the effective exercise of his functions.

Signed



Arfon Jones
Police and Crime Commissioner



Stephen Hughes
Chief Executive Officer to the Police and Crime Commissioner



Kate Jackson
Chief Finance Officer to the Police and Crime Commissioner

ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The following areas are to be addressed in 2016-2017:-

Partnerships and Collaboration:

We have a statutory duty to collaborate with other police forces and public sector bodies, and as this increases it is important to ensure that the governance arrangements are effective and fit for purpose, and that adequate risk management is in place before entering into any new agreements.

Internal Audit have reviewed this area and concluded that arrangements need to be further strengthened. In response to the review we have developed a draft partnership framework and guidance with key controls to support and strengthen the corporate governance arrangements and risk management. This is currently awaiting approval and this is expected to be in place by the beginning of 2016. Once this has been finalised the above action will be discharged.

Joint Audit Committee:

The Joint Audit Committee has an important role in assessing the governance of both corporations sole. Many meetings are followed by a briefing session enabling the committee to widen their knowledge of specific areas. In addition, a joint training session is planned for autumn 2016, which will enable them to exchange good practice with their peers, and to keep abreast of the latest developments.

Auditor General for Wales' report to the Police and Crime Commissioner for North Wales

I have audited the accounting statements and related notes of the:

- Police and Crime Commissioner for North Wales;
- Police and Crime Commissioner for North Wales; and
- North Wales Police Pension Fund

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for North Wales's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement, The Police and Crime Commissioner for North Wales Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The North Wales Police Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts as set out on page 25 the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for North Wales's Group accounting statements and the North Wales Police Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Wales's and Police and Crime Commissioner for North Wales Group's and North Wales Police Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the Police and Crime Commissioner for North Wales

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for North Wales as at 31 March 2016 and of his income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the accounting statements of the Police and Crime Commissioner for North Wales Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for North Wales Group as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the accounting statements of the Police Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of the North Wales Police Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Police and Crime Commissioner for North Wales, Police and Crime Commissioner for North Wales Group and North Wales Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.



For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
27 September 2016

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of Police and Crime Commissioner for North Wales's website is his responsibility; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2014-2015 Actual £000	Description	2015-2016 Revised Budget £000	2015-2016 Actual £000
	<u>Building Works</u>		
694	Wrexham DHQ Facility	2,245	630
0	Wrexham Town Facility	55	56
53	Cefnmawr Station Relocation	0	0
0	Retentions	5	0
159	Sustainability Works	69	140
21	Chirk Station Relocation	0	0
31	Llangefni New Police Station	0	0
111	Prestatyn Demolition	64	33
49	Flint Relocation	43	11
319	Llangollen Refurbishment	36	20
83	Custody Suites Upgrades	26	0
71	Holyhead Port	79	101
213	Llandudno Relocation/New Build	600	237
43	Bethesda Relocation	0	4
0	Pwllheli Relocation	52	0
60	Nefyn Relocation	0	20
99	Firearms Range Training Facilities	213	179
0	SARC Amethyst team Building works	115	97
0	Tywyn Relocation	0	113
102	Firearms Alliance Hub	0	0
2,108	Total Building Works	3,602	1,641
	<u>Vehicles and Other Equipment</u>		
1,844	Vehicle Purchase	2,524	2,385
108	Safety Camera Equipment (funded by grant)	0	0
35	Commissioning Centre Ramp	0	0
34	Forcewide ANPR	0	0
0	Ports Equipment	78	0
2,021	Total Vehicles and Other Equipment	2,602	2,385
	<u>Information Technology and Communication Equipment</u>		
295	Desk Top Replacement	300	56
18	Business Systems Servers	0	13
0	CAD Upgrade and Hardware	0	27
0	Network Installation	400	673
0	Interview Rooms Security and DDA	300	0
233	Criminal Justice Digital Project	377	82
0	Secure System replacement	70	0
62	Airwave replacement	0	0
0	Mobile Data Devices	400	70
35	Investigation Support Equipment	0	0
643	Total Information Technology and Communication	1,847	921
4,772	Total Capital Expenditure	8,051	4,947

2014-2015 Actual £000	Description	2015-2016 Revised Budget £000	2015-2016 Actual £000
	<u>Funding of Capital Programme</u>		
1,100	Home Office General Capital Grants	901	901
2,988	Revenue Contribution and Earmarked Reserves	3,552	825
0	Capital Receipts	2,179	1,652
684	Borrowing funded in revenue	1,419	1,569
4,772	Total Funding	8,051	4,947