

**NORTH WALES POLICE CHIEF CONSTABLE**

**STATEMENT OF ACCOUNTS**

**2015 – 2016**

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## Narrative Report

### Introduction

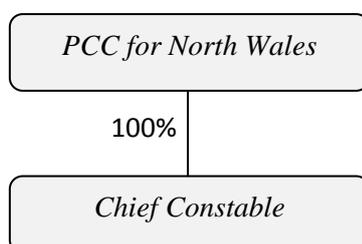
The Statement of Accounts for 2015-2016 provides a picture of the group's financial position at 31 March 2016 and a summary of the income and expenditure in the year to 31 March 2016. The end of 2015-2016 marks the fourth year since the introduction of Police and Crime Commissioners in England and Wales,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

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

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

### **1. Group Structure**

Following the Police Reform and Social Responsibility Act 2011, the Police and Crime Commission 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. Statement of Accounts**

The Act and other legislative documents specify that the Police and Crime Commissioner should hold the group reserves and account for income received. Therefore, the Chief Constable's Accounts will not contain a Movement in Reserves Statement or a Cashflow Statement. These are reported at Group level and contained within the Group Statement of Accounts.

The accounts present a detailed picture of the financial affairs of the Chief Constable and comprise:-

- Statement of Accounting Policies (Page 10)  
This statement supports the accounts and details the specific principles, rules and practices applied by the Group in preparing and presenting the financial statements.
- Statement of Responsibilities (Page 26)  
This sets out the responsibilities of the Chief Constable and the Chief Financial Officer in respect of the Statement of the Accounts and confirms that the accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting.

- Comprehensive Income and Expenditure Statement (Page 27).  
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation.
- Balance Sheet (Page 28).  
This 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.
- Notes to the Statements (Pages 29 to 42).  
These are all the explanatory notes relating to the statements.
- Police Pension Fund Account (Page 43).  
This details the transactions relating to Police Pension income and expenditure.

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

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

The Chief Constable is responsible for maintaining the Queen's peace and enforcement of the law, has direction and control of the force's officers and staff and is accountable to the Police and Crime Commissioner for the delivery of efficient and effective police services and the managements of resources. During 2015-2016 the Police and Crime Commissioner delegated the expenditure budget to the Chief Constable. In total, gross expenditure of £174.259 million has been incurred on the policing service for 2015-2016.

Our Policing priorities for 2015-2016 are set after taking into account national and local considerations and detail the areas that we are focused upon to deliver effective policing and provide an efficient service. For 2015-2016 these are:

- to reduce crime and anti-social behaviour that impact on our communities
- to protect people and reduce harm
- to provide a quality service that delivers confidence within our communities
- to promote a well led, organised and skilled workforce.

Underpinning these are our values, which describe how we will carry out our business. These are united as one team, doing the right things and helping our communities. All of the above contribute to the overall vision for North Wales Police which is to make a safer North Wales.

The last twelve months have been challenging for the service. We have seen a reduction in all crime of 5.1% against the backdrop of challenging savings targets and increasing demands upon the service for non-crime related issues such as concerns for safety. We have also encountered new threats including child sexual abuse, cyber-crime, human trafficking and modern day slavery as well as an increased threat of terrorism. To assist in addressing these threats we have established specialised Police teams to specifically focus on these areas and demonstrate our commitment to tackling these crimes. Performance over the last twelve months has seen:

- Burglary Dwelling has reduced by 10.1% and burglary other than dwelling has reduced by 10.9%
- Road Traffic Collisions have reduced by 14%
- Shoplifting has reduced by 5.4%
- Other acquisitive crime has seen a reduction of 4.4% and
- Anti-social behaviour has fallen by 10.1%.

There still exist further challenges as all victim crime saw an increase of 5.7% and offences with violence has also risen over the year by 11.8% for those with injury and 25.1% for those without injury. In support of our performance, there has been a significant improvement in public satisfaction and confidence related measures, which is at its highest over the last five years. This demonstrates that people are more confident in the organisation and that they feel safer in the areas where they live.

There are significant challenges ahead with expected further reductions in government funding of £7.4 million over the period 2016-2020. This follows on from the reductions seen since 2010-2011 to date which has resulted in an overall £24.1 million reduction from the North Wales police budget. In response to the continuing challenges, a Strategic Planning Board has been established to implement and oversee the plans and changes required to deliver the reductions whilst ensuring that we minimise the impact upon our services and front line resources. The people of North Wales are at the heart of everything we do. It is right, therefore, that we are continually striving to ensure that we provide an efficient and effective police service.

Performance against budget is shown below at a group level as this reflects how it has been monitored and reported throughout 2015-2016. The annual governance statement within these accounts sets out the governance arrangements in place for the Chief Constable.

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

The group outturn position is shown in the table below:

<b>ACTUAL 2014-2015 £m</b>	<b>REVENUE EXPENDITURE</b>	<b>BUDGET 2015-2016 £m</b>	<b>ACTUAL 2015-2016 £m</b>	<b>VARIANCE + (-) £m</b>
119.537	EMPLOYEE COSTS	119.186	118.832	-0.354
3.232	POLICE PENSIONS	3.334	3.645	0.311
8.625	PREMISES COSTS	8.559	7.725	-0.834
4.848	TRANSPORT COSTS	5.133	4.597	-0.536
21.986	SUPPLIES AND SERVICES	20.253	21.980	1.727
2.136	CAPITAL FINANCING	1.504	1.702	0.198
1.130	COMMUNITY SAFETY FUND	1.166	1.151	-0.015
2.011	PARTNERSHIPS	2.208	2.116	-0.092
-21.975	INCOME	-19.593	-21.179	-1.586
<b>141.530</b>	<b>OPERATING EXPENDITURE*</b>	<b>141.750</b>	<b>140.569</b>	<b>-1.181</b>
-0.326	TRANSFERS TO/FROM RESERVES	-1.914	-0.733	1.181
<b>141.204</b>	<b>NET EXPENDITURE</b>	<b>139.836</b>	<b>139.836</b>	<b>0</b>

ACTUAL 2014-2015 £m	REVENUE EXPENDITURE	BUDGET 2015-2016 £m	ACTUAL 2015-2016 £m	VARIANCE + (-) £m
<b>FINANCED BY:</b>				
43.487	POLICE GRANT	40.825	40.825	0
16.411	NATIONAL NON-DOMESTIC RATES	15.064	15.064	0
5.917	REVENUE SUPPORT GRANT	6.244	6.244	0
11.287	FLOOR GRANT	11.029	11.029	0
64.102	COUNCIL TAX	66.674	66.674	0
<b>141.204</b>	<b>TOTAL FINANCING</b>	<b>139.836</b>	<b>139.836</b>	<b>0</b>

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

Reserves and provisions are held by the Police and Crime Commissioner and reported at group level. The following table details the group reserves and provisions position for 2015-2016.

### Usable Reserves

Usable Reserves are available for future expenditure.

BALANCES AND RESERVES	OPENING BALANCE 01/04/2015 £m	MOVEMENT T £m	CLOSING BALANCE 31/03/2016 £m
GENERAL RESERVE	4.189	0	4.189
<b>EARMARKED RESERVES:</b>			
POLICE PROBATIONER RESERVE	4.840	-0.866	3.974
PENSIONS ILL HEALTH RESERVE	0.697	-0.282	0.415
PRIVATE FINANCE INITIATIVE (PFI)	3.397	0.295	3.692
MAJOR INCIDENT RESERVE	2.235	0	2.235
INSURANCE RESERVE	1.259	-0.087	1.172
CAPITAL RESERVE	14.845	0	14.845
ESTATES SECURITY AND MAINTENANCE	2.000	-0.062	1.938
MANAGEMENT OF CHANGE RESERVE	1.659	0.368	2.027
PARTNERSHIPS BALANCES RESERVE	0.684	-0.096	0.588
COMMISSIONER'S COMMUNITY SAFETY FUND	0.265	0.015	0.280
OFFICE OF THE POLICE AND CRIME COMMISSIONER RESERVE	0.258	0	0.258
LEGAL RESERVE (OPCC)	0.073	0.003	0.076
PARTNERSHIP BUDGETS (OPCC)	0.023	-0.021	0.002
CAPITAL RECEIPTS RESERVE	4.641	-1.146	3.495
<b>TOTAL USABLE RESERVES</b>	<b>41.065</b>	<b>-1.879</b>	<b>39.186</b>

### Provisions

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

## 2015-2016

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

The Chief Constable has a long term liability on the Balance Sheet arising from the treatment of IAS 19 Post Employment Benefits. This relates to the Police Officers Pension Schemes and the Police Staff Local Government Pension Scheme liabilities. This amounts to -£1.366 billion for 2015-2016. Further details can be obtained from Note 14 in the accounts.

### 4. Capital Expenditure

The Police Reform and Social Responsibility Act 2011 transferred all assets from Police Authorities to the Police and Crime Commissioner. The Chief Constable's Accounts contain a charge apportioned for the use of the assets at his disposal. For 2015-2016 this amounted to £6.060 million (2014-2015 £5.984 million).

The capital programme for 2015-2016 was set in February 2015 and slippage from the 2014-2015 programme was brought forward into the 2015-2016 programme. The revised capital expenditure estimates for the year amounted to £8.051 million and the actual expenditure for the year amounted to £4.947 million resulting in expenditure of £3.104 million being carried forward into 2016-2017. The majority of this has been committed to the 2016-2017 capital programme as it relates to schemes that commenced towards the end of the financial year and are continuing. Areas of underspend relate to two main projects in respect of new police buildings in Wrexham and Llandudno. The delays have meant that progress against the plan will now be deferred into the new financial year. In 2015-2016 several relocation and refurbishment works were carried out across the asset portfolio. The Information technology programme expenditure was reduced in year as part of an overall review of the IT budgets and this contributed to delivering a planned underspend. In addition to this delays have been experienced in year in respect of the mobile data project which will now be delivered in the new financial year.

The capital transactions and expenditure which include statutory overrides are within the Group Statement of Accounts.

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

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

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

**Capital Balances and Reserves:**

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

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

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

**Borrowing:**

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

**5. Accounting Policies**

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

**6. Collaboration with other Bodies**

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

Police and Crime Commissioners are encouraged to explore areas where they could collaborate on the delivery of services, either with other police forces or on a local level with other public bodies. The Police and Crime Commissioner is working closely with the other Welsh Forces and the North West Region to explore areas for collaboration, details of current arrangements are in Note 19 . On a local level, the Force’s Facilities Department are jointly managing the estate of the Police and Crime Commissioner and the North Wales Fire and Rescue Service and further opportunities for joint working are being explored. The Police and Crime Commissioner also operates a joint control room with North Wales Fire and Rescue Service in St. Asaph.

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

## **7. Future Outlook**

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

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

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

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

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

## Statement of Accounting Policies

### 1. **General**

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

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

### 2. **Accruals of Income and Expenditure**

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

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

### 3. **Cash and Cash Equivalents**

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

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

#### **4. Exceptional items**

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

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

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

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

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

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

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

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

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

#### **7. Employee Benefits**

##### **Benefits Payable During Employment**

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

rates applicable in the following accounting year, being in the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

#### *Police Officers –*

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

#### *Police Staff (including staff employed in the Office of the Police and Crime Commissioner) –*

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

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

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

- the liabilities of the Gwynedd Pension Fund attributable to the Police and Crime Commissioner are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and estimates of projected earnings for current employees.

- the liabilities are discounted to their value at current prices, using a discount rate of 3.5% based on an indicative rate of return on Government bonds adjusted for additional yield from high quality corporate bonds (iBoxx Sterling Corporates AA).
- the assets of the Gwynedd Pension Fund attributable to the Police and Crime Commissioner are included in the Balance Sheet at their fair value:

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

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

Service cost comprising:

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

Remeasurements comprising:

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

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

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

measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Police and Crime Commissioner has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pensions Scheme and in accordance with the Police and Crime Commissioner's early retirement process.

## **8. Events after the Reporting Period**

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

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

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

## **9. Financial Instruments**

### Financial Liabilities

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

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

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

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

### Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

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

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

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

### Available-for-sale Assets

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

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

- instruments with quoted market prices – the market price

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

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

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

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

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

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

## 10. **Government Grants and Contributions**

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

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

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

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

Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

**11. Interest in other entities**

The Police and Crime Commissioner has material interests in other entities that have the nature of a subsidiary, associate and jointly controlled entities and is required to prepare group accounts. In the Police and Crime Commissioner's single entity accounts interests in other entities are recorded in accordance with proper accounting practice. In respect of the North Wales Police and the Police and Crime Commissioner's group accounts, the Chief Constable of North Wales is deemed to be a 100% wholly owned subsidiary of the Police and Crime Commissioner.

**12. Inventories and Long term Contracts**

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

**13. Jointly Controlled Operations and Jointly Controlled Assets**

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

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Police and Crime Commissioner and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Police and Crime Commissioner accounts for only his share of the jointly controlled assets, the liabilities and expenses that he incurs on his own behalf or jointly with others in respect of his interest in the joint venture and income that is earned from the venture. Details of any jointly controlled operations can be seen in Note 18 to the Accounts.

**14. Leases**

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

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

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

### **The Police and Crime Commissioner as a Lessee**

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

#### Operating Leases

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

### **The Police and Crime Commissioner as a Lessor**

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

#### Finance Leases

Where the Police and Crime Commissioner grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the balance sheet, (whether property, plant or equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. A gain representing the Police and Crime

Commissioner's net investment in the lease, is credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset on the balance sheet.

Lease rentals receivable are apportioned between:

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

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

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

#### Operating Leases

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

### **15. Overheads and Support Services**

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

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

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

## 16. **Property Plant and Equipment**

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year-end, as a minimum every five years.

Increases in the valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged.

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

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

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

### Impairment

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

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

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

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

### Depreciation

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

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

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

(vii) Remaining life of component is between 50 and 60 years and value of component is over £2000k

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

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

#### Disposals and Non-Current Assets held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

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

#### **17. Private Finance Initiative**

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

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

#### **18. Provisions, Contingent Liabilities and Contingent Assets**

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

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the Police and Crime Commissioner becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

## 19. **Reserves**

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

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

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

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

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

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

**Taxation transactions** - Assets and revenue arising from taxation transactions are recognised in the period

in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset.

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

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

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

## 22. VAT

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

## Statement of Responsibilities for the Statement of Accounts

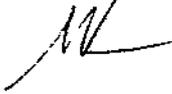
The purpose of this statement is to set out the responsibilities of the Chief Constable and the Chief Financial Officer in respect of the Statement of Accounts.

### **The Chief Constable's Responsibilities**

The Chief Constable is required:-

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

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



**Mark Polin Chief Constable for North Wales**

**Date:**

21.9.16

### **The Chief Financial Officer's Responsibilities**

The Chief Financial Officer is responsible for the preparation of the 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 Financial 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 Financial 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 FINANCIAL OFFICERS CERTIFICATE**

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

I certify that this Statement of accounts give a true and fair view of the financial position of the Chief Constable at the reporting date and of its income and expenditure for the year ended 31 March 2016.

The audit certificate appears on pages 52.



**Tracey Martin (Chief Financial Officer)**

**Date:** 21 September 2016.

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. The overall net cost of services is nil as the operational cost of policing is funded via a transfer from the Police and Crime Commissioner to the Chief Constable. The overall financial position is reported within the Group Financial Statements.

<b>Gross Expenditure</b>		<b>Gross Expenditure</b>
<b>2014-2015 £000</b>		<b>2015-2016 £000</b>
81,240	<b>Local policing</b>	76,881
14,264	<b>Dealing with the Public</b>	13,107
17,584	<b>Criminal Justice</b>	16,959
7,852	<b>Road Policing</b>	7,723
12,976	<b>Specialist Operations</b>	12,082
7,050	<b>Intelligence</b>	6,672
26,032	<b>Investigation</b>	26,713
6,147	<b>Investigative Support</b>	6,453
7,142	<b>National Policing</b>	7,669
<b>180,287</b>	<b>COST OF SERVICES</b>	<b>174,259</b>
-180,287	Commissioning Costs (intra-group transfer)	-174,259
<b>0</b>	<b>NET COST OF SERVICES</b>	<b>0</b>
58,147	Financing & investment income and expenditure	50,929
<b>58,147</b>	<b>Surplus (-)/Deficit (+) on Provision of Services</b>	<b>50,929</b>
168,860	Actuarial Gains (-)/Losses (+) on pensions assets/liabilities	-227,514
<b>168,860</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>-227,514</b>
227,007	Intra group transfer	-176,585
<b>0</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>

## Balance Sheet

The Balance Sheet shows the assets and liabilities recognised by the Chief Constable. The net assets position is nil as the intra-group transactions transfer the assets and liabilities into the Group/Police and Crime Commissioner's accounts. The Chief Constable does not hold any reserves to meet any obligations as these are held by the Group and the overall financial position is reported within the Group Financial Statements.

<b>31 March 2015</b>		<b>31 March 2016</b>
<b>£000</b>		<b>£000</b>
1,547,626	Long Term Debtor with the PCC (Note 14)	1,366,201
1,547,626	<b>Long Term Assets</b>	1,366,201
376	Inventories (Note 7)	304
969	Prepayments (Note 8)	912
20,613	Intra Group Transfer (Note 1)	12,067
21,958	<b>Current Assets</b>	13,283
-20,613	Short Term Creditors (Note 9)	-12,067
-1,345	Intra group Transfer (Note 1)	-1,216
-21,958	<b>Current Liabilities</b>	-13,283
	<i>Long Term Liabilities</i>	
-1,547,626	Pension Liabilities (Note 14)	-1,366,201
-1,547,626	<b>Long Term Liabilities</b>	-1,366,201
0	<b>Net Assets</b>	0

In accordance with the legislation requirements, the Chief Constable does not hold income or reserves and therefore these accounts do not contain a movement in reserves or cash flow statement.

## Notes to the Chief Constable's Statement of Accounts

### 1. **Intra Group Transfer**

The intra group transfer represents the short term amounts due relating to creditors, prepayments and inventories received by the Chief Constable as at the 31 March 2016.

### 2. **Accounting Standards that have been issued but have not yet been adopted**

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

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

### 3. **Critical Judgements in applying Accounting Policies**

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

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

### 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 Chief Constable 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 Chief Constable's Balance Sheet as at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual results Differ from Assumptions
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 Chief Constable 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. increases or decrease in the discount rate is set out in Note 14. During 2015-2016 the Police and Crime Commissioner actuaries advised that the net pension liability had reduced by £181.425 million. This is mainly attributed to changes incurred from remeasurements of the assumptions and estimations.

#### 5. Material Items of Income and Expense

All applicable material items of income and expenditure have been set out 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 2016 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### 7. Inventories

	HQ Stores		Other Stores		Total
	2015-2016	2014-2015	2015-2016	2014-2015	2015-16
	£000	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	<b>190</b>	<b>154</b>	<b>186</b>	<b>130</b>	<b>376</b>
Purchases	376	446	246	427	622
Recognised as an expense in the year	-373	-410	-316	-371	-689
Written off balances	0	0	-5	0	-5
Reversal of write-offs in previous years	0	0	0	0	0
<b>Balance outstanding at year end</b>	<b>193</b>	<b>190</b>	<b>111</b>	<b>186</b>	<b>304</b>

#### 8. Prepayments

	31.3.16 £'000	31.3.15 £'000
<b>Amounts falling due in one year -</b>		
Central Government Bodies	0	0
Other Local Authorities	56	41
NHS Bodies	0	0
Public Corporations and Trading Funds	47	44
Other entities and individuals	809	884
	<b>912</b>	<b>969</b>

## 9. Creditors

	31.3.16 £'000	31.3.15 £'000
<b>Amounts falling due in one year -</b>		
Central Government Bodies	2,753	9,896
Other Local Authorities	1,474	1,531
NHS Bodies	30	0
Public Corporations and Trading Funds	71	104
Other entities and individuals	7,739	9,082
	<b>12,067</b>	<b>20,613</b>

## 10. External Audit Costs

The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims:

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

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

## 11. Officers Remuneration

The following tables set out the remuneration disclosures for Relevant Police Officers (defined as the Chief Constable and any Senior Police Officers with salary of more than £150,000 per year); Senior Police Officers (above the rank of Superintendent) and Senior Employees (designated office holder of a local government body). The amounts for the Officers and Staff below have been fully charged within the Comprehensive Income and Expenditure Account.

2015-2016	Notes:	Salary (including fees & allowances) £	Bonuses £	Expense Allowance £	Other Expenses £	Benefits in kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Chief Constable – M. Polin		141,444	0	0	0	5,338	146,782	0	146,782
Deputy Chief Constable		115,830	0	0	0	3,562	119,392	27,259	146,651
Assistant Chief Constable	1	103,785	0	9	13,462	4,067	121,323	24,528	145,851
Director of Finance & Resources	2	96,774	0	11	0	2,581	99,366	21,008	120,374
Director of Finance & Resources	3	16,250	0	236	0	4,864	21,350	2,649	23,999
Assistant Director of Finance	4	59,047	0	258	0	0	59,305	9,625	68,930
Force Medical Officer - Dr. A. Lister	5	32,993	0	0	0	0	32,993	5,378	38,371

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- Note 1: Other expenses related to relocation costs.  
 Note 2: The Assistant Chief Constable covered this post from 1/4/2015 to 16/2/2016.  
 Note 3: The post holder commenced with effect from the 1/2/2016 and works full time.  
 Note 4: This post holder covered the statutory S.151 duties for the Director of Finance & Resources post from 1/4/2015 to 31/1/2016.  
 Note 5: The Force Medical Officer works reduced hours under agreement. The full time equivalent salary is £164,965.

<b>2014-2015</b>									
<b>Post Holder:</b>	<b>Notes:</b>	<b>Salary (including fees &amp; allowances) £</b>	<b>Bonuses £</b>	<b>Expense Allowance £</b>	<b>Other Expenses £</b>	<b>Benefits in kind £</b>	<b>Total remuneration excluding pension contributions £</b>	<b>Pension contributions £</b>	<b>Total remuneration including pension contributions £</b>
Chief Constable – M. Polin		138,885	0	0	0	5,836	144,721	4,022	148,743
Deputy Chief Constable		114,714	0	0	0	4,287	119,001	26,990	145,991
Assistant Chief Constable	1	32,626	0	0	0	948	33,574	7,639	41,213
Assistant Chief Constable	2	81,220	0	1,840	8,000	15,628	106,688	19,166	125,854
Director of Finance & Resources	3	36,834	0	8	5,499	1,733	44,074	5,809	49,883
Director of Finance & Resources	4	65,806	0	18	0	1,895	67,719	15,411	83,130
Assistant Director of Finance	5	52,798	0	0	0	0	52,798	8,556	61,354
Force Medical Officer - Dr. A. Lister	6	32,993	0	0	0	0	32,993	5,378	38,371

- Note 1: This post covered the period 1/4/2014 to 31/7/2014.  
 Note 2: This post covered the period 2/6/2014 to 31/3/2015 and other expenses relate to relocation.  
 Note 3: The DFR resigned with effect from the 31/7/2014. Other expenses refer to honoraria for PCC CFO duties covered.  
 Note 4: The Assistant Chief Constable commenced this post with effect from 1/8/2014.  
 Note 5: This post covers the statutory S.151 duties for the Director of Finance & Resources and commenced with effect from the 30/06/2014.  
 Note 6: The Force Medical Officer works reduced hours under agreement. The full time equivalent salary is £164,965.

## 2015-2016

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

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

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

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

### Median Pay Ratio

The median pay ratio compares the full time equivalent remuneration of the Chief Constable to the full time equivalent median remuneration of the staff employed by the Chief Constable.

	2015-2016	2014-2015
Chief Constable's pay	146,782	144,721
Median pay of the Chief Constable's staff	33,263	31,657
Median pay ratio:	4.4	4.6

## 12. Related Parties

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

The Chief Constable participates 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.

## 13. Termination Benefits

The Chief Constable utilised the following regulations:

- the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended) and
- the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended) and terminated the contracts of a number of employees in 2015-2016 incurring liabilities of £2.255 million (2014-2015 £1.037m) as disclosed in note 11.

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

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

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

The principal risks to the Police and Crime Commissioner of the scheme are the longevity assumptions, statutory changes to the scheme (e.g. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory

requirements to charge the General Fund the amounts required by statute as described in the accounting policies note.

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

#### Discretionary Post-retirement Benefits

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

#### **Transactions Relating to Post Employment Benefits:**

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

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

	Local Government Pension Scheme		Police Pension Scheme		Total
	2015-2016 £000	2014-2015 £000	2015-2016 £000	2014-2015 £000	2015-2016 £000
<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	-9,981	-7,921	-54,478	-61,211	-67,459
<i>Actual amount charged against the General Fund balance for pensions in the year:</i>					
Employer's contributions payable to scheme	5,522	5,558			5,522
Retirement benefits payable to pensioners			15,848	9,221	15,848

### Pensions Assets and Liabilities Recognised in the Balance Sheet.

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

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

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

	Local Government Pension Scheme	
	31 March 2016 £000	31 March 2015 £000
Opening fair value of the scheme assets	138,729	119,469
Interest income	4,506	5,228
Remeasurement gain (+)/loss (+):		
- the return on plan assets, excluding the amount included in the net interest expense	-957	9,749
- Other (if applicable)	0	0
The effect of changes in foreign exchange rates	0	0
Contribution from employer	5,522	5,558
Contributions from employees into the scheme	1,925	1,906
Benefits paid	-3,234	-3,181
Other (if applicable)	0	0
<b>Closing fair value of the scheme assets</b>	<b>146,491</b>	<b>138,729</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 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
Opening balance at 1 April	204,725	159,782	1,481,630	1,284,100
Current service cost	7,938	6,178	25,580	26,350
Interest cost	6,655	6,975	48,780	56,400
Contributions from scheme participants	1,925	1,906	7,260	7,310
Remeasurement gains (-) and losses (+):				
- Actuarial gains/losses arising from changes in demographic assumptions	0	0	-21,960	-58,550
- Actuarial gains/losses arising from changes in financial assumptions	-23,896	34,045	-130,960	225,590
- Other experience gains/losses	-1,785	-976	-49,870	-21,500
Past service costs	9	111	20	30
Losses (+)/gains (-) on curtailment (where relevant)	0	0	0	0
Liabilities assumed on entity combinations	0	0	0	0
Transfers In	0	0	310	750
Benefits paid	-3,234	-3,181	-40,320	-38,850
Liabilities extinguished on settlements (where applicable)	-115	-115	0	0
<b>Closing balance at the 31 March</b>	<b>192,222</b>	<b>204,725</b>	<b>1,320,470</b>	<b>1,481,630</b>

### Local Government Pension Scheme assets comprised:

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

	Local Government Pension Scheme 2015-2016			Local Government Pension Scheme 2014-2015		
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total
	£000	£000	£000	£000	£000	£000
Debt Securities:						
Corporate Bonds (investment grade)	0	0	0	0	0	0
Corporate Bonds (non-investment grade)	0	0	0	0	0	0
UK Government	0	0	0	0	0	0
Other	0	19,578	19,578	0	0	0
<b>Sub-total</b>	0	19,578	19,578	0	0	0
Property:						
<i>By type:</i>						
UK Property	2,795	12,334	15,129	0	13,307	13,307
Overseas Property	0	277	277	0	401	401
<b>Sub-total</b>	2,795	12,611	15,406	0	13,708	13,708
Derivatives:						
Inflation	0	0	0	0	0	0
<b>Sub-total</b>	0	0	0	0	0	0
Private Equity:						
UK and overseas	0	5,952	5,952	0	5,867	5,867
<b>Sub-total</b>	0	5,952	5,952	0	5,867	5,867
Other Investment Funds and unit trusts:						
Equities	29,735	43,109	72,844	31,669	39,413	71,082
Bonds	0	0	0	0	19,211	19,211
Infrastructure	0	1,219	1,219	0	655	655
<b>Sub-total</b>	29,735	44,328	74,063	31,669	59,279	90,948
<b>Totals</b>	<b>64,022</b>	<b>82,469</b>	<b>146,491</b>	<b>59,875</b>	<b>78,854</b>	<b>138,729</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 2013.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions used. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimation in the sensitivity analyses have followed the accounting

policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

### Asset and Liability Matching (ALM) Strategy

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

### Impact on the Police and Crime Commissioner's Cash Flows

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

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

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

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

## 15. Members' Allowances

Audit Committee's costs have been shared equally between the Police and Crime Commissioner and the Chief Constable. The below total represents the total cost for the year.

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

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

## 16. Financial Instruments including Nature and Extent of Risks Arising

The financial risks and reward are borne by the Group and the accounting, notes and supporting disclosures are held within the Group/PCC Accounts.

## 17. Partnership Schemes

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

## 18. Jointly Controlled Operations/Collaboration

The Police and Crime Commissioner is part to a number of collaborations (both regional and national). In all instances the Group accounts reflect their 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 compasses the work of a number of teams with Merseyside as the lead force. The accounts reflect our share of the income and expenditure of the various arrangements as follows:

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

The following joint operations have Cheshire as lead force:

2014-2015 Net Expenditure £000		2015-2016		
		Expenditure £000	Income £000	Net Expenditure £000
67	Joint Underwater Search Unit	68	-64	4
21	Regional Firearms	16	0	16
2,861	Armed Policing Alliance	2,768	-2,768	0
0	Regional Specialist Capability Programme	7	0	7
12	ANPR	11	-2	9
<b>2,961</b>	<b>Total</b>	<b>2,870</b>	<b>2,834</b>	<b>36</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 2015-2016		Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors
Gross Expenditure	Population %	£000	£000
Dyfed-Powys	16.71%	950	74
Gwent	18.77%	1,067	83
North Wales	22.45%	1,276	99
South Wales	42.07%	2,390	184
<b>Total:</b>	<b>100.00%</b>	<b>5,683</b>	<b>440</b>

<b>Total Income &amp; Grants</b>	<b>Population %</b>	<b>£000</b>	<b>£000</b>
Dyfed-Powys	16.71%	-950	-74
Gwent	18.77%	-1,067	-83
North Wales	22.45%	-1,276	-99
South Wales	42.07%	-2,390	-184
<b>Total:</b>	<b>100.00%</b>	<b>-5,683</b>	<b>-440</b>

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

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

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

#### **Collaboration – Third Party Payments**

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

#### **Collaboration – Grant/Self-funding**

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

## Police Pension Fund Account

As from 2006-2007 Police Officer Pensions are paid separately from the main revenue account. Employer and Employee contributions and other Pensions income are paid into the Police Pension Fund account and all the Police Pensions expenditure is paid out of the account. The Police Pension Scheme is an unfunded scheme and as such has no investment assets. Each individual Police and Crime Commissioner is required by legislation to operate a Pension Fund and the amounts to be paid into and out of the Pension Fund are specified by regulation. The Police Pension Fund Regulations 2007 provide that any deficit on the account is transferred to the main Police and Crime Commissioner accounts to balance the fund to nil. This deficit is reimbursed by the Home Office and is accounted for within the main Police and Crime Commissioner accounts. Similarly, any surplus arising from the expenditure being less than the income is required to be repaid to the Home Office by the Police and Crime Commissioner. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. Long term pension obligations are detailed within note 14 Retirement Benefits.

The Pension account is designed to discharge liabilities to pay pensions as they fall due and takes no account of pensions and other liabilities after the period end. All fund transactions are treated in accordance with the Police and Crime Commissioner's Accounting Policies as set out on pages 10 to 25. Administration of the Pension Fund is carried out through a third party contract agreement.

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

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

## **Annual Governance Statement 2015-2016**

### **1.0 INTRODUCTION AND BACKGROUND**

- 1.1 The Police and Crime Commissioner and the Chief Constable have joint governance arrangements. Therefore, many of the controls are common to both corporations sole.
- 1.2 The Police and Crime Commissioner and the Chief Constable adopted a Scheme of Delegation as from 22 November 2012 which was replaced by a Scheme of Consent as from 1 April 2014. The aim of this Scheme is to provide for proper arrangements for the management of activities on behalf of the Police and Crime Commissioner and the Chief Constable. The Commissioner has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the North Wales Police Force to account on behalf of the public. The Commissioner is responsible for the totality of policing. The Chief Constable is charged with the impartial direction and control of all police officers and staff within the police force that they lead and is responsible for maintaining the Queen's Peace. The Chief Constable holds office under the Crown, but is appointed by the Commissioner. This Scheme was in effect throughout the financial year and has been agreed by all the named Senior Officers within the Scheme and the Chief Constable and Police and Crime Commissioner for North Wales.
- 1.3 Both the Police and Crime Commissioner and the Chief Constable are required to have a Chief Financial Officer. The Police and Crime Commissioner's Chief Finance Officer has been in post since July 2013; and the Head of Finance was the Chief Constable's Chief Financial Officer until 31 January 2016 and replaced by the Director of Finance and Resources from 1 February 2016.
- 1.4 The Police and Crime Commissioner and the Chief Constable have established a Joint Audit Committee; the purpose of the Committee is to provide independent advice and recommendation to the Police and Crime Commissioner and the Chief Constable regarding the adequacy of the risk management framework, the internal control environment and financial reporting.
- 1.5 Governance is about how the Police and Crime Commissioner and the Chief Constable ensure they are doing the right things, in the right way for the right people, in a timely, inclusive, open and accountable manner. It comprises the systems, processes, culture and values, by which the organisation is directed and controlled and also the activities by which it is held to account and engages with the community it serves. This Annual Governance Statement (AGS) for the Police and Crime Commissioner and the Chief Constable describes how the organisation can show it has discharged its two overarching statutory duties during 2015-2016:
- To secure an effective and efficient police service and
  - To be accountable for the exercise of their functions and those of people under their direction and control.

### **2.0 SCOPE OF RESPONSIBILITY**

- 2.1 The Police and Crime Commissioner and the Chief Constable are responsible for ensuring their business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used effectively, efficiently and economically. They also have a duty to make arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging their overall responsibility, the Police and Crime Commissioner and the Chief Constable are also responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. The financial management arrangements conform principally with the governance requirements of the CIPFA [\*Statement on the Role of the\*](#)

[Chief Financial Officer of the Police and Crime Commissioner and Chief Finance Officer of the Chief Constable](#) and the Home Office [Financial Management Code of Practice for the Police Service of England and Wales 2013](#). Internal audit have reviewed the CFO roles and have awarded high assurance on the governance arrangements in place. They have concluded that the statutory section 151 responsibilities are discharged fully and effectively.

2.3 The Strategic Executive Board (SEB) is the forum for scrutiny of the Chief Constable by the Police and Crime Commissioner. The additional functions of the Board include:

- to take such decisions as are required by the Scheme of Governance to be taken jointly by the Commissioner and the Chief Constable; and
- to develop proposals for the delivery of the Commissioner's police and crime objectives as set out in the Plan

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

2.4 This statement explains how the Police and Crime Commissioner and the Chief Constable have complied with the Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government* and also meets the requirements of the [Accounts and Audit \(Wales\) Regulations 2014](#) as amended, in relation to the statement of internal control and the publication of an annual governance statement.

2.5 Each force area has a [Police and Crime Panel](#) to maintain a regular check and balance on the performance of the Commissioner. The Commissioner will also be required to consult with the Panel on his plans and budget for policing, as well as the level of council tax and the appointment of a Chief Constable. The panel is made up of ten local councillors and two co-opted independent members. Conwy County Borough Council is the 'Host Authority' for the North Wales Police and Crime Panel and provides the required support services for the effective operation and discharge of duties of the Police and Crime Panel.

### **3.0 PURPOSE OF THE GOVERNANCE FRAMEWORK**

3.1 The governance framework comprises the systems and processes, culture and values by which the Police and Crime Commissioner and the Chief Constable are directed and controlled and its activities through which it accounts to, engages with and leads its communities. The framework enables the Police and Crime Commissioner and the Chief Constable to monitor the achievement of their strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost effective services and the achievement of value for money.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot prevent all risk of failure to achieve policies, aims and objectives; it can provide only reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the organisation's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them efficiently, effectively and economically.

3.3 The governance framework has been in place throughout the year ended the 31 March 2016 and up to the approval of the Statement of Accounts.

### **4.0 THE GOVERNANCE FRAMEWORK**

4.1 The Chief Constable is responsible for operational policing matters, the control of police personnel and the governance of the Force. The Police and Crime Commissioner is required to hold the Chief Constable to account for the exercise of those functions and those persons under his direction and control. It therefore follows that

the Police and Crime Commissioner must satisfy himself that both he and the Chief Constable have appropriate mechanisms in place for the maintenance of good governance and that these operate effectively in practice.

4.2 A framework of governance and internal control has been created that seeks to ensure that the principles set out in the CIPFA *'Delivering Governance in Local Government'* Guidance notes for the Police 2012 are delivered.

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

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

##### **4.3.1.1 How we achieve this:**

- Our Police and Crime Plan has been communicated to the public through the website and by various engagement activities. A brief summary is included on the council tax leaflet sent to every household, either electronically or by post.
- The police and crime objectives, priorities and financial options were developed from the Police and Crime Commissioner's vision and a joint analysis of:
  - Assessment of crime and the required level of service
  - Consultation with local people
  - Consultation with partners
  - Consultation between the Police and Crime Commissioner and the Chief Constable
  - The findings of external audit and reviews by Wales Audit Office and HMIC
  - Risk assessment
- The Police and Crime Commissioner's police and crime objectives are directed and delivered by the Chief Constable and, in turn, by the Strategic Planning Board (SPB) during the year.
- The annual budget is aligned with the annual Police and Crime Plan and a Financial Strategy and Medium Term Financial Plan was approved which quantified the implications of the Police and Crime Plan and looked further ahead into 2018-2019. The Financial Strategy and Medium Term Financial Plan is revised annually with the latest version being presented to the Police and Crime Panel in January 2015.
- The Chief Constable has established a number of Boards within the governance framework. He chairs the Strategic Planning Board (SPB) which has the objective of scrutinising and overseeing the delivery of the Force savings plan, projects, collaboration and challenges the work of the Force Committees/Board:
  - The Operations Committee
  - The Communications Futures /Efficiency Committee
  - The Confidence and Ethical Standards Committee
  - The People and Logistics/Financial savings Committee
  - The Collaboration Board
- As part of the governance framework, the Chief Constable has in place further specialised committees and programme boards that report into the structure above. This ensures that all aspects of governance and stewardship are appropriately considered.
- The Force produces an overall summary of performance which is presented at each SEB meeting.

- The Police and Crime Commissioner's and Chief Constable's revenue budgets, capital budgets and savings plans were monitored internally monthly, and reported to Police and Crime Panel, SEB, SPB and the People and Logistics/Financial Savings Committee.
- A programmed approach to delivery of plans is in place via the Strategic Planning Board (SPB). The Chief Constable has ensured he is delivering quality services which are in accordance with the Police and Crime Commissioner's objectives and represent best use of resources by continually reviewing the functions and resources under his direction and control to ensure value for money police services. Quality of service is regularly monitored and meetings are held at regular intervals between County Chief Inspectors and Area Inspectors and the public and any interested groups to review and fine tune local services.

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

##### **4.3.2.1 How we achieve this:**

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

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

##### **4.3.3.1 How we achieve this:**

- The Police and Crime Commissioner and the Chief Constable did abide by the seven Nolan Principles of public life as set out in the Corporate Governance Framework.
- The Commissioner has a code of conduct and the Chief has a code of ethics and published values which underpin the standards expected of conduct and behaviour.
- The Commissioner and Chief have policies and procedures and regulations in place that comply with law and conform to appropriate ethical standards.
- The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption policy and arrangements in place which effectively manage the risk of fraud and corruption.
- The Police and Crime Commissioner's and the Chief Constable's Joint Audit Committee discharged fully all the functions as identified in the relevant CIPFA publication for Audit Committees.

- The Police and Crime Commissioner has in place procedures for receiving feedback about policing in North Wales, and decisions made by or on behalf of the Police and Crime Commissioner and his officers. He also has procedures in place for the handling of complaints about the Chief Constable.
- The Police and Crime Panel fulfil functions in relation to complaints about conduct of the Police and Crime Commissioner, in accordance with the responsibilities accorded to the Panel under the Police Reform and Social Responsibility Act.
- The Force has a confidential phone line on which individuals can leave anonymous information. These details are regularly publicised around the Force.

#### **4.3.4 Informed transparent decisions and management of risk**

##### **4.3.4.1 How we achieve this:**

- All key decisions taken include a financial impact, legal impact, equality impact and risk assessment.
- There are arrangements to record any professional advice that is required for specialist areas.
- We have an effective scrutiny function, supported by evidence & data analysis, to challenge decision makers constructively, including those who work in partnership with the Commissioner and Chief Constable.
- The post of Chief Executive to the Police and Crime Commissioner is the designated post of Monitoring Officer.
- The Chief Financial Officers for the Police and Crime Commissioner and the Chief Constable complied with the CIPFA statement *'the Role of the Chief Financial Officer of the Police and Crime Commissioner and of the Chief Constable'*.
- There is an embedded risk management culture across the organisation and at all levels.
- There are corporate and individual area risk registers which conform to approved national methodology and are regularly reviewed and updated and reported to committees and boards across the organisation.
- Our plans, processes and policies are drawn up having due regard to the risks identified.
- The Force continues to use PRINCE2 methodology for project management.
- The Strategic Control Centre provides facilities for all partners to deal with civic emergencies.
- As part of disaster recovery and business continuity planning, the Force back up call centre was exercised regularly to ensure it was fit for purpose.
- Internal Audit assesses the adequacy of our internal controls and report fully to the independent Joint Audit Committee.

- Internal and external audit examined and reported on compliance with applicable regulations and internal controls.

#### **4.3.5 *Developing Capacity and Capability***

##### **4.3.5.1 How we achieve this:**

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

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

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

## **5.0 REVIEW OF EFFECTIVENESS**

- 5.1 The Police and Crime Commissioner and the Chief Constable have responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report and also by comments made by the external auditors, the Police and Crime panel, Joint Audit Committee and other review agencies and inspectorates.
- 5.2 In accordance with regulations, the Police and Crime Commissioner and Chief Constable have reviewed the effectiveness of its internal audit service. In conclusion, the service has complied fully or partially with all public sector internal auditing standards (PSIAS). The review concluded that the internal audit service fully met the assurance performance throughout the year and primarily met the service standards set for the year.
- 5.3 As part of our governance framework and to ensure that we review our arrangements for effectiveness, we have established a Governance Board which is charged with monitoring the arrangements for compliance and to make recommendations for the development of the governance arrangements as may be required.

5.4 In assessing the governance arrangements that are in place, the Governance Board will also develop and monitor any action plans to address any governance issues identified or where improvement to current arrangements is required. A copy of the current action plan can be seen at Appendix 1 to this report.

5.5 Internal Audit carried out their annual service review of our key financial systems in 2015-2016 and provided positive reports during the year and the annual report concluded:

*In the Head of Internal Audit's opinion, the Police and Crime Commissioner and the Chief Constable can have 'medium' assurance in the overall adequacy and effectiveness of their internal control environments, including their arrangements for governance and risk management. There are no qualifications to the opinion.*

5.6 The Wales Audit Office annual audit letter for 2014-2015 gave an unqualified opinion on the accounts for the Police and Crime Commissioner and the Chief Constable and recorded that they had not identified any significant weaknesses in the overall framework. It also concluded that the Police and Crime Commissioner and Chief Constable had appropriate arrangements in place to secure efficiency, economy and effectiveness in their use of resources.

5.7 During 2015-2016 there has been consultation upon the impact of changes made to the CIPFA-SOLACE framework upon good governance guidance in the Police service. These changes will take effect in 2016-2017 and will form part of the Police and Crime Commissioner and Chief Constable's governance framework and future published annual governance statements.

## 6.0 SIGNIFICANT GOVERNANCE ISSUES

6.1 The HMIC conducted a number of inspections as part of their annual inspection programme. Issues raised are reported to the relevant Force Committee and to Strategic Executive Board. Of the reports that have been finalised no significant issues have been raised.

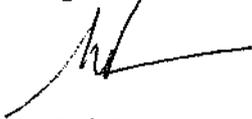
6.2 The Medium Term Financial Plan identified that £7.4m is to be cut from the budgets over the next three years. The Strategic Planning Board will continue to provide governance in developing plans to identify these savings.

## 7.0 ASSURANCE SUMMARY

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

7.1.1 However, on the basis of the review of the sources of assurance set out in this statement, we are satisfied that the North Wales Police and Crime Commissioner had in place satisfactory governance arrangements, including appropriate systems of internal control and risk management which facilitate the effective exercise of his functions.

Signed



Mark Polin,  
Chief Constable



Tracey Martin,  
Chief Finance Officer to the Chief Constable

**Annual Governance Statement - Action Plan**

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

**Partnerships and Collaboration:**

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

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

**Joint Audit Committee:**

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

## **Auditor General for Wales' report to the Chief Constable for North Wales**

I have audited the accounting statements and related notes of:

- Chief Constable for North Wales; and
- North Wales Police Pension Fund

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

The Chief Constable for North Wales's accounting statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, and related notes.

The North Wales Police Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 26, the responsible financial officer is responsible for the preparation of the statement of accounts, including the North Wales Police Pension Fund's accounting statements, which gives a true and fair view.

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

### **Scope of the audit of the accounting statements**

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

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

### **Opinion on the accounting statements of the Chief Constable for North Wales**

In my opinion the accounting statements and related notes:

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

### **Opinion on the accounting statements of the North Wales Police Pension Fund**

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

- give a true and fair view of the financial transactions for North Wales Police Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and

- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

### **Opinion on other matters**

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

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

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

### **Certificate of completion of audit**

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



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

**24 Cathedral Road  
Cardiff  
CF11 9LJ**

*The maintenance and integrity of North Wales Police's website is the responsibility of North Wales Police; 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.*