

**NORTH WALES POLICE & CRIME COMMISSIONER**

**GROUP STATEMENT OF ACCOUNTS**

**2018 – 2019**

## Table of Contents

Narrative Report .....	3
Statement of Responsibilities for the Group Statement of Accounts .....	11
Group Expenditure and Funding Analysis 2018-2019 .....	12
Group Expenditure and Funding Analysis 2017-2018 .....	13
Group Comprehensive Income and Expenditure Statement .....	14
Group Movement in Reserves Statement .....	15
Group Balance Sheet .....	16
Group Cash Flow Statement .....	17
Notes to the Group Statement of Accounts .....	18
Police Pension Fund Account.....	56
Group Statement of Accounting Policies.....	57
Glossary of Terms .....	72
Annual Governance Statement 2018-2019 .....	75
The independent auditor’s report of the Auditor General for Wales to the.....	83
Summary Capital Expenditure and Funding 2018-2019 .....	86

## Narrative Report

### Introduction

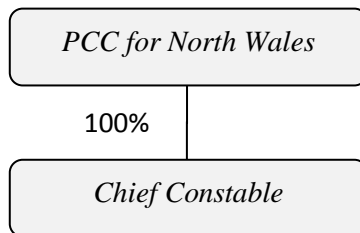
The Statement of Accounts for 2018-2019 provides a picture of the group's financial position at 31 March 2019 and a summary of the income and expenditure in the year to 31 March 2019. The end of 2018-2019 marks the seventh year since the introduction of Police and Crime Commissioners in England and Wales, 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. 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 Responsibilities (Page 11).  
This sets out the responsibilities of the Police and Crime Commissioner and the Chief Finance Officer in respect of the Statement of Accounts and confirms that the accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting.
- Expenditure and Funding Analysis (Page 12).  
This shows how annual expenditure is used and funded from resources (government grants, council tax precept and business rates) by the Police and Crime Commissioner and the Group in comparison with those resources consumed or earned by the Police and Crime Commissioner and the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- Group Comprehensive Income and Expenditure Statement (Page 14).  
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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
- Group Movement in Reserves Statement (Page 15).  
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 Balance Sheet (Page 16).  
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 17).  
This statement shows the changes in cash and cash equivalents of the Police and Crime Commissioner during the year.
- Group Notes to the Statements (Pages 18 to 55).  
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 56).  
This details the transactions relating to Police Pension income and expenditure.
- Group Statement of Accounting Policies (Page 57).  
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.

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 7 "Adjustments between Accounting Basis and Funding Basis under Regulations".

### **3. The Economic Climate and the Revenue Budget for 2018-2019**

The Police and Crime Commissioner operated with a net revenue budget of £146.466 million for 2018-2019. This was formally set at a meeting of the Police and Crime Panel on 22 January 2018 and represented an overall increase in precepts of 4.55%. Government funding was frozen at the same level as 2017-2018; this resulted in an overall increase of 2.27% to the base revenue budget. Savings of £1.479m were delivered during the year.

The overall movement in earmarked reserves at the end of the year was an increase of £0.044m; this was as a result of a planned contribution of £0.970 million from earmarked reserves to fund capital expenditure, planned and committed movements of £0.326 million from/to earmarked reserves and a contribution of £0.689 million to the Capital Reserve from revenue under spend. In addition to the movement in earmarked reserves relating to the revenue and capital budget there is an additional use of £0.797 million of General Reserve. This relates to the funding of the Secondary Rate Staff Pension Contribution, which is an annual lump sum payment relating to the deficit on the Pension Fund. This is in addition to the Employer contribution rate which is based on a percentage of pay and relates to new benefits accruing. The amount of the lump sum payment is assessed as part of the triennial valuation - the amount was set at £0.844m but a discount was given if payment was made in one lump sum of £2.391m resulting in an annual saving of £0.047m. This was treated as a pre-payment in the 2017-2018 accounts. However, due to Pension regulations, it is not possible to treat this payment as a pre

payment, resulting in the requirement to charge 2 years' worth of the lump sum in the 2018-2019 (one year having already been charged in 2017-2018). The additional amount has been funded from General Reserve; the General Reserve will then be reimbursed with the equivalent budgeted amount in 2019-20.

The staffing expenditure was on budget with the establishment in place as at 31<sup>st</sup> March 2019 in line with the plan. The additional contribution to earmarked reserves was due to a combination of an under spend on non-staff budgets and additional reimbursements, grants and income received during the year.

The Police and Crime Commissioner's reserves are specifically required to meet any unforeseen events, fund the revenue and capital plans of the Force over the next period and to facilitate changes and developments that are required to make efficiencies and meet new demands. Future efficiencies are in addition to the £31.1 million cuts already achieved since the Comprehensive Spending Review 2010 (CSR2010) up to and including 2018-2019 and reflects the pressure placed upon the police service nationally. Transfers to reserves are summarised within note 8 to these accounts. Actual net operating expenditure for 2018-2019 was £147.219 million.

The outturn position is shown in the table below:

<b>ACTUAL 2017- 2018 £'000</b>	<b>REVENUE EXPENDITURE</b>	<b>BUDGET 2018- 2019 £'000</b>	<b>ACTUAL 2018- 2019 £'000</b>	<b>VARIANCE + (-) £'000</b>
123,571	EMPLOYEE COSTS	125,547	125,640	93
3,020	POLICE PENSIONS	3,227	4,608	1,381
32,735	NON STAFF RUNNING COSTS	32,806	32,592	-214
2,108	CAPITAL FINANCING	2,364	2,844	480
10,583	CAPITAL FINANCING FROM RESERVES	2,558	970	-1,588
1,297	COMMUNITY SAFETY FUND	1,467	1,208	-259
2,099	PARTNERSHIPS	2,534	2,534	0
-22,146	INCOME	-21,396	-23,177	-1,781
<b>153,267</b>	<b>OPERATING EXPENDITURE</b>	<b>149,107</b>	<b>147,219</b>	<b>-1,888</b>
533	TRANSFERS TO/-FROM EARMARKED RESERVES	-83	1,014	1,097
-10,583	TRANSFERS TO/-FROM EARMARKED RESERVES (CAPITAL FUNDING FROM REVENUE RESERVES)	-2,558	-970	1,588
0	TRANSFER TO/-FROM GENERAL RESERVE	0	-797	-797
<b>143,217</b>	<b>NET EXPENDITURE</b>	<b>146,466</b>	<b>146,466</b>	<b>0</b>
<b>FINANCED BY:</b>				
40,025	POLICE GRANT	40,025	40,025	0
11,890	NATIONAL NON-DOMESTIC RATES	11,758	11,758	0
10,016	REVENUE SUPPORT GRANT	10,364	10,364	0
9,797	FLOOR GRANT	9,580	9,580	0
71,489	COUNCIL TAX	74,739	74,739	0
<b>143,217</b>	<b>TOTAL FINANCING</b>	<b>146,466</b>	<b>146,466</b>	<b>0</b>

**Usable Reserves** – these are available for future expenditure (further details are in Note 7 and 8)

<b>Movement in Reserves 2018-19</b>	<b>Balance at 31 March 2018</b>	<b>Transfers Out 2018-2019</b>	<b>Transfers In 2018-2019</b>	<b>Total Movement</b>	<b>Balance at 31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Reserve	5,189	-797	0	-797	4,392
<b>Earmarked Reserves</b>					
Capital Reserve	2,341	-970	689	-281	2,060
Pensions ill health reserve	915	0	0	0	915
PFI Reserve	4,212	0	121	121	4,333
Major Incident Reserve	2,435	0	0	0	2,435
Insurance Reserve	1,173	0	0	0	1,173
Estates Security and Maintenance	1,237	-204	0	-204	1,033
Partnerships Balances Reserve	552	0	101	101	653
Management of Change Reserve	5,881	0	68	68	5,949
Commissioners Community Safety Fund	241	-39	259	220	461
Legal Reserve (OPCC)	51	0	5	5	56
Office of the Police & Crime Commissioner Reserve	168	0	14	14	182
<b>Total Earmarked Reserves</b>	<b>19,206</b>	<b>-1,213</b>	<b>1,257</b>	<b>44</b>	<b>19,250</b>
<b>Total Revenue Reserves</b>	<b>24,395</b>	<b>-2,010</b>	<b>1,257</b>	<b>-753</b>	<b>23,642</b>
<b>Capital Receipts Reserve</b>	<b>1,487</b>	<b>-1,702</b>	<b>224</b>	<b>-1,478</b>	<b>9</b>
<b>Total all usable reserves</b>	<b>25,882</b>	<b>-3,712</b>	<b>1,481</b>	<b>-2,231</b>	<b>23,651</b>

## Provisions

<b>PROVISIONS</b>	<b>OPENING BALANCE</b>	<b>MOVEMENT</b>	<b>CLOSING BALANCE</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
INSURANCE FUND	977	-105	872

## Performance 2018-2019

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 2017-2021. The priorities in the plan have been developed in response to the areas of greatest threat, risk and harm facing North Wales following an extensive consultation process. The following priority areas were set within the Police and Crime Plan 2017-2021:

- Domestic Abuse
- Modern Slavery
- Organised Crime
- Sexual Abuse
- Delivering Safer Neighbourhoods

The Chief Constable's Delivery Plan sets out the specific actions North Wales Police will take in delivering these priorities. Of note is the importance of partnership working in tackling them. All priority areas present issues beyond policing and an effective response can be delivered only in partnership.

The Police and Crime Plan 2017-2021 and the Chief Constable's Delivery Plan are available on the PCC's Website [www.northwales-pcc.gov.uk](http://www.northwales-pcc.gov.uk).

Some of the things achieved are:

- Maintained recruitment of officers at establishment levels
- Agreed a major reorganisation to strengthen front line with 30 additional investigators
- Stepped up the fight against serious and organised crime, child sexual exploitation and cybercrime
- Prioritised tackling domestic abuse and modern day slavery
- Opened a new divisional headquarters and custody suite in Llay, with a new town centre police station set to open in Wrexham
- Employed a mental health case worker at the Victim Help Centre and the appointment of the UK's first support officer dedicated to helping victims of modern slavery
- Set up a special fund using cash confiscated from criminals to help community groups across North Wales
- Invested in mobile technology devices to enable officers to search for people, vehicles and addresses while on patrol
- Equipped officers with body-worn cameras while on duty

There has been significant demand placed on the police service in 2018-2019 along with increased activity and threats in crimes of terrorism, sexual exploitation and cyber-crime. However, the number of major incidents reduced significantly in 2018-2019 compared to the previous year. The Police and Crime Commissioner produces an Annual Report to detail performance for the year which can be found [here](#).

Challenges still exist for the Police Service due to the level of imposed cuts over the last eight years coupled with continued uncertainty over government funding. The Police and Crime Commissioner continues to implement the budget strategy to deliver the required savings over the period and as part of this has identified and delivered £1.479 million of savings during 2018-2019. As part of the strategy, the level of reserves and provisions currently held is considered prudent and the general reserve of £4.392 million is slightly below 3% of the net revenue expenditure for the year which is the acceptable range of 3% to 5% as defined in the Medium Term Financial Plan. However, this will be replenished in 2019-20 and General Reserve will increase to 3.3% of the projected budget.

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 £1.878 billion as at 31 March 2019. The Police Officer Pensions Schemes are unfunded and the amount shown in the reserve of -£1.793 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, and the reserve shown of -£0.085 billion reflects the estimated deficit in the fund as at the end of March 2019. Further details are shown in Note 34 in the accounts. Both pension schemes have been subject to actuarial revaluation in March 2016 and the results of this have been incorporated within the 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 2017-2018 and 2018-2019 financial years:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I
2017-2018	166.14	193.83	221.52	249.21	304.59	359.97	415.35	498.42	581.49
2018-2019	172.08	200.76	229.44	258.12	315.48	372.84	430.20	516.24	602.28

#### 4. Capital Expenditure

The revised capital programme for 2018-2019 was set in January 2018 as part of the Medium Term Financial Plan and agreed as part of the Capital Strategy.

The revised capital expenditure estimates for the year amounted to £12.908 million and the actual expenditure for the year amounted to £11.273 million. The Programme has four major projects. Three of these were within the Estates budget; the Control Room Facility was bought in May 2018 resulting in a £0.1m annual revenue saving, the new Eastern Divisional Headquarters and Custody at Llay became fully operational during 2018-19; work is ongoing on the Wrexham Town Centre facility which is expected to be fully operational by July 2019. The fourth major project was the upgrade of the Control Room system and hardware; this system is operational with final milestones to be met before full payment is made. The replacement Programme for Vehicles and IT continued, replacement of laptops and desktops were aligned to the estates and control room projects. A total of 1,000 Airwave radio units were replaced during the year.

The table below summarises the capital expenditure and funding for 2018-2019:-

CAPITAL EXPENDITURE	BUDGET	ACTUAL	VARIANCE
	2018-2019	2018-2019	+ (-)
	£'000	£'000	£'000
Building/Estates Works	7,415	6,882	-533
Equipment	150	130	-20
Vehicles	2,233	1,691	-542
IT and Communications	3,110	2,570	-540
<b>NET EXPENDITURE</b>	<b>12,908</b>	<b>11,273</b>	<b>-1,635</b>
<b>FUNDED BY:</b>			
Home Office Capital Grants	462	462	0
Revenue Contribution	2,047	2,350	303
Use of Reserves	2,558	970	-1,588
Capital Receipts	2,008	1,702	-306
Borrowing already funded in revenue	5,833	5,789	-44
<b>TOTAL CAPITAL FUNDING</b>	<b>12,908</b>	<b>11,273</b>	<b>-1,635</b>

The Police and Crime Commissioner has a PFI scheme for the Divisional headquarters in St. Asaph. The funding for this scheme continues to be met from government grants, the revenue budget and an earmarked reserve. Details of the scheme and liability can be seen in Note 31.

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



## Capital Balances and Reserves:

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

<b>CAPITAL BALANCES AND RESERVES</b>	<b>OPENING BALANCE 01/04/2018 £'000</b>	<b>MOVEMENT £'000</b>	<b>CLOSING BALANCE 31/03/2019 £'000</b>
<b><u>USABLE CAPITAL RESERVES</u></b>			
Capital Receipts Reserve	1,487	-1,478	9
<b><u>UNUSABLE CAPITAL RESERVES</u></b>			
Financial Instruments Adjustment Account	0	0	0
Revaluation Reserve	21,433	-1,610	19,823
Capital Adjustment Account	29,377	-10,035	19,342

During the year the Police and Crime Commissioner reviewed asset valuations of 14 properties within the portfolio.

## Borrowing:

During the year the Police and Crime Commissioner did not need to raise any new long term loans to finance capital expenditure and for the majority of the year used internal funds to manage its cash flows. Short term borrowing was required during the financial year due to the reduction in reserves and the uneven profile of pension grant payments. The total of loans outstanding at the end of the financial year was £16.657 million, £16.000 million of which related to new short term loans (2017-2018 £11.322 million).

## 5. Accounting Policies

Changes in accounting policies are made 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 financial position or financial performance. Minor changes have been made to update the policies - these have had no material effect on the accounts and so has not required re-statement of the previous year's accounts.

## 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 39. On a local level, the Force's Facilities Department is managing jointly 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 and Police Dog Section to enhance operational performance whilst continuing to deliver efficiencies and savings necessary to meet the government funding reductions in the service.

## **7. Future Outlook**

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 Medium Term Financial Plan sets out the financial requirements over the 2019-2024 period. It links the policing plan and priorities to the financial strategy and can be found on the Police and Crime Commissioner's [Website](#).

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 2019-2020 Budget was set by the Police and Crime Commissioner and approved by the Police and Crime Panel in January 2019 at £154.264 million. This represented a 7.74% Council Tax increase and an overall net increase of 5.34% compared to the 2018-2019 budget of £146.466 million. Savings of £2.832 million have been identified to be delivered in 2019-2020. The inflationary increases at 3.57% were higher than originally expected due to central Government decisions regarding public sector pension costs. Significant investments have been made in investigative capabilities targeting serious and organised crime and in digital development which will lead to improved productivity and efficiencies in the future.

The results of the June 2016 European Union (EU) referendum where the UK has elected to leave the EU has had and continues to have a political impact across the country. Article 50 was subsequently triggered on 29 March 2017 with the intention of leaving the European Union on the 29 March 2019. This did not transpire resulting in further uncertainty with regard to the United Kingdom's exit from the European Union. It is uncertain at this time what long term impact this may have upon the police service and the funding of the service. Detailed planning around the short term operational impact has been managed locally and nationally and will be continually reviewed.

## **8. Events after the reporting period.**

At the time that the Statement of Accounts were submitted to the Police and Crime Commissioner on the 30 July 2019, all material adjusting or non-adjusting events which would be required to be included in the Statement of Accounts have been reflected under Note 6.

**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 2019.



**Arfon Jones Police and Crime Commissioner for North Wales**

Date: 30.07.19

**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 2018-2019 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 2019.

The audit certificate appears on pages 83 to 85.



**Kate Jackson (Chief Finance Officer)**

Date: 30 July 2019

### Group Expenditure and Funding Analysis 2018-2019

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Police and Crime Commissioner (i.e. government grants and council tax) for the year has been used in providing services in comparison with those resources consumed or earned by Police and Crime Commissioner's in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018-2019	GROUP			PCC			CC		
	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Policing Services	172,655	78,528	251,183	-15,455	11,512	-3,943	188,110	67,016	255,126
<b>Net Cost of Services before intra group transfer</b>	<b>172,655</b>	<b>78,528</b>	<b>251,183</b>	<b>-15,455</b>	<b>11,512</b>	<b>-3,943</b>	<b>188,110</b>	<b>67,016</b>	<b>255,126</b>
Intra Group Transfer	0	0	0	188,110	0	188,110	-188,110	0	-188,110
<b>Net Cost of Services</b>	<b>172,655</b>	<b>78,528</b>	<b>251,183</b>	<b>172,655</b>	<b>11,512</b>	<b>184,167</b>	<b>0</b>	<b>67,016</b>	<b>67,016</b>
Other Income and Expenditure	-171,902	45,435	-126,467	-171,902	1,955	-169,947	0	43,480	43,480
<b>SURPLUS(-)/DEFICIT(+) ON PROVISION OF SERVICES</b>	<b>753</b>	<b>123,963</b>	<b>124,716</b>	<b>753</b>	<b>13,467</b>	<b>14,220</b>	<b>0</b>	<b>110,496</b>	<b>110,496</b>
Opening General Fund Balance *	-24,395								
Add surplus(-)/deficit(+) on General Fund balance in year	753								
<b>CLOSING GENERAL FUND BALANCE *</b>	<b>-23,642</b>								

\* Usable Revenue Reserves

### Group Expenditure and Funding Analysis 2017-2018

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Police and Crime Commissioner (i.e. government grants and council tax) for the year has been used in providing services in comparison with those resources consumed or earned by Police and Crime Commissioner's in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017-2018	GROUP			PCC			CC		
	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Policing Services	175,212	-10,757	164,455	-4,822	-8,327	-13,149	180,034	-2,430	177,604
<b>Net Cost of Services before intra group transfer</b>	<b>175,212</b>	<b>-10,757</b>	<b>164,455</b>	<b>-4,822</b>	<b>-8,327</b>	<b>-13,149</b>	<b>180,034</b>	<b>-2,430</b>	<b>177,604</b>
Intra Group Transfer			0	180,034	0	180,034	-180,034	0	-180,034
<b>Net Cost of Services</b>	<b>175,212</b>	<b>-10,757</b>	<b>164,455</b>	<b>175,212</b>	<b>-8,327</b>	<b>166,885</b>	<b>0</b>	<b>-2,430</b>	<b>-2,430</b>
Other Income and Expenditure	-165,162	43,843	-121,319	-165,162	-658	-165,820	0	44,501	44,501
<b>SURPLUS(-)/DEFICIT(+) ON PROVISION OF SERVICES</b>	<b>10,050</b>	<b>33,086</b>	<b>43,136</b>	<b>10,050</b>	<b>-8,985</b>	<b>1,065</b>	<b>0</b>	<b>42,071</b>	<b>42,071</b>
Opening General Fund Balance *	-34,445								
Add surplus(-)/deficit(+) on General Fund balance in year	10,050								
<b>CLOSING GENERAL FUND BALANCE *</b>	<b>-24,395</b>								

## Group Comprehensive Income and Expenditure Statement

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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017-2018				2018-2019		
GROUP	PCC	CC		GROUP	PCC	CC
£000	£000	£000		£000	£000	£000
54,719	0	54,719	Police Officers	54,361	0	54,361
35,150	487	34,663	Support Staff	38,044	482	37,562
51,176	73	51,103	Pensions	126,859	67	126,792
2,167	4	2,163	Allowances	1,616	-1	1,617
1,073	0	1,073	Indirect Employees Expenses	1,095	6	1,089
6,179	1	6,178	Premises	6,036	4	6,032
2,579	13	2,566	Transport Expenses	2,777	21	2,756
18,253	228	18,025	Supplies and Services	18,355	172	18,183
9,332	0	9,332	Third Party Payments	9,319	0	9,319
171	72	99	Support Services	210	78	132
5,993	5,993	0	Depreciation, amortisation and impairment	16,975	16,975	0
0	2,561	-2,561	PCC expenditure on grants and initiatives	0	2,463	-2,463
244	0	244	Uncompensated absences accrual	-254	0	-254
<b>187,036</b>	<b>9,432</b>	<b>177,604</b>	<b>Gross Operating Expenditure</b>	<b>275,393</b>	<b>20,267</b>	<b>255,126</b>
-22,581	-22,581	0	Income	-24,210	-24,210	0
<b>164,455</b>	<b>-13,149</b>	<b>177,604</b>	<b>COST OF SERVICES</b>	<b>251,183</b>	<b>-3,943</b>	<b>255,126</b>
0	180,034	-180,034	Commissioning Cost (intra group transfer)	0	188,110	-188,110
<b>164,455</b>	<b>166,885</b>	<b>-2,430</b>	<b>NET COST OF SERVICES</b>	<b>251,183</b>	<b>184,167</b>	<b>67,016</b>
-196	-196	0	Other Operating Expenditure (Note 9)	2,417	2,417	0
45,513	1,012	44,501	Financing & investment income and expenditure (Note 10)	44,448	968	43,480
-22,958	-22,958	0	Home Office Grant Payable towards the cost of retirement benefit	-26,404	-26,404	0
0	0	0	Surplus/Deficit on discontinued operations	0	0	0
-143,678	-143,678	0	Taxation & Non specific grant income (Note 11)	-146,928	-146,928	0
<b>43,136</b>	<b>1,065</b>	<b>42,071</b>	<b>SURPLUS(-)/DEFICIT(+) ON PROVISION OF SERVICES</b>	<b>124,716</b>	<b>14,220</b>	<b>110,496</b>
-538	-538	0	(Surplus) or deficit on revaluation of PPE	-344	-344	0
0	0	0	(Surplus) or deficit on revaluation of available for sale financial assets	0	0	0
-18,062	0	-18,062	Actuarial (gains) / losses on pension assets / liabilities	61,911	0	61,911
<b>-18,600</b>	<b>-538</b>	<b>-18,062</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>61,567</b>	<b>-344</b>	<b>61,911</b>
<b>24,536</b>	<b>527</b>	<b>24,009</b>	<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>	<b>186,283</b>	<b>13,876</b>	<b>172,407</b>

### 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 Movement in Reserves Statement shows how the movements in year of the Police and Crime Commissioner's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Police and Crime Commissioner Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	<b>34,445</b>	<b>3,663</b>	<b>0</b>	<b>38,108</b>	<b>-1,647,864</b>	<b>-1,609,756</b>
<u>Movement in reserves during 2017-18</u>						
Total Comprehensive Expenditure and Income	-43,136	0	0	-43,136	18,600	-24,536
Adjustments between accounting basis & funding basis under regulations (Note 7)	33,086	-2,176	0	30,910	-30,910	0
Net increase (+)/decrease (-) in 2017-18	<b>-10,050</b>	<b>-2,176</b>	<b>0</b>	<b>-12,226</b>	<b>-12,310</b>	<b>-24,536</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>24,395</b>	<b>1,487</b>	<b>0</b>	<b>25,882</b>	<b>-1,660,174</b>	<b>-1,634,292</b>
<u>Movement in reserves during 2018-19</u>						
Total Comprehensive Expenditure and Income	-124,716	0	0	-124,716	-61,567	-186,283
Adjustments between accounting basis & funding basis under regulations (Note 7)	123,963	-1,478	0	122,485	-122,485	0
Net increase (+)/decrease (-) in 2018-19	<b>-753</b>	<b>-1,478</b>	<b>0</b>	<b>-2,231</b>	<b>-184,052</b>	<b>-186,283</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>23,642</b>	<b>9</b>	<b>0</b>	<b>23,651</b>	<b>-1,844,226</b>	<b>-1,820,575</b>

1: The general fund balance includes those reserves that are specifically earmarked as set out in Note 8.

## 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 be used only 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 record unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that record 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
<b>2017-2018</b>				<b>2018-2019</b>		
<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
0	69,233	69,233	Land & Properties	0	57,966	57,966
0	8,564	8,564	Vehicles, Plant, Furniture and Equipment	0	9,877	9,877
0	269	269	Non Operational Assets: Land & Buildings	0	260	260
1,706,262	0	0	Long-term Debtors to PCC (note 34)	1,878,923	0	0
<b>1,706,262</b>	<b>78,066</b>	<b>78,066</b>	<b>Long Term Assets (note 12)</b>	<b>1,878,923</b>	<b>68,103</b>	<b>68,103</b>
0	3,307	3,307	Short Term Investments (note 36)	0	3,507	3,507
806	0	806	Inventories (note 13)	685	0	685
5,595	6,202	11,797	Short Term Debtors (note 14)	834	11,896	12,730
8,119	0	0	Intra Group Transfer	7,836	0	0
0	17,739	17,739	Cash and Cash Equivalents (note 15)	0	14,042	14,042
0	0	0	Assets Held for Sale (note 16)	0	1,963	1,963
<b>14,520</b>	<b>27,248</b>	<b>33,649</b>	<b>Current Assets</b>	<b>9,355</b>	<b>31,408</b>	<b>32,927</b>
0	-10,665	-10,665	Short Term Borrowing (note 36)	0	-16,682	-16,682
-12,841	-3,254	-16,095	Short Term Creditors (note 17)	-12,304	-2,163	-14,467
-6,401	-1,718	0	Intra Group Transfer	-1,519	-6,317	0
0	-57	-57	Provisions (note 18)	0	-79	-79
<b>-19,242</b>	<b>-15,694</b>	<b>-26,817</b>	<b>Current Liabilities</b>	<b>-13,823</b>	<b>-25,241</b>	<b>-31,228</b>
0	-920	-920	Provisions (note 18)	0	-793	-793
0	-1,706,262	0	Long Term Creditor	0	-1,878,923	0
0	-657	-657	Long Term Borrowing (note 36)	0	0	0
0	-11,351	-11,351	Finance Lease (note 31)	0	-10,661	-10,661
-1,706,262	0	0	Other long term liabilities (note 34)	-1,878,923	0	0
0	0	-1,706,262	Liability Related to Defined Pension Scheme (note 34)	0	0	-1,878,923
<b>-1,706,262</b>	<b>-1,719,190</b>	<b>-1,719,190</b>	<b>Long Term Liabilities</b>	<b>-1,878,923</b>	<b>-1,890,377</b>	<b>-1,890,377</b>
<b>-4,722</b>	<b>-1,629,570</b>	<b>-1,634,292</b>	<b>Net Assets</b>	<b>-4,468</b>	<b>-1,816,107</b>	<b>-1,820,575</b>
<b>Financed By:</b>						
0	25,882	25,882	Usable Reserves (notes 7 & 8)	0	23,651	23,651
-4,722	-1,655,452	-1,660,174	Unusable Reserves (note 20)	-4,468	-1,839,758	-1,844,226
<b>-4,722</b>	<b>-1,629,570</b>	<b>-1,634,292</b>	<b>Total Reserves</b>	<b>-4,468</b>	<b>--1,816,107</b>	<b>-1,820,575</b>



### 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.

<b>2017-2018 £000</b>		<b>2018-2019 £000</b>
43,136	Net surplus (-) or deficit (+) on the provision of services	124,716
-53,253	Adjust net surplus (-) or deficit (+) on the provision of services for non-cash movements (Note 21)	-127,821
1,317	Adjust for items included in the net surplus (-) or deficit (+) on the provision of services that are investing and financing activities	686
-8,800	Net cash flows from Operating Activities (Note 21)	-2,419
11,890	Investing activities (Note 22)	10,786
-8,730	Financing Activities (Note 23)	-4,670
<b>-5,640</b>	<b>Net increase (-) or decrease (+) in cash and cash equivalents</b>	<b>3,697</b>
12,099	Cash and cash equivalents at the beginning of the reporting period (note 15)	17,739
<b>17,739</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 15)</b>	<b>14,042</b>

## Notes to the Group Statement of Accounts

### 1. Restatement of previous years Statements

There are no changes that require the restatement of the previous year's Statement.

### 2. 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 2020:

- a) IFRS 16 Leases– new disclosure requirements, the impact of this amendment is not expected to have a significant impact on the Statement of Accounts.

### 3. 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 each year since 2010-2011 and although flat cash settlements are expected this amounts to a real terms cut. There remains uncertainty around proposed changes to the Police Funding Formula in the medium term. This necessitated a structural review which is now being implemented. There are plans in place to meet the budget deficit in future years as set out in the medium term financial plan; however, it is not certain whether the current levels of contraction will be sufficient in order to meet the deficit over the period of the medium term financial plan and therefore further service reviews have been commissioned.

### 4. 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 2019 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
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 34.

## 5. **Material Items of Income and Expenditure**

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

## 6. **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 2019 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. **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 to reflect the difference between General Accepted Accounting Practice (GAAP) and statutory provisions.

### **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 reserve shows 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.

2018-2019	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to Revenue Resources:</b>				
Pensions costs (transferred to (or from) the pensions reserve)	110,750	0	0	-110,750
Charges for depreciation and impairment of non-current assets	16,975	0	0	-16,975
Revaluation losses on Property, plant and equipment	0	0	0	0
Capital grants and contributions applied	-462	0	0	462
Holiday Pay (transferred to the accumulated absences account)	-254	0	0	254
Financial Instruments (transferred to the FIAA)	0	0	0	0
Reversal of entries included in the SDPS in relation to capital expenditure (charged to the CAA).	2,641	0	0	-2,641
<b>Total Adjustments to Revenue Resources</b>	<b>129,650</b>	<b>0</b>	<b>0</b>	<b>-129,650</b>
<b>Adjustments between Revenue and Capital Resources:</b>				
Transfer of Non-Current Asset sale proceeds from revenue to the capital receipts reserve	-224	224	0	0
Statutory provision for repayment of debt	-2,143	0	0	2,143
Capital expenditure financed from revenue balances	-3,320	0	0	3,320
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-5,687</b>	<b>224</b>	<b>0</b>	<b>5,463</b>
<b>Adjustments to Capital Resources:</b>				
Application of capital grants to finance capital	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	-1,702	0	1,702
Cash payments in relation to deferred capital receipts	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>-1,702</b>	<b>0</b>	<b>1,702</b>
<b>Total Adjustments</b>	<b>123,963</b>	<b>-1,478</b>	<b>0</b>	<b>-122,485</b>

2017-2018	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to Revenue Resources:</b>				
Pensions costs (transferred to (or from) the pensions reserve)	41,827	0	0	-41,827
Charges for depreciation and impairment of non-current assets	5,993	0	0	-5,993
Revaluation losses on Property, plant and equipment	0	0	0	0
Capital grants and contributions applied	-462	0	0	462
Holiday Pay (transferred to the accumulated absences account)	244	0	0	-244
Financial Instruments (transferred to the FIAA)	46	0	0	-46
Reversal of entries included in the SDPS in relation to capital expenditure (charged to the CAA).	659	0	0	-659
<b>Total Adjustments to Revenue Resources</b>	<b>48,307</b>	<b>0</b>	<b>0</b>	<b>-48,307</b>

2017-2018 (Continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments between Revenue and Capital Resources:</b>				
Transfer of Non-Current Asset sale proceeds from revenue to the capital receipts reserve	-855	855	0	0
Statutory provision for repayment of debt	-2,179	0	0	2,179
Capital expenditure financed from revenue balances	-12,187	0	0	12,187
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-15,221</b>	<b>855</b>	<b>0</b>	<b>14,366</b>
<b>Adjustments to Capital Resources:</b>				
Application of capital grants to finance capital	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	-3,031	0	3,031
Cash payments in relation to deferred capital receipts	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>-3,031</b>	<b>0</b>	<b>3,031</b>
<b>Total Adjustments</b>	<b>33,086</b>	<b>-2,176</b>	<b>0</b>	<b>-30,910</b>

## 8. 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 2017-2018. The net movement in 2017-2018 was £0.044m increase, which included £0.970m earmarked reserves used to fund Capital and a contribution of £1.014 m from Revenue activities.

Reserve:	Balance at 31 March 2017 £000	Transfers Out 2017- 2018 £000	Transfers In 2017- 2018 £000	Balance at 31 March 2018 £000	Transfers Out 2018- 2019 £000	Transfers In 2018- 2019 £000	Balance at 31 March 2019 £000
Capital Reserve	12,090	-9,749	0	2,341	-970	689	2,060
Pensions ill health reserve	915	0	0	915	0	0	915
PFI Reserve	3,987	0	225	4,212	0	121	4,333
Major Incident Reserve	2,435	0	0	2,435	0	0	2,435
Insurance Reserve	1,173	0	0	1,173	0	0	1,173
Estates Security and Maintenance	1,659	-422	0	1,237	-204	0	1,033
Partnerships Balances Reserve	499	0	53	552	0	101	653
Management of Change Reserve	5,921	-933	893	5,881	0	68	5,949
Commissioners Community Safety Fund	276	-35	0	241	-39	259	461
Legal Reserve (OPCC)	41	0	10	51	0	5	56
Participatory Budgets (OPCC)	2	-2	0	0	0	0	0
Office of the Police & Crime Commissioner Reserve	258	-90	0	168	0	14	182
	<b>29,256</b>	<b>-11,231</b>	<b>1,181</b>	<b>19,206</b>	<b>1,213</b>	<b>1,257</b>	<b>19,250</b>

## 9. Other Operating Expenditure

	2018-2019 £000	2017-2018 £000
Gains (-)/losses(+) on the disposal of non-current assets	-56	-146
Gains (-)/losses(+) on the derecognition of non-current assets <sup>1</sup>	2,473	0
	<b>2,417</b>	<b>-146</b>

<sup>1</sup>This relates to the derecognition of the former Wrexham DHQ and Police Station building as there is no future economic benefit or service potential expected from this asset's use as at 31.3.2019.

## 10. Financing and Investment Income and Expenditure

	2018-2019 £000	2017-2018 £000
Interest payable and similar charges	1,083	1,114
Pension interest cost and expected return on pensions assets	43,480	44,501
Interest receivable and similar income	-115	-102
	<b>44,448</b>	<b>45,513</b>

## 11. Taxation and Non Specific Grant Incomes

	2018-2019 £000	2017-2018 £000
<b>Council Tax Income:</b>		
Denbighshire County Council	-10,210	-9,788
Wrexham County Borough Council	-13,753	-13,237
Isle of Anglesey County Council	-7,943	-7,674
Gwynedd Council	-13,443	-12,518
Conwy County Borough Council	-12,913	-12,436
Flintshire County Council	-16,477	-15,836
Non Domestic Rates Income	-11,758	-11,890
Non-ringfenced government grants	-59,969	-59,837
Capital Grants and contributions	-462	-462
	<b>-146,928</b>	<b>-143,678</b>

## 12. Property, Plant and Equipment

<b>Movements in 2018-2019</b>	<b>Land &amp; Building Inc. PFI</b>	<b>Masts &amp; Sites</b>	<b>Plant &amp; Equipment</b>	<b>Vehicles</b>	<b>Total Operational Assets</b>	<b>Police Houses (Non Operational)</b>	<b>Assets under construction</b>	<b>Total Non Operational</b>	<b>Total Non Current Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Cost or Valuation</u></b>									
At 1 April 2018	<b>58,576</b>	<b>105</b>	<b>46,944</b>	<b>11,452</b>	<b>117,077</b>	<b>294</b>	<b>17,325</b>	<b>17,619</b>	<b>134,696</b>
Additions	2,876	0	2,719	1,691	7,286	0	3,987	3,987	11,273
Revaluation Increases (+)/decreases (-) recognised in the Revaluation Reserve	-364	0	0	0	-364	0	0	0	-364
Revaluation Increases (+)/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - disposals	-154	0	0	-1,544	-1,698	0	0	0	-1,698
Derecognition - other	-2,930	0	0	0	-2,930	0	0	0	-2,930
Other movements in cost or valuation	19,605	0	0	0	19,605	0	-19,605	-19,605	0
Assets reclassified (to)/from held for sale	-1,256	0	0	0	-1,256	0	0	0	-1,256
<b>At 31 March 2019</b>	<b>76,353</b>	<b>105</b>	<b>49,663</b>	<b>11,599</b>	<b>137,720</b>	<b>294</b>	<b>1,707</b>	<b>2,001</b>	<b>139,721</b>
<b><u>Accumulated Depreciation and Impairment</u></b>									
At 1 April 2018	<b>-6,668</b>	<b>-105</b>	<b>-41,343</b>	<b>-8,489</b>	<b>-56,605</b>	<b>-25</b>	<b>0</b>	<b>-25</b>	<b>-56,630</b>
Depreciation Charge	-1,087	0	-1,656	-1,411	-4,154	-9	0	-9	-4,163
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Depreciation written out to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Surplus/Deficit in the Provision of Services #	-12,812	0	0	0	-12,812	0	0	0	-12,812
Derecognition - disposals	15	0	0	1,514	1,529	0	0	0	1,529
Derecognition - other	458	0	0	0	458	0	0	0	458
<b>At 31 March 2019</b>	<b>-20,094</b>	<b>-105</b>	<b>-42,999</b>	<b>-8,386</b>	<b>-71,584</b>	<b>-34</b>	<b>0</b>	<b>-34</b>	<b>-71,618</b>
<b><u>Net Book Value</u></b>									
<b>At 31 March 2019</b>	<b>56,259</b>	<b>0</b>	<b>6,664</b>	<b>3,213</b>	<b>66,136</b>	<b>260</b>	<b>1,707</b>	<b>1,967</b>	<b>68,103</b>
<b>At 31 March 2018</b>	<b>51,908</b>	<b>0</b>	<b>5,601</b>	<b>2,963</b>	<b>60,472</b>	<b>269</b>	<b>17,325</b>	<b>17,594</b>	<b>78,066</b>

# This mainly relates to the valuation of the new Wrexham DHQ facility at Llay, and is as a result of the valuation method used to calculate the asset's Existing Use Value as opposed to its capital cost of construction.

<b>Movements in 2017-2018</b>	<b>Land &amp; Building Inc. PFI</b>	<b>Masts &amp; Sites</b>	<b>Plant &amp; Equipment</b>	<b>Vehicles</b>	<b>Total Operational Assets</b>	<b>Police Houses (Non Operational)</b>	<b>Assets under construction</b>	<b>Total Non Operational</b>	<b>Total all Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>			<b>£000</b>
<b>Cost or Valuation</b>									
At 1 April 2017	66,999	105	44,988	11,897	123,989	469	4,803	5,272	129,261
Additions	28	0	1,956	1,060	3,044	0	15,263	15,263	18,307
Revaluation Increases (+)/decreases (-) recognised in the Revaluation Reserve	538	0	0	0	538	0	0	0	538
Revaluation Increases (+)/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - disposals	-430	0	0	-1,615	-2,045	-196	0	-196	-2,241
Derecognition – other #	-11,300	0	0	110	-11,190	21	0	21	-11,169
Other movements in cost or valuation	2,741	0	0	0	2,741	0	-2,741	-2,741	0
<b>At 31 March 2018</b>	<b>58,576</b>	<b>105</b>	<b>46,944</b>	<b>11,452</b>	<b>117,077</b>	<b>294</b>	<b>17,325</b>	<b>17,619</b>	<b>134,696</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2017	-15,343	-105	-39,591	-8,458	-63,497	-7	0	-7	-63,504
Depreciation Charge	-1,069	0	-1,752	-1,487	-4,308	-14	0	-14	-4,322
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Depreciation written out to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Surplus/Deficit in the Provision of Services	-1,556	0	0	0	-1,556	0	0	0	-1,556
Derecognition - disposals	0	0	0	1,566	1,566	17	0	17	1,583
Derecognition – other #	11,300	0	0	-110	11,190	-21	0	-21	11,169
<b>At 31 March 2018</b>	<b>-6,668</b>	<b>-105</b>	<b>-41,343</b>	<b>-8,489</b>	<b>-56,605</b>	<b>-25</b>	<b>0</b>	<b>-25</b>	<b>-56,630</b>
<b>Net Book Value</b>									
<b>At 31 March 2018</b>	<b>51,908</b>	<b>0</b>	<b>5,601</b>	<b>2,963</b>	<b>60,472</b>	<b>269</b>	<b>17,325</b>	<b>17,594</b>	<b>78,066</b>
At 31 March 2017	51,656	0	5,397	3,439	60,492	462	4,803	5,265	65,757

# This relates to the derecognition of historical non enhancing capital expenditure and associated impairment

## 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 2019, the Police and Crime Commissioner was contractually committed to capital works which amounted to £0.525 million. £0.221 million of this relates to the Wrexham Town Centre development and £0.304 million relates to the Control Room Technology replacement project.



## 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 using Fair Value 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.

## 13. Inventories

	HQ Stores		Other Stores		Total
	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019
	£000	£000	£000	£000	£000
<b>Balance held at start of year</b>	<b>229</b>	<b>182</b>	<b>577</b>	<b>594</b>	<b>806</b>
Purchases	462	552	221	189	<b>683</b>
Recognised as an expense in the year	-474	-505	-330	-206	<b>-804</b>
Written off balances	0	0	0	0	<b>0</b>
Reversal of write-offs in previous years	0	0	0	0	<b>0</b>
<b>Balance held at year end</b>	<b>217</b>	<b>229</b>	<b>468</b>	<b>577</b>	<b>685</b>

## 14. Debtors and Payments in Advance

	2018-2019	2017-2018
	£000	£000
<b>Amounts falling due in one year -</b>		
Trade Receivables	4,411	2,949
Prepayments	834	5,595
Other receivable amounts	7,485	3,253
	<b>12,730</b>	<b>11,797</b>

## 15. Cash and Cash Equivalents

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

	2018-2019	2017-2018
	£000	£000
Bank Current Accounts	-21	-11
Cash held by the Police and Crime Commissioner	40	38
Short Term Deposits with Banks /Building Societies	14,023	17,712
	<b>14,042</b>	<b>17,739</b>

## 16. Assets Held for Sale

The assets which are held for sale by the Police and Crime Commissioner are surplus police properties.

	Current		Non-Current	
	2018-2019	2017-2018	2018-2019	2017-2018
	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale:				
Property, Plant and Equipment	1,256	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	707	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
Property, Plant and Equipment	0	0	0	0
Assets sold	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>1,963</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 17. Creditors

	2018-2019	2017-2018
	£'000	£'000
<b>Amounts falling due in one year -</b>		
Trade payables	5,087	5,971
Other payables	9,380	10,124
	<b>14,467</b>	<b>16,095</b>

## 18. 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 2019

The value 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 currently no legal cases in progress.

### (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 excess of which is £100,000 for incidents prior to 1 April 2018 and £150,000 for incidents between 1 April 2018 to 31 March 2019.

The second area is other provisions:

Other Provisions.

The Other Provisions are in respect of employment cases and other managed risks.

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2018</b>	<b>0</b>	<b>676</b>	<b>301</b>	<b>977</b>
Additional Provisions made in 2018-2019	0	285	3	288
Amounts Used in 2018-2019	0	-166	0	-166
Unused Amounts Reversed in 2018-2019	0	-227	0	-227
Unwinding of Discounting in 2018-2019	0	0	0	0
<b>Balance at 31 March 2019</b>	<b>0</b>	<b>568</b>	<b>304</b>	<b>872</b>

Within the total of £0.872 million, £0.079 million relates to short term provisions and £0.793 million relates to long term provisions.

**19. Usable Reserves**

Movements in the Police and Crime Commissioner's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 and 8.

**20. Unusable Reserves**

	2018-2019 £000	2017-2018 £000
Revaluation Reserve	19,823	21,433
Capital Adjustment Account	19,342	29,377
Financial Instruments Adjustments Account	0	0
Pensions Reserve	-1,878,923	-1,706,262
Accumulated Absences Account	-4,468	-4,722
<b>Total Unusable Reserves</b>	<b>-1,844,226</b>	<b>-1,660,174</b>

**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.

	2018-2019 £000	2017-2018 £000
<b>Balance at 1 April</b>	<b>21,433</b>	<b>21,011</b>
Upward revaluation of assets	2,684	657
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-2,340	-120
	21,777	21,548
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	-307	-316
Accumulated gains on assets sold or scrapped	-1,545	-304
Amount written off to the Capital Adjustment Account	-102	505
<b>Balance at 31 March</b>	<b>19,823</b>	<b>21,433</b>

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

	2018-2019 £000	2017-2018 £000
<b>Balance at 1 April</b>	<b>29,377</b>	<b>18,053</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation and impairment of non-current assets	-16,975	-5,877
Revaluation losses on Property, Plant and Equipment	0	0
Amortisation of intangible assets	0	0
Revenue expenditure funded from capital under statute	0	-115
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	-2,641	-659
	-19,616	-6,651
Adjusting amount written out of the Revaluation Reserve	1,954	116
Net written out amount of the cost of non-current assets consumed in the year	0	0
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,702	3,031
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	462	462

<b>(Continued)</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>£000</b>	<b>£000</b>
Capital Expenditure charged in year to the General Fund	3,320	12,187
Statutory provision for the financing of capital investment charged against the General Fund balances	2,143	2,179
	9,581	17,975
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
<b>Balance at 31 March</b>	<b>19,342</b>	<b>29,377</b>

### 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.

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>0</b>	<b>46</b>
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	0	-46
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
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

### 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.

	<b>2018-2019 £000</b>	<b>2017-2018 £000</b>
<b>Balance at 1 April</b>	<b>-1,706,262</b>	<b>-1,682,496</b>
Remeasurements of the net defined benefit liability(-)/asset (+)	-61,911	18,061
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	-134,217	-61,982
Employer's pension contributions and direct payments to pensioners payable in the year	23,467	20,155
<b>Balance at 31 March</b>	<b>-1,878,923</b>	<b>-1,706,262</b>

### 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 2019. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	<b>2018-2019 £000</b>	<b>2017-2018 £000</b>
<b>Balance at 1 April</b>	<b>-4,722</b>	<b>-4,478</b>
Settlement or cancellation of accrual made at the end of the preceding year	254	0
Amounts accrued at the end of the current year	0	-244
	-4,468	-4,722
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	0	0
<b>Balance at 31 March</b>	<b>-4,468</b>	<b>-4,722</b>

## 21. 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:

	<b>2018-2019 £000</b>	<b>2017-2018 £000</b>
Interest received	-92	-79
Interest paid	1,058	1,105
<b>Total</b>	<b>966</b>	<b>1,026</b>

<b>Adjustments on the Provision of Services for Non cash movements:</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>£000</b>	<b>£000</b>
Depreciation, impairments and downward valuations	-16,975	-5,993
Net increase (-)/decrease (+) in revenue creditors	1,628	-1,668
Net increase (+)/decrease(-) in revenue debtors	933	-3,256
Net increase (+)/decrease(-) in inventories	-121	30
Pension liability	-110,750	-41,827
Contributions to(-)/from (+) provisions	105	120
Carrying amount of non-current assets sold (PPE, Inv. Prop, Intangibles)	-2,641	-659
Other non-cash movement	0	0
<b>Total Non-Cash Movement</b>	<b>-127,821</b>	<b>-53,253</b>

<b>Adjustments on the Provision of Services for items that are investing and financing activities:</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>£000</b>	<b>£000</b>
Capital Grants credited to surplus(-)/deficit (+) on provision of services	462	462
Proceeds on sale of PPE and investment and intangibles	224	855
<b>Total</b>	<b>686</b>	<b>1,317</b>

<b>Net Cash Flow from Operating Activities Total</b>	<b>-2,419</b>	<b>-8,800</b>
--	---------------	---------------

## 22. Cash Flow Statement - Investing Activities

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>£000</b>	<b>£000</b>
Purchase of PPE, Investment Property and Intangible Assets	11,272	18,422
Purchase of short-term and long-term investments	0	0
Proceeds from sale of PPE, Investment Property and Intangible Assets	-224	-855
Proceeds from short-term and long-term investments	200	-5,215
Capital Grants	-462	-462
<b>Net Cash Flows from Investing Activities</b>	<b>10,786</b>	<b>11,890</b>

## 23. Cash Flow Statement - Financing Activities

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>£000</b>	<b>£000</b>
Cash receipts of short-term and long-term borrowing	-6,017	-10,063
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	690	638
Repayment of short-term and long-term borrowing	657	695
<b>Net Cash Flows from Financing Activities</b>	<b>-4,670</b>	<b>-8,730</b>

## 24. Notes to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2018-2019				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
Police & Crime Commissioner	11,512	0	0	<b>11,512</b>
Chief Constable	0	67,270	-254	<b>67,016</b>
<b>Net Cost of Service</b>	<b>11,512</b>	<b>67,270</b>	<b>-254</b>	<b>78,528</b>
Other income and expenditure from the Expenditure Funding Analysis	1,955	43,480	0	<b>45,435</b>
<b>Difference between the General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement surplus/deficit on the provision of services</b>	<b>13,467</b>	<b>110,750</b>	<b>-254</b>	<b>123,963</b>

Adjustments between Funding and Accounting Basis 2017-2018				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
Police & Crime Commissioner	-8,373	0	46	<b>-8,327</b>
Chief Constable		-2,674	244	<b>-2,430</b>
<b>Net Cost of Service</b>	<b>-8,373</b>	<b>-2,674</b>	<b>290</b>	<b>-10,757</b>
Other income and expenditure from the Expenditure Funding Analysis	-658	44,501	0	<b>43,843</b>
<b>Difference between the General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement surplus/deficit on the provision of services</b>	<b>-9,031</b>	<b>41,827</b>	<b>290</b>	<b>33,086</b>

### Note 1: Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

**Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;

**Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;

**Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.



## Note 2: Net change for pension adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs;

For **Financing and investment income and expenditure** -- the net interest on the defined benefit liability is charged to the CIES.

## Note 3: Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts;

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 25. Members' Allowances

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

The increase in costs relate to some 2017-18 claims, handover costs and from April 2018 the Audit Committee Members received an increase in their allowance for taking on additional responsibility.

	2018-2019		2017-2018	
	£000	Number of Members	£000	Number of Members
Allowances	13	5	6	5
Expenses	1		0	
	<b>14</b>		<b>6</b>	

Further information on members' paid allowances can be found at [www.northwales-pcc.gov.uk](http://www.northwales-pcc.gov.uk).

## 26. Officers' Remuneration

The following table set out the remuneration disclosures for Relevant Police Officers (defined as the Chief Constable and any Senior Police Officers and staff with a full time salary of more than £150,000 per year or other relevant officers with a salary above £60,000). 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. Other Senior Police Officers (above the rank of Superintendent) and Senior Employees (designated office holder of a local government body) are included Remuneration Banding table.

2018-2019									
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	1	72,042	0	119	0	1,742	73,903	0	73,903
Chief Constable - G. Pritchard	2	37,924	0	0	0	1,014	38,938	8,960	47,898
Chief Constable - C. Foulkes	3	59,570	0	27	8,996	1,399	69,992	14,416	84,408
Deputy Chief Constable	4	48,948	0	0	0	1,415	50,363	10,257	60,620
Deputy Chief Constable	5	83,523	0	-28	0	2,741	86,236	19,198	105,434
Assistant Chief Constable	6	34,845	0	18	0	1,198	36,061	8,178	44,239
Assistant Chief Constable	7	67,631	0	2,254	0	825	70,710	14,054	84,764
Director of Finance & Resources	8	36,741	0	697	0	586	38,024	5,759	43,783
Director of Finance & Resources	9	65,978	0	494	0	0	66,472	10,754	77,226
Police & Crime Commissioner		71,283	0	3,680	0	0	74,963	23,619	98,582
Deputy Police and Crime Commissioner		46,117	0	1,007	0	0	47,124	7,517	54,641
Chief Executive Officer of the Police & Crime Commissioner		84,252	0	548	0	0	84,800	13,733	98,533
Chief Finance Officer of the Police & Crime Commissioner	10	39,792	0	374	0	0	40,166	6,486	46,652
Force Medical Officer - Dr. A. Lister	11	35,692	0	0	0	0	35,692	5,818	41,510

Note 1: The post holder held this post from 01/04/2018 to 31/08/2018

Note 2: The post holder covered this post from 01/08/2018 to 04/11/2018

Note 3: The post holder held this post from 05/11/2018

Note 4: The post holder held this post from 01/04/2018 to 31/07/2018, and 05/11/2018 to 16/11/2018

Note 5: The post holder covered this post from 21/07/2018

Note 6: The post holder held this post from 01/04/2018 to 20/07/2018

Note 7: The post holder covered this post from 01/08/2018

Note 8: The post holder held this post from 01/04/2018 to 29/07/2018

Note 9: The post holder held this post from 30/07/2018

Note 10: The Chief Finance Officer works part time, full time equivalent salary is £67,316

Note 11: The Force Medical Officer works the equivalent of 1 day per week. The full time equivalent salary is £177,184

2017-2018	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		143,803	0	105	0	3,823	147,731	0	147,731
Chief Constable – G. Pritchard	1	9,050	0	0	0	220	9,270	2,141	11,411
Deputy Chief Constable		111,260	0	134	0	3,276	114,670	26,041	140,711
Deputy Chief Constable	2	7,452	0	0	0	289	7,741	1,703	9,444
Assistant Chief Constable		106,674	0	6	0	4,297	110,977	25,108	136,085
Assistant Chief Constable	3	7,048	0	0	0	121	7,169	1,311	8,480
Director of Finance & Resources		101,805	0	2,392	0	1,940	106,137	16,594	122,731
Police & Crime Commissioner		70,000	0	3,153	0	0	73,153	11,410	84,563
Deputy Police and Crime Commissioner		41,881	0	1,148	0	0	43,029	6,827	49,856
Chief Executive Officer of the Police & Crime Commissioner		78,385	0	234	0	54	78,673	14,035	92,708
Monitoring Officer of the Police & Crime Commissioner	4	18,136	0	13	0	0	18,149	2,956	21,105
Chief Executive Officer of the Police & Crime Commissioner	5	18,168	0	1,029	0	0	19,197	2,398	21,595
Chief Finance Officer of the Police & Crime Commissioner	6	40,194	0	66	0	0	40,260	6,552	46,812
Force Medical Officer - Dr. A. Lister	7	34,398	0	0	0	0	34,398	5,607	40,005

Note 1: The post holder covered this post from 01/04/2017 to 23/04/2017.

Note 2: The post holder covered this post from 01/04/2017 to 23/04/2017.

Note 3: The post holder covered this post from 01/04/2017 to 23/04/2017.

Note 4: The post holder covered this post from 15/05/2017 to 09/10/2017.

Note 5: The post holder covered this post from 10/10/2017 to 31/01/2018.

Note 6: The Chief Finance Officer works part time, full time equivalent salary is £62,562.

Note 7: The Force Medical Officer works reduced hours under agreement. The full time equivalent salary is £171,990.

## 2018-2019

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 2018-2019	Number of Employees 2017-2018
£60,000 - £64,999	15	17
£65,000 - £69,999	8	8
£70,000 - £74,999	5	4
£75,000 - £79,999	4	4
£80,000 - £84,999	5	6
£85,000 - £89,999	3	0
£90,000 - £94,999	0	2
£95,000 - £99,999	1	1
£100,000 - £104,999	1	0

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	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
	No.	No.	No.	No.	No.	No.	£000	£000
£ 0 - £20,000	0	0	7	4	7	4	31	16
£ 20,001 - £40,000	0	0	0	0	0	0	0	0
£ 40,001 - £60,000	0	0	0	0	0	0	0	0
£ 60,001 - £80,000	0	0	5	5	5	5	376	386
£ 80,001 and above	0	0	1	8	1	8	91	761

## Median Pay Ratio

The median pay ratio for the Police and Crime Commissioner 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. The median pay ratio for the Chief Constable compares the remuneration of the Chief Constable to the full time equivalent median remuneration of the staff employed by the Chief Constable.

We have used the Median Pay of the Chief Constable as he is the highest ranking officer for this ratio. The Force Medical Officer is employed part-time and full time equivalent costs is £177,184. We have not used the Force Medical Officers full time equivalent costs for this ratio as they are not the highest ranking officer.

	2018-2019	2017-2018
Chief Executive's pay	84,242	78,438
Median pay of the Police & Crime Commissioner's staff	34,433	33,597
Median pay ratio:	2.4	2.3
Chief Constable's pay	171,647	147,626
Median pay of the Chief Constable's staff	32,881	32,910
Median pay ratio:	5.2	4.5

## 27. 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:

	2018-2019			2017-2018		
	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	86	43	43	86	43	43
<b>Total</b>	<b>86</b>	<b>43</b>	<b>43</b>	<b>86</b>	<b>43</b>	<b>43</b>

The above represents payments made within the financial year 2018-2019. The agreed strategy fee for the audit year November 2018 to October 2019 was £86,866 for 2018-2019.

## 28. Grant Income

The Police and Crime Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018-2019.

	2018-2019 £000	2017-2018 £000
<b>Credited to Taxation and Non-specific Grant Income</b>		
Home Office Capital Grant	462	462
Home Office Police Grant and Floor Grant	49,605	49,821
Revenue Support Grant	10,364	10,016
Share of Non domestic Rates Grant	11,758	11,890
<b>Total</b>	<b>72,189</b>	<b>72,189</b>

	2018-2019 £000	2017-2018 £000
<b>Credited to Services</b>		
CRB Criminal Records	613	590
Speed Reduction	1,024	1,107
Community Support Officers Welsh Government	3,384	3,375
School Liaison Programme	413	391
Ace Funding	260	24
PFI Grant	1,350	1,403
Cyber Grant	106	0
Proceeds of Crime Acts	133	238
Security Grants	2,262	2,434
EU Police Resilience Grant	102	0
Drug Intervention Programme (DIP)	478	478
Victims Commissioning/Services	1,228	814
Other Grants	197	94
<b>Within cost of services in Comprehensive Income &amp; Expenditure Statement</b>	<b>11,550</b>	<b>10,948</b>

## 29. Related Parties

There are also no material interests or relationships of the Chief Officers or their direct families, which could influence or control the decision making, policies or financial transactions of North Wales Police/Police and Crime Commissioner. A robust process is also in place to approve and register the business interests of both police staff and officers.

The Police and Crime Commissioner's wife is a serving Councillor for Wrexham Council and is a member of the Planning Committee, Safeguarding and Wellbeing Scrutiny Committee, Corporate Land and Buildings Committee and Licensing Committee.

The Police and Crime Commissioner charges Denbighshire County Council, Abergele Town Council, North Wales Joint Branch Board, Tunnel and Network Services and Victim Support 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 2018-2019 this equated to £29,000 donated from the fund to PACT contributing towards meeting the costs of the Fund administration of £43,675.51.

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.

Members of the Joint Audit Committee declared all their financial interests relating to contracts and businesses on appointment and signed an agreement to abide by the Seven Nolan Principles of Life and declare any revised interests to the Chief Executive. Joint 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](http://www.northwales-pcc.gov.uk)

### 30. 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.

	2018-2019 £000	2017-2018 £000
<b>Opening Capital Financing Requirement</b>	<b>27,257</b>	<b>26,694</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	11,273	18,307
Investment Properties	0	0
Intangible Assets	0	0
Revenue Expenditure funded from Capital under Statute	0	115
<b>Sources of Finance</b>		
Capital Receipts	-1,702	-3,031
Government Grants and other contributions	-462	-462
Sums set aside from revenue	-970	-10,583
Direct revenue contributions	-2,350	-1,604
MRP Principal	-2,143	-2,179
<b>Closing Capital Financing Requirement</b>	<b>30,903</b>	<b>27,257</b>

#### Explanation of Movements in year

	2018-2019 £000	2017-2018 £000
Increase (+) in underlying need to borrow (supported by government financial assistance)	0	0
Increase (+)/decrease (-) in underlying need to borrow (unsupported by government financial assistance)	4,336	1,201
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	-690	-638
<b>Increase (+)/decrease(-) in Capital Financing Requirement</b>	<b>3,646</b>	<b>563</b>

### 31. 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 £32.670 million (2017-2018 £36.186 million).

### Value of asset held for PFI

The PFI Asset has been assessed under current Accounting requirements and is 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 31 March 2019 as part of the Asset Portfolio. The table below summarises the movement in the PFI asset value.

PFI	£000
<b>Gross Value as at 31 of March 2018</b>	<b>22,020</b>
Cumulative Depreciation to 31.3.2018	-3,212
Depreciation 2018-2019	-467
Total Depreciation to 31.3.2019	-3,679
<b>Net Book Value before revaluation</b>	<b>18,341</b>
<b>Revaluation</b>	<b>-1,886</b>
<b>Net Book Value as at 31 of March 2019</b>	<b>16,455</b>

### Value of Liability

PFI	£000
Value as at 31 of March 2018	<b>11,351</b>
Capital Repayment	-690
<b>Net Value as at 31 of March 2019</b>	<b>10,661</b>

### Total payments to be made over the life of the contract

PFI	£000
Amount due within 1 year	3,011
Due within 2 to 5 years	12,658
Due within 6 to 10 years	17,001
<b>Total</b>	<b>32,670</b>

### Operating Leases

There are no un-discharged obligations at 31 of March 2019 in respect of operating leases.

## 32. 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 12 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

### 33. 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 2018-2019 incurring costs of £1.163 million (2017-2018 £0.498 million) as disclosed in note 26.

### 34. 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.

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, structural 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.

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.

- 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.

#### **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. In 2017-2018 a pre payment of £1.594 million was made to the Local Government Pension Scheme in respect of lump



sum payments that relate to 2018-2019 and 2019-2020. A significant discount was received for this pre payment. As this amount had been accounted for within the assets of the Police and Crime Commissioner's Balance Sheet, it had not been included in the transactions and total liabilities of the Local Government Pension Scheme. However, due to Pension regulations it is not possible to treat this payment as a pre payment, resulting in the requirement to charge 2 years' worth of the lump sum in the 2018-2019 accounts (one year having already been charged in 2017-2018).

### **McCloud/Sargeant judgement**

The Chief Constable of North Wales, along with other Chief Constables and the Home Office, currently has 49 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.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department, GAD ) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for the Police and Crime Commissioner to be approximately 4.4% or £75.59million of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

With regard to the LGPS, when the benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

As with the Police Pension Scheme the McCloud/Sargeant ruling is also expected to apply to the LGPS. Hence benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, may benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. The Government will need to compensate younger members for the less favourable treatment they have received since the transitional provisions came into force, as well as revisiting pension scheme changes going forward so that the discriminatory elements are removed for all members.

The judgement is expected to have a wide ranging impact on other public sector groups, but the extent of the impact will depend on the nature of the transition arrangements put in place. However, our actuary for the LGPS has advised that at the 2016 valuation, the long-term salary increase assumption adopted by the Gwynedd Pension Fund was set equal to CPI. This means that both final salary and CARE benefits are assumed to revalue in line with CPI. Due to the more generous accrual rate applied to CARE benefits, this means that the transitional arrangement would

not be applied to any members, as final salary benefits increases would not exceed the value of CARE benefits accruing over the same period. As such, for the purposes of the 2018/19 pension accounting report, there is no additional liability to be recognised.

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
	2018-2019 £000	2017-2018 £000	2018-2019 £000	2017-2018 £000	2018-2019 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>					
<i>Cost of Services:</i>					
<i>Service Cost comprising:</i>					
Current Service Cost	-12,918	-12,070	-28,440	-28,160	-41,358
Unfunded Benefits Contributions	117	114	0	0	117
Past Service Gains (-)/Losses (+)	0	0	-75,590	-1,030	-75,590
Gain (-)/loss(+) from settlements	0	0	0	0	0
Transfers In	0	0	-310	-430	-310
Police Pension top-up grant receivable	0	0	26,404	22,958	26,404
<i>Financing and investment income and expenditure</i>					
Net interest expense	-1,700	-1,631	-41,780	-42,870	-43,480
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	-14,501	-13,587	-119,716	-49,532	-134,217
<i>Other Post Employment Benefit Charged to the Comprehensive Income &amp; 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)	10,645	1,467	0	0	10,645
Actuarial gains(+) and losses (-) arising on changes in demographic assumptions	0	0	0	-54,500	0
Actuarial gains (+) and losses (-) arising on changes in financial assumptions	-27,574	6,039	-49,980	51,240	-77,554
Other experience gains (+) and losses (-)	-52	-15	5,050	-7,310	4,998
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Account	-31,482	-6,096	-164,646	-60,102	-196,128
<b>Movement in Reserves Statement</b>					
Reversal of net charges made to the Surplus or Deficit for the Provision of post-employment benefits in accordance with the code	-14,501	-13,587	-119,716	-49,532	-134,217
<i>Actual amount charged against the General Fund balance for pensions in the year:</i>					
Employer's contributions payable to scheme	5,337	7,204			5,337
Less: Prepayment adjustment *	1,594	-1,594			1,594
Adjusted Employer's contributions	6,931	5,610			6,931
Retirement benefits payable to pensioners			16,536	15,682	16,536

\* a prepayment of £1.594m for lump sum payments due in 2018-19 and 2019-20, which is shown in the Balance Sheet as a prepayment as at 31 March 2018, but has been reversed as at 31 March 2019.

### 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		Total
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	296,328	250,443	# 1,793,470	1,645,360	2,089,798
Fair value of plan assets	-210,875	-191,135	0	0	-210,875
Prepayment adjustment *	0	1,594	0	0	0
Sub-total	85,453	60,902	1,793,470	1,645,360	1,878,923
Other movement in the liability (+)/asset (-) (if applicable)	0	0	0	0	0
<b>Net Liability arising from the defined benefit obligation</b>	<b>85,453</b>	<b>60,902</b>	<b>1,793,470</b>	<b>1,645,360</b>	<b>1,878,923</b>

# includes £75.59m estimated additional liability from McCloud judgement

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

	Local Government Pension Scheme	
	31 March 2019	31 March 2018
	£000	£000
Opening fair value of the scheme assets	189,541	179,237
Interest income	5,209	4,731
Remeasurement gain (+)/loss (-):		
- the return on plan assets, excluding the amount included in the net interest expense	10,645	1,467
- Other (if applicable)	0	0
The effect of changes in foreign exchange rates	0	0
Contribution from employers	6,931	5,610
Contributions from employees	2,159	1,952
Benefits paid	-3,610	-3,456
Other (if applicable)	0	0
<b>Closing fair value of the scheme assets</b>	<b>210,875</b>	<b>189,541</b>

#### 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 2019	31 March 2018	31 March 2019	31 March 2018
	£000	£000	£000	£000
Opening balance at 1 April	250,443	239,653	1,645,360	1,622,080
Current service cost	12,918	12,070	28,440	28,160
Interest cost	6,909	6,362	41,780	42,870
Contributions from scheme participants	2,159	1,952	7,020	7,050
Remeasurement gains (-) and losses (+):				
- Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	-54,500
- Actuarial gains/losses arising from changes in financial assumptions	27,574	-6,039	49,980	51,240
- Other experience gains/losses	52	15	-5,050	-7,310
Past service costs	0	0	75,590	1,030
Losses (+)/gains (-) on curtailment (where relevant)	0	0	0	0
Liabilities assumed on entity combinations	0	0	0	0
Transfers In	0	0	310	430
Benefits paid	-3,610	-3,456	-49,960	-45,690
Liabilities extinguished on settlements (where applicable)	-117	-114	0	0
<b>Closing balance at the 31 March</b>	<b>296,328</b>	<b>250,443</b>	<b>1,793,470</b>	<b>1,645,360</b>

Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme 2018-2019			Local Government Pension Scheme 2017-2018		
	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	5,424	0	5,424	7,198	0	7,198
Less: Prepayment adjustment *	0	0	0	-1,594	0	-1,594
<b>Sub-total</b>	5,424	0	5,424	5,604	0	5,604
Equity Securities:						
<i>By industry type:</i>						
Consumer	5,248	0	5,248	5,677	0	5,677
Manufacturing	6,313	0	6,313	6,271	0	6,271
Energy & Utilities	0	0	0	599	0	599
Financial Institutions	2,461	0	2,461	3,381	0	3,381
Health and Care	13,483	0	13,483	9,706	0	9,706
Information technology	3,689	0	3,689	7,267	0	7,267
Other	7,160	0	7,160	659	0	659
<b>Sub-total</b>	38,354	0	38,354	33,560	0	33,560
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	30,641	30,641	0	27,785	27,785
<b>Sub-total</b>	0	30,641	30,641	0	27,785	27,785
Property:						
<i>By type:</i>						
UK Property	6,706	12,576	19,282	4,465	10,120	14,585
Overseas Property	0	112	112	0	176	176
<b>Sub-total</b>	6,706	12,688	19,394	4,465	10,296	14,761
Derivatives:						
Inflation	0	0	0	0	0	0
<b>Sub-total</b>	0	0	0	0	0	0
Private Equity:						
UK and overseas	0	11,448	11,448	0	7,433	7,433
<b>Sub-total</b>	0	11,448	11,448	0	7,433	7,433
Other Investment Funds and unit trusts:						
Equities	41,028	60,435	101,463	38,804	58,256	97,060
Bonds	0	0	0	0	0	0
Infrastructure	0	4,151	4,151	0	3,338	3,338
<b>Sub-total</b>	41,028	64,586	105,614	38,804	61,594	100,398
<b>Totals</b>	<b>91,512</b>	<b>119,363</b>	<b>210,875</b>	<b>82,433</b>	<b>107,108</b>	<b>189,541</b>

## 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 2016.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions used. The sensitivity analysis below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption changes while all the other assumptions remain constant. The estimation in the sensitivity analysis has 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.

2018-2019	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)	11,853	-11,853	44,000	-44,000
Rate of inflation (increase (+) or decrease (-) by 0.5%)	30,089	-30,089	141,000	-141,000
Rate of increase in salaries (increase (+) or decrease (-) by 0.5%)	7,959	-7,959	21,000	-21,000
Rate of increase in pensions (increase (+) or decrease (-) by 0.5%)	30,089	-30,089	141,000	-141,000
Rate for discounting scheme liabilities (increase (-) or decrease (+) by 0.5%)	-38,839	38,839	-174,000	174,000

## 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 was reviewed and updated following the actuarial valuation in 2016 and has taken an overall view of the level of risk inherent in the investment policy set out in the Investment Strategy Statement published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, (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 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 will be completed during 2019-20 to be implemented from April 2020.

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 £6.345 million contributions to the scheme in 2019-2020.

The weighted average duration of the defined benefit obligation for the Local Government Pension Scheme is 22.2 years, 2018-2019, (22.2 years 2017-2018). The weighted average for the Police Pension Scheme is 22.0 years, 2018-2019, (21.0 years 2017-2018).

### 35. **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.

Following successful claims in the court case Allard v Devon and Cornwall Police for unpaid overtime following recalls to duty, the judge has selected a number of test cases to consider all of the issues arising in these claims against forces across the country. North Wales Police claims are therefore stayed by order of the High court pending the outcome of the test cases. The total cost of the claims will be dependent upon the principles established in the test cases and a number could go back over a six year period but the overall financial impact is not expected to be material in relation to the overall financial position of the force. There is no insurance indemnity for these claims

Following a Court of Appeal ruling, in the case of Evans & Ashcroft v Chief Constable of South Wales Police, the appellants' case regarding the perceived incorrect deductibility of certain injury related state benefits has been upheld. This relates to officers who received increases in Incapacity Benefit and Industrial Injury Disablement Benefit between 12.4.2001 and 14.4.2011 who should not have had the equivalent of these increases deducted from their injury pensions. The Home Office are expected to provide guidance on a national response as it is not clear if the ruling applies to similar cases.

### 36. **Financial Instruments including Nature and Extent of Risks Arising**

#### **(a) Financial Instruments - Classifications**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

#### **Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Police and Crime Commissioner represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Police and Crime Commissioner. All of the Police and Crime Commissioner's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- overdraft with HSBC bank,
- lease payables including Private Finance Initiative contracts detailed in note 31, and
- trade payables for goods and services received.

#### **Financial Assets**

A financial asset is a right to future economic benefits controlled by the Police and Crime Commissioner that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Police and Crime Commissioner. All financial assets held by the Police and Crime Commissioner during the year are measured at

amortised cost (where cash flows are solely payments of principal and interest and the Police and Crime Commissioner's business model is to collect those cash flows) comprising:

- cash in hand,
- bank current and deposit accounts with HSBC bank,
- fixed term deposits with banks and building societies,
- corporate bond, and
- trade receivables for goods and services provided.

Financial assets held at amortised cost are shown net of a loss allowance (where material) reflecting the statistical likelihood that the counterparty will be unable to meet their contractual commitments to the Police and Crime Commissioner.

#### (b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31.3.2019 £000	31.3.2018 £000	31.3.2019 £000	31.3.2018 £000
Loans at amortised cost:				
- Principal sum borrowed	0	657	16,657	10,657
- Accrued interest	0	0	25	8
<b>Total Borrowing *</b>	<b>0</b>	<b>657</b>	<b>16,682</b>	<b>10,665</b>
Loans at amortised cost:				
- Bank overdraft	0	0	0	0
<b>Total Cash Overdrawn</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities at amortised cost:				
- PFI arrangements	9,913	10,661	748	690
<b>Total Other Long-term Liabilities</b>	<b>9,913</b>	<b>10,661</b>	<b>748</b>	<b>690</b>
Liabilities at amortised cost:				
- Trade payables	0	0	14,467	16,095
<b>Included in Creditors</b>	<b>0</b>	<b>0</b>	<b>14,467</b>	<b>16,095</b>
<b>Total Financial Liabilities</b>	<b>9,913</b>	<b>11,318</b>	<b>31,897</b>	<b>27,450</b>

\* The total short-term borrowing includes principal repayments due within 12 months on long-term borrowing.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31.3.2019 £000	31.3.2018 £000	31.3.2019 £000	31.3.2018 £000
<i>At amortised cost:</i>				
- Principal	0	0	3,507	3,301
- Accrued interest	0	0	0	6
- Loss allowance	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>3,507</b>	<b>3,307</b>
<i>At amortised cost:</i>				
- Principal	0	0	14,019	17,722
- Accrued interest	0	0	23	17
- Loss allowance	0	0	0	0
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>14,042</b>	<b>17,739</b>
<i>At amortised cost:</i>				
- Trade receivables	0	0	12,732	11,807
- Loss allowance	0	0	-2	-10
<b>Included in Debtors</b>	<b>0</b>	<b>0</b>	<b>12,730</b>	<b>11,797</b>
<b>Total Financial Assets</b>	<b>0</b>	<b>0</b>	<b>30,279</b>	<b>32,843</b>

## Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Police and Crime Commissioner has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The table below shows those instruments that have been offset on the balance sheet.

	31.3.2019			31.3.2018		
	Gross assets (liabilities) £000	(Liabilities) assets set off £000	Net position on balance sheet £000	Gross assets (liabilities) £000	(Liabilities) assets set off £000	Net position on balance sheet £000
Trade receivables	12,730	0	12,730	11,797	0	11,797
Bank accounts in credit	17,578	-29	17,549	21,064	-18	21,046
<b>Total financial assets</b>	<b>30,308</b>	<b>-29</b>	<b>30,279</b>	<b>32,861</b>	<b>-18</b>	<b>32,843</b>
Trade payables	-14,467	0	-14,467	-16,095	0	-16,095
Bank overdrafts	-16,711	29	-16,682	-11,340	18	-11,322
PFI arrangements	-10,661	0	-10,661	-11,351	0	-11,351
<b>Total financial liabilities</b>	<b>-41,839</b>	<b>29</b>	<b>-41,810</b>	<b>-38,786</b>	<b>18</b>	<b>-38,768</b>

## (c) Financial Instruments - Gains and Losses

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

	Financial Liabilities	Financial Assets		
	Amortised Cost £000	Amortised Cost £000	2018/19 Total £000	2017/18 Total £000
Interest expense	1,083	0	1,083	1,114
Impairment losses	0	0	0	0
Losses from changes in fair value	43,480	0	43,480	44,501
Fees paid	0	0	0	0
<b>Interest payable and similar charges</b>	<b>44,563</b>	<b>0</b>	<b>44,563</b>	<b>45,615</b>
Interest income	0	-115	-115	-102
Gains from changes in fair value	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>-115</b>	<b>-115</b>	<b>-102</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>44,563</b>	<b>-115</b>	<b>44,448</b>	<b>45,513</b>



#### (d) Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2019, using the following methods and assumptions:

- Loans borrowed by the Police and Crime Commissioner have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31<sup>st</sup> March.
- The fair values of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service and interest charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	Fair Value Level	Balance		Balance	
		Sheet 31.3.2019 £000	Fair Value 31.3.2019 £000	Sheet 31.3.2018 £000	Fair Value 31.3.2018 £000
<b>Financial liabilities held at amortised cost:</b>					
Long-term loans from PWLB	2	657	668	1,314	1,349
Other long-term loans	2	0	0	0	0
Lease payables and PFI liabilities	2	10,661	9,676	0	0
<b>Total</b>		<b>11,318</b>	<b>10,344</b>	<b>1,314</b>	<b>1,349</b>
Liabilities for which fair value is not disclosed *		30,492		37,454	
<b>Total Financial Liabilities</b>		<b>41,810</b>		<b>38,768</b>	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		14,467		16,095	
Short-term borrowing		16,025		10,665	
Short-term provisions		0		0	
Long-term creditors		0		0	
Long-term borrowing		657		657	
Long-term provisions		0		0	
Other long-term liabilities		10,661		11,351	
<b>Total Financial Liabilities</b>		<b>41,810</b>		<b>38,768</b>	

\* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is lower than their balance sheet carrying amount because the inherent interest rate within the PFI unitary charge is higher than the current market rates available as at the Balance Sheet date.

	Fair Value Level	Balance		Balance	
		Sheet 31.3.2019 £000	Fair Value 31.3.2019 £000	Sheet 31.3.2018 £000	Fair Value 31.3.2018 £000
<b>Financial assets held at amortised cost:</b>					
Corporate Bond	1	0	0	1,236	1,236
<b>Total</b>		<b>0</b>	<b>0</b>	<b>1,236</b>	<b>1,236</b>
Assets for which fair value is not disclosed *		30,279		31,607	
<b>Total Financial Assets</b>		<b>30,279</b>		<b>32,843</b>	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		0		0	
Long-term investments		0		0	
Short-term debtors		12,730		11,797	
Short-term investments		3,507		3,307	
Cash and cash equivalents		14,042		17,739	
<b>Total Financial Assets</b>		<b>30,279</b>		<b>32,843</b>	

\* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

#### e) Financial Instruments - Risks

The Police and Crime Commissioner complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with 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 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 Investment Strategy in compliance with the Welsh Government's Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Police and Crime Commissioner.
- *Liquidity Risk:* The possibility that the Police and Crime Commissioner might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### Credit Risk: Treasury Investments

The Police and Crime Commissioner manages credit risk by ensuring that treasury investments are placed only with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Police and Crime Commissioner has received independent investment advice.

A limit of £10m of the total portfolio can be invested with the HSBC as the Police and Crime Commissioner's contracted bankers, and £4m limit is placed on the amount of money that can be invested with other single counterparties (other than the UK government). No more than £5m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Police and Crime Commissioner's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31.3.2019		31.3.2018	
	Long-term	Short-term	Long-term	Short-term
	£000	£000	£000	£000
AAA	0	3,507	0	2,065
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	10,000	0	10,000
A+	0	4,000	0	3,675
A	0	0	0	5,236
A-	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>17,507</b>	<b>0</b>	<b>20,976</b>

#### Credit Risk: Trade Receivables

The following analysis summarises the Police and Crime Commissioner's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	31.3.2019		31.3.2018	
	Trade receivables	Lease receivables	Trade receivables	Lease receivables
	£000	£000	£000	£000
Neither past due nor impaired	4,255	0	2,783	0
Past due < 3 months	88	0	136	0
Past due > 3 months	66	0	20	0
Individually impaired	2	0	10	0
<b>Total Receivables</b>	<b>4,411</b>	<b>0</b>	<b>2,949</b>	<b>0</b>

Loss allowances on trade receivables have been calculated by reference to the Police and Crime Commissioner's historic experience of default. Receivables are determined to be credit-impaired where they are 90 or more days past due. Receivables are eventually written off to the Surplus or Deficit on the Provision of Services.

#### Liquidity Risk

The Police and Crime Commissioner has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Police and Crime Commissioner will be unable to raise finance to meet its commitments. There is however the risk of the need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31.3.2019			31.3.2018		
	Liabilities £000	Assets £000	Net £000	Liabilities £000	Assets £000	Net £000
Not over 1	-31,897	30,279	-1,618	-27,450	32,843	5,393
Over 1 but not over 2	-810	0	-810	-1,405	0	-1,405
Over 2 but not over 5	-2,859	0	-2,859	-2,638	0	-2,638
Over 5 but not over 10	-6,244	0	-6,244	-6,110	0	-6,110
Over 10 but not over 20	0	0	0	-1,165	0	-1,165
<b>Total</b>	<b>-41,810</b>	<b>30,279</b>	<b>-11,531</b>	<b>-38,768</b>	<b>32,843</b>	<b>-5,925</b>

### Market Risks: Interest Rate Risk

The Police and Crime Commissioner is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2019, 100% (2018: 100%) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and 0% (2018: 0%) to variable rates.

### Market Risks: 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 a loss as a result of adverse movements in the price of the financial instrument).

### Market Risks: Foreign Exchange Risk

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

## 37. 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.

### 38. Funds

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

	31.3.19 £000	31.3.18 £000
Police Property Act Fund (Proceeds from confiscated property for distribution to charities)	18	15
Misuse of Drugs Fund (Seized monies from Drugs enquiries used to finance expenditure in combating drugs)	130	108
	<b>148</b>	<b>123</b>

### 39. 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 amount reflected in North Wales Police accounts in 18/19 is £845k (£855k in 2017/18) with the breakdown by function as follows:

2017-18 Net Expenditure £000	Functions	2018-19		
		Expenditure	Income	Net Expenditure
		£000	£000	£000
220	Regional Crime Unit	220	0	220
42	Prisoner Intelligence	69	-33	36
9	Regional Intelligence Unit	29	-21	8
168	Technical Surveillance Unit	182	-10	172
94	Protected Persons Service	89	0	89
161	Confidential Unit	178	-16	162
0	Regional Asset Recovery Team	59	-59	0
6	Operational Security Officer	13	-7	6
0	Cyber Crime	30	-30	0
0	GAIN	4	-4	0
106	Undercover Forensics	167	-60	107
0	ACE	12	-12	0
0	ECURFT	15	-15	0
0	Prevent	11	-11	0
0	Disruption	27	-27	0
49	Business Support	44	0	44
0	Other Titan Grants	17	-16	1
<b>855</b>	<b>Total</b>	<b>1,166</b>	<b>-321</b>	<b>845</b>

The following joint operations have Cheshire as lead force:

2017-2018 Net Expenditure £000	Functions	2018-2019		
		Expenditure	Income	Net Expenditure
		£000	£000	£000
70	Joint Underwater Search Unit	101	-28	73
21	Regional Firearms	53	-7	46
2,910	Armed Policing Alliance	2,964	-130	2,834
0	Armed Policing Alliance MET Training Contract	210	-210	0
655	Dogs Alliance	580	-1	579
14	ANPR	10	0	10
<b>3,670</b>	<b>Total</b>	<b>3,918</b>	<b>-376</b>	<b>3,542</b>

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 2018-2019		Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors
Gross Expenditure	Population %	£000	£000
South Wales	42.38%	3,893	201
Dyfed-Powys	16.54%	1,519	78
Gwent	18.80%	1,727	89
North Wales	22.28%	2,046	106
<b>Total:</b>	<b>100.00%</b>	<b>9,185</b>	<b>474</b>
Total Income & Grants	Population %	£000	£000
South Wales	42.38%	-3,893	-201
Dyfed-Powys	16.54%	-1,519	-78
Gwent	18.80%	-1,727	-89
North Wales	22.28%	-2,046	-106
<b>Total:</b>	<b>100.00%</b>	<b>-9,185</b>	<b>-474</b>

SHARE OF SERVICE COLLABORATION 2017-2018		Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors
Gross Expenditure	Population %	£000	£000
Dyfed-Powys	16.57%	1,113	75
Gwent	18.76%	1,260	85
North Wales	22.35%	1,501	102
South Wales	42.31%	2,842	193
<b>Total:</b>	<b>100.00%</b>	<b>6,716</b>	<b>455</b>
Total Income & Grants	Population %	£000	£000
Dyfed-Powys	16.57%	-1,113	-75
Gwent	18.76%	-1,260	-85
North Wales	22.35%	-1,501	-102
South Wales	42.31%	-2,842	-193
<b>Total:</b>	<b>100.00%</b>	<b>-6,716</b>	<b>-455</b>

In 2017-2018 an All Wales Collaboration Team was established on a short term basis to coordinate existing activities and identify new opportunities for collaboration across the four Forces in Wales. The team is led by a Deputy Chief Constable and is funded based on agreed contributions from each Force in Wales. The total costs of the team in 2018-2019 were £396k (2017-2018 – £243k) and Police and Crime Commissioner for North Wales' contribution to these costs was £88k in 2018-2019 (2017-2018 – £58.5k).

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.

### Collaboration – Third Party Payments

The only significant arrangement of this kind is the payment made towards the National Police Air Service (NPAS) which was £0.505 million in 2018-2019 (£0.585 million in 2017-2018).

### Collaboration – Grant/Self-funding

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

## 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 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 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 employers' 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 34 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 57 to 71. Administration of the Pension Fund is carried out through a third party contract agreement.

2017-2018 £000	Fund Account	2018-2019 £000
	<b>Contributions receivable</b>	
	From Employer:-	
12,547	- Normal	12,616
0	- Early retirements	0
467	- Capital Charge for Ill Health Retirement	1,111
7,048	Members Contributions	7,018
437	Transfer Values received	336
<b>20,499</b>	<b>Total Income</b>	<b>21,081</b>
	<b>Benefits Payable</b>	
33,716	Pensions	35,837
9,704	Commuted and lump sum retirement benefits	11,605
0	Lump Sum Death Benefits	0
	<b>Payments to and on account of leavers</b>	
0	Transfer out to other schemes	10
37	Refund of Contributions	33
<b>43,457</b>	<b>Total amounts Payable</b>	<b>47,485</b>
22,958	Net Amount Payable for the year before transfer from the Police Fund	26,404
-22,958	Additional Contribution from the Police Fund (by grant) <sup>1</sup>	-26,404
<b>0</b>	<b>Net amount payable/receivable for the year</b>	<b>0</b>
	<b>Net Asset Statement:</b>	
60	Contributions due from employer	60
21	Unpaid pension benefits	21
-81	Other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	-81
<b>0</b>	<b>Total Liabilities</b>	<b>0</b>

<sup>1</sup>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% employer's contribution as per the pension regulations



## Group Statement of Accounting Policies

### 1. General

The Group Statement of Accounts summarises the Police and Crime Commissioner's transactions for the 2018-2019 financial year and the position at the year-end of 31 March 2019. 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 2018-2019, 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 occurs, 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. A de minimus level of £3k is set for these transactions. 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, 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, unless stated otherwise it is applied retrospectively 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 (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.

#### *Staff employed in the Office of the Police and Crime Commissioner and Police Staff*

These employees are eligible to join the Local Government Pension Scheme, which is administered by Gwynedd Council. The triennial actuarial assessment carried out in 2016 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 2019.

#### *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 (currently 24.2%). 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.

### **The Local Government Pension Scheme**

The Local Government Pension Scheme is 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 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 the present value of the defined benefit obligation resulting from employee service in the current period which is allocated to 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; this is 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's policy is to spread 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). Financial assets held at amortised cost are shown net of a loss allowance (where material) reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Police and Crime Commissioner.

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 38 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 account 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 service segments in accordance with the Police and Crime Commissioner's arrangements for accountability and financial performance

## 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 current 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 current value.

Assets included in the Balance Sheet at current 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 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 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 £500k
- (ii) Remaining life of component is between 10 and 15 years and value of component is over £750k
- (iii) Remaining life of component is between 15 and 20 years and value of component is over £1000k
- (iv) Remaining life of component is between 20 and 30 years and value of component is over £1250k
- (v) Remaining life of component is between 30 and 40 years and value of component is over £1500k
- (vi) Remaining life of component is between 40 and 50 years and value of component is over £2000k

(vii) Remaining life of component is between 50 and 60 years and value of component is over £4000k

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 following 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.

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, now called loss allowances, is included within Debtors 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 from 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 amount is then appropriated back into the Usable Revenue Reserves 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**

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. Value added tax is included in the Comprehensive Income and Expenditure Statement only if it is irrecoverable.

## 23. **Fair Value**

The Police and Crime Commissioner measures some of his financial instruments at fair value at each reporting date. Fair value is 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The Police and Crime Commissioner measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## Glossary of Terms

### **Accounting Policies**

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

### **Accrual and Pre payment**

A sum included in the final accounts to cover income and expenditure attributable to the accounting period, but for which payment has been or will be made/ received in a different accounting period.

### **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 2018-2019

### 1. 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. The Police and Crime Commissioner and Chief Constable have a Joint Governance Board to ensure that they fulfil their corporate governance responsibilities. The Board is chaired by the Police and Crime Commissioner's Chief Finance Officer and attended by senior officers of both Police and Crime Commissioner and Chief Constable. The Board collates and documents the evidence to produce this Annual Governance Statement.

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 and was reviewed and revised in July 2018. The aim of this Scheme is to provide for proper arrangements for the management of activities on behalf of the 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 to undertake the statutory section 151 responsibilities. There is an established 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.

1.4. 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, however in September 2016 the Panel appointed a third co-opted independent member following a recruitment campaign. The increase was sanctioned by the Home Secretary. 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

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, behaviour 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 2018-2019:

- 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. Purpose and scope of responsibility for the Governance Framework

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.

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 Forces of England and Wales and Fire and Rescue Authorities created under section 4A of the Fire and Rescue Services Act 2001 (2018).

2.3. 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 updated in 2016 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.

2.4. 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.

2.5. 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.

2.6. The governance framework has been in place throughout the year ended the 31 March 2019 and up to the approval of the Statement of Accounts.

### **3. Principles of good governance**

The CIPFA/SOLACE Framework: Delivering Good Governance in Local Government sets out seven principles of good governance which underpin effective governance arrangements to ensure that the intended outcomes for stakeholders are defined and achieved.

The arrangements specific to the Police and Crime Commissioner and Chief Constable are detailed within the seven principles below.

#### **3.1. Ethics and Integrity**

There are corporate processes in place to support the core principle of ethics and integrity such as the Policing protocol 2011 which requires everyone in the organisation to abide by the seven principles of public life (the Nolan principles). Additionally, the Home office Financial Management Code of Practice requires the Police and Crime Commissioner and Chief Constable to ensure that good governance is embedded within the organisations and the College of Policing Code of Ethics sets out the standards of behaviour expected for all people working in policing.

The Police and Crime Commissioner's code of conduct and Chief Constable's Code of Ethics underpin the standards of expected 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 and standards of professional behaviour. Ethical considerations are part of any business decisions taken and are set out within policies in operation within both organisations.

The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption policy and whistleblowing arrangements in place which manage effectively the risk of fraud and corruption. Processes for declaring interest and registers for gifts and hospitalities are maintained and updated as required.

Both the Joint Audit Committee and the Police and Crime Panel discharged fully all the functions as identified in the relevant CIPFA publication for Audit Committees. The Joint Audit Committee's Terms of Reference may be found on the Police and Crime Commissioner's website.

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. Additionally, the Police and Crime Panel fulfil their responsibilities in relation to complaints made about the Police and Crime Commissioner as set out within the Police Reform and Social Responsibility Act.

### **3.2. Openness and Stakeholder Engagement**

The Police and Crime Commissioner and the Chief Constable promote an open and transparent culture throughout the organisations to ensure that services meet people's needs. All public meeting papers and minutes are published on the website along with any decisions taken by the Police and Crime Commissioner.

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 and 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. Both the Police and Crime Commissioner and Chief Constable have internal and external consultation mechanisms in place which are used to inform and improve services.

The Police and crime Commissioner and Chief Constable work in partnership and collaboration with other organisations to achieve shared objectives and to ensure effective delivery of services which meet the needs of the organisations. Partnership and collaboration arrangements that are in place are monitored and kept under review to ensure that performance is achieved and objectives are met.

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. All key decisions taken include a financial impact, legal impact, equality impact and risk assessment.

The post of Chief Executive to the Police and Crime Commissioner is the designated post of Monitoring Officer and there are arrangements to record any professional advice that is required for specialist areas.

Furthermore, 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'.

### **3.3. Defining Outcomes**

The Police and Crime Commissioner and Chief Constable will, as part of the strategic planning process, develop informed strategies and plans which are outcome focused, sustainable and take into account the level of resources required to adequately deliver them.

The Police and Crime Commissioner sets the police and crime objectives and these are contained in the Police and Crime Plan. The Police and Crime Plan has been communicated to the public through the website and by various engagement

activities and a brief summary of performance 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) 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

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).

### **3.4. Determining interventions**

In order to optimise the achievement of our intended outcomes the Police and Crime Commissioner and Chief Constable will ensure that there are adequate arrangements in place to deliver services which demonstrate efficiency and value for money.

Detailed resource planning is carried out annually and published within the Medium Term Financial Plan. This risk assesses resource requirements based on appropriate assumptions to enable the Police and Crime Commissioner to prioritise competing demands for services.

The annual strategic and operational planning cycle takes into account the expected level of resources required and identifies where savings and reductions are required. These are risk assessed and achievement of all plans and work streams is monitored through the Strategic Planning Board which is chaired by the Chief Constable.

Project boards are in place which monitors the implementation and achievement of agreed initiatives and plans. These are established to support robust decision making in order to achieve the required outcomes. Decision making is devolved to enable flexible and responsive action and better outcomes. Accountability is measured through the governance structure and processes in place.

### **3.5. Developing Leadership**

The Police and Crime Commissioner and Chief Constable have defined structures and roles within the organisations to enable effective leadership. This is supported by the Manual of Governance which sets out the roles and responsibilities and is critical to enable delivery of the strategies and plans in place.

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.

There is an approved scheme of consent in place which formalises the functions and delegation between the Commissioner and Chief Constable. The governance structure supports the implementation of planned activities and

outcomes and there is a defined meeting structure in place to ensure that planned outputs are achieved in a timely manner.

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. Our recruitment and succession planning processes are designed in order that we appoint the right people with the right skills into roles within the organisation.

Nationally set terms and conditions exist for officers and staff with agreed pay scales and job evaluation system and we have a performance management framework which the Commissioner and Chief Constable use to assess performance and address any improvements required. Additionally, there are annual assessments of effectiveness for the Police and Crime Panel and the Joint Audit Committee.

### **3.6. Managing risks and monitoring performance**

Risk management and internal control is an integral part of the performance management system within both organisations. The risk management process underpins the financial management arrangements and governance processes and is fundamental to achieving our intended outcomes and supports our vision for a safer North Wales.

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. Risk management is a standing agenda item on all boards across the force.

Our plans, processes and policies are drawn up having due regard to the risks identified. A partnership framework is in place to ensure that any partnerships are managed appropriately including risk management.

Strategic risks and the risk management process are overseen and monitored at the Joint Audit Committee. Members of the Joint Audit Committee are able to review all risks for transparency.

Internal Audit assess the adequacy of our internal controls and report fully to the independent Joint Audit Committee. Internal and external audit have examined and reported on compliance with applicable regulations and internal controls.

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).

All Joint Audit Committee and Police and Crime Panel papers and minutes are available through the website of the Police and Crime Commissioner.

Effective arrangements are in place to ensure that data is safeguarded and appropriately collected, used, stored and shared. All data is subject to agreed retention policies and the security classification scheme in operation throughout the force. There is an established Information Security board in place to monitor arrangements and effectiveness.

The Commissioner and Chief Constable have data protection and information security policies in place which are regularly tested. Internal Audit has also reviewed our data protection and management of Information arrangements following the recent HMIC review.

There are information sharing protocols between the Commissioner and Chief Constable and also with our partners.

### **3.7. Demonstrating effective accountability**

The Police and Crime Commissioner and Chief Constable ensure that decision makers involved in service delivery are accountable to them through the processes in place in both organisations.

Standardised reporting templates are used to ensure that information is in a sufficient manner and to enable effective decision making and an annual report is prepared and published which assesses the performance against the Police and Crime Plan.

The Police and Crime Commissioner and Chief Constable's websites publish information which is pertinent to the public and stakeholders. The Commissioner has been awarded the transparency quality mark by the Comparing Police and Crime Commissioner's organisation (CoPaCC) for the third consecutive year in recognition of the level and breadth of information contained on the website.

The internal audit service reports to the Joint Audit Committee and has direct access to the Police and Crime Commissioner, Chief Constable and members. Recommendation for service improvements are acted upon and reported to the committee.

Independent and external reviews and inspections are routinely carried out by regulatory bodies and the reports are published and any recommendations made are acted upon.

#### **4. Review of Effectiveness**

4.1. 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.

4.2. 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 with all public sector internal auditing standards (PSIAS).

4.3. 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.

4.4 Internal Audit carried out their annual service review of our key financial systems in 2018-2019 and provided positive reports during the year. The annual report concluded:

##### *HEAD OF INTERNAL AUDIT'S ANNUAL OPINION*

*I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a positive conclusion as to the adequacy and effectiveness of The Police and Crime Commissioner's and the Chief Constable's risk management, control and governance processes. In my opinion, The Police and Crime Commissioner and the Chief Constable have adequate and effective management, control and governance processes in place to manage the achievement of their objectives.*

*This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on the ongoing financial viability or your ability to meet financial obligations which must be obtained by The Office of the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police from its various sources of assurance.*

4.5 The Wales Audit Office annual audit letter for 2017-2018 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. Governance Action Plan and progress

5.1. 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. The areas to be covered in the 2018-2020 plan can be seen in the Appendix below .

5.2. The action plan for 2017-2018 contained areas for improvement. These are detailed below with their progress and current status.

Recommendation	Action	Current Status - complete Y/N?
Ethics and Integrity	The Police and Crime Commissioner is committed to ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation. Although it is not a legal requirement for the Police and Crime Commissioner to comply with the Public Services (Social Value) Act 2012 or the Wellbeing of Future Generations (Wales) Act 2015, most public sector partners must comply with one or the other, and it is a matter of best practice that the Office of the Police and Crime Commissioner and the Police Force behave in accordance with these acts, as a minimum standard. Accordingly, a Social Value Policy was developed in 2017/18 and procedures to support it have been written. All new contracts will need to comply with this policy from 2018/19, and this will be monitored closely.	Yes - discharged

## 6. Conclusion

6.1. No statement of internal control can provide absolute assurance against material loss; this statement is intended to provide reasonable assurance.

6.2. 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 - PLAN

The review of governance has recognised that our governance arrangements are satisfactory and meet our needs. The delivery of our new vision will challenge our governance arrangements and attention to a number of issues will assist in strengthening those arrangements. The following areas are to be addressed in 2019-2020:

Issue	Actions
Force Delivery Plan	A Force Delivery Plan will be produced articulating the vision. The plan will be widely communicated and supported by detailed plans. The processes for management of change will be enhanced using accepted best practice methodologies and supported by a clear governance structure. The plan will be appropriately resourced to ensure the plans are realistic
Governance Review	An independent review of governance will be undertaken. A governance action plan will be produced and implemented. The review will link in with a review of partnership arrangements that commenced in 2018/19.
Assurance Framework	A pilot of an enhanced assurance framework will commence within the Finance & Resources Directorate. Subject to the outcome of the pilot a revised assurance framework will be rolled out across North Wales Police. Our Risk Appetite will be agreed and documented.
Leadership	A staff survey will be completed, the results analysed and an action plan developed. Implementation of action plan will be delivered through workforce transformation programme.

## The independent auditor's report of the Auditor General for Wales to the

### Police and Crime Commissioner for North Wales

#### **Report on the audit of the financial statements**

##### **Opinion**

I have audited the financial statements of:

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

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for North Wales financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The Police and Crime Commissioner for North Wales' Group financial 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 and the related notes, including a summary of significant accounting policies.

The North Wales Police Pension Fund's financial 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 2019 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and North Wales Police Pension Fund as at 31 March 2019 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements 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.

## **Report on other requirements**

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund and their environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

- proper accounting records have not been kept;
- the financial 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.

### **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, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.



Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
30<sup>th</sup> July 2019

24 Cathedral Road  
Cardiff  
CF11 9LJ

## Summary Capital Expenditure and Funding 2018-2019

Appendix A

2017-2018 Actual £000	Description	2018-2019 Revised Budget £000	2018-2019 Actual £000
	<b><u>Building Works</u></b>		
13,841	Wrexham DHQ Facility	2,649	2,468
176	Wrexham Town Facility	1,622	1,520
1,242	Llandudno Relocation/New Build	63	0
0	Purchase of Joint Control Centre, St. Asaph	2,739	2,806
*74	Sustainability Works	155	0
5	Retentions	25	0
*40	Buckley Police Station	0	0
0	Rhuddlan/Prestatyn works	80	69
0	Holyhead Port	30	0
23	Custody CCTV	52	19
28	Occupational Health Relocation	0	0
<b>15,429</b>	<b>Total Building Works</b>	<b>7,415</b>	<b>6,882</b>
	<b><u>Vehicles and Other Equipment</u></b>		
1,061	Vehicle Purchase	2,233	1,691
6	Ports CCTV and ANPR Equipment	150	130
<b>1,067</b>	<b>Total Vehicles and Other Equipment</b>	<b>2,383</b>	<b>1,821</b>
	<b><u>Information Technology and Communication Equipment</u></b>		
172	Desk Top Replacement	588	672
27	Business Systems Servers	1	0
263	EIS Replacement	130	122
149	DFU Server replacemnt	119	132
0	Airwave (replacement units)	500	392
983	Control Room Technology Replacement	1,281	970
23	Criminal Justice Digital Project	0	0
0	Wrexham DHQ Airwave Booster	96	96
13	Wrexham Prison IT and connectivity	0	0
296	Mobile Data Devices	231	106
0	Intranet / Social Media	55	0
0	Cloud Storage	79	0
0	CHORUS Upgrade	30	80
<b>1,926</b>	<b>Total Information Technology and Communication</b>	<b>3,110</b>	<b>2,570</b>
<b>18,422</b>	<b>Total Capital Expenditure</b>	<b>12,908</b>	<b>11,273</b>

\*Includes Revenue Expenditure Funded from Capital Under Statute (REFCUS)

2017-2018 Actual £000	Description	2018-2019 Revised Budget £000	2018-2019 Actual £000
	<b><u>Funding of Capital Programme</u></b>		
462	Home Office General Capital Grants	462	462
1,604	Revenue Contribution	2,047	2,350
10,583	Earmarked Reserves	2,558	970
3,031	Capital Receipts	2,008	1,702
2,742	Borrowing funded in revenue	5,833	5,789
<b>18,422</b>	<b>Total Funding</b>	<b>12,908</b>	<b>11,273</b>

*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.*