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OFFICE OF THE **POLICE & CRIME**
COMMISSIONER NORTH WALES

Introduction to the Police and Crime Commissioner's and Group Statement of Accounts **2019/20**

Introduction from the Police and Crime Commissioner

As Police and Crime Commissioner, I need to ensure that the money received by me from government grants and council tax is being used as intended to provide policing and other services in North Wales.

I am required:

- to make arrangements for the proper administration of financial affairs, and to secure that one of my officers has the responsibility for the administration of those affairs;
- to manage affairs to secure economic, efficient and effective use of resources and to safeguard assets;
and
- to approve the group statement of accounts.

I must also sign the Group Annual Governance Statement, which can be found towards the back of the Statement of Accounts documents.

The person responsible for the administration of financial affairs is Kate Jackson, my Chief Finance Officer. She has also prepared an introduction to the Statement of Accounts, which includes a summary of the most important financial information included in the accounts. She and my Chief Executive Officer, Stephen Hughes, together with staff of the Office of the Police and Crime Commissioner, support me in my responsibility to secure the economic, efficient and effective use of resources and to safeguard assets.

I am also supported by the Joint Audit Committee, whose role is to provide an independent, high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. Only by using money wisely am I able to fulfil the promises in my Police and Crime Plan. Details of achievements and performance over the same period are included in my Annual Report.

The Group Statement of Accounts is audited by Audit Wales, and they give their opinion as to whether the accounts present a true and fair view of the financial affairs, and that the accounts have been prepared in line with relevant accounting standards. They also undertake an assessment of whether I have in place appropriate arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

I am pleased to see that budgets were managed well throughout the financial year, with a small underspend reported in the year end accounts. The Head of Internal Audit's opinion for the year is positive, which gives me further assurance that control and governance is as it should be.



Arfon Jones
Police and Crime Commissioner

Introduction from the Chief Finance Officer

The Code of Practice on Local Government Accounting in the United Kingdom 2019/20 (CIPFA/LASAAC) provides us with guidance on how we should prepare our accounts to comply with International Financial Reporting Standards, and also in line with legislation, which requires us to show the balance of taxpayers' funds (the usable reserves) at the end of the financial year.

While we must comply with these requirements in preparing our Statement of Accounts, for the purposes of setting council tax and monitoring our income and expenditure, we can measure our financial performance in the year by comparing our budget with our outturn (actual income and expenditure in the year) and the impact on the usable reserves.

The Police and Crime Commissioner is the initial recipient of all income, regardless of whether the funding is used by the Office of the Police and Crime Commissioner or the Force. For this reason, in order to comply with the Code of Practice on Local Government Accounting, within the accounts you will see much higher amounts in the Police and Crime Commissioner's accounts than you would expect to see based on the expenditure controlled by his Office. Similarly, there are items which must feature on the Police and Crime Commissioner's balance sheet, because the Chief Constable is not allowed to own them, such as land and buildings, and surpluses or deficits on the pension funds. The group column on each of the statutory statements shows the overall position, after adjusting for transfers between the two bodies.



Kate Jackson
Chief Finance Officer

AT THE END OF THE FINANCIAL YEAR, THE POLICE AND CRIME COMMISSIONER TRANSFERRED £1.521M TO RESERVES:

Revenue Expenditure	Revised Budget 2019/2020	Outturn (Actual) 2019/20	Variance Over/(Under) spend
	£m	£m	£m
Employee costs	135.815	135.652	(0.163)
Non-staff running costs	34.149	33.817	(0.332)
Capital financing from revenue budget	2.998	2.998	-
Community safety fund	1.567	1.518	(0.049)
Partnerships	2.785	2.785	-
Income	(23.750)	(25.487)	(1.737)
Net revenue expenditure	153.564	151.283	(2.281)
Capital financing from reserves	3.536	1.460	(2.076)
Net operating expenditure	157.100	152.743	(4,357)
Transfers to/(from) earmarked reserves	(3.633)	0.724	4.357
Transfers to/(from) general reserve	0.797	0.797	-
Total transfers to/(from) reserves	(2.836)	1.521	4.357
Net overall expenditure	154.264	154.264	-

The primary reasons for the £2.281m revenue underspend are:

- **Employees - underspend £0.163m.**

This is the net effect of a number of items, with an overspend of £0.838m in officer pay and overtime more than offset by underspends including staff pay and overtime (underspend £0.239m), training and other costs (underspend £0.253m) and direct pension payments (underspend £0.472m). A significant proportion of the overspend in officer pay is related to the force being proactive in recruiting additional officers to meet the Operation Uplift target. The underspend in direct pension payments related primarily to delays in retirements, and for this reason it was decided to allocate £0.200m to the Ill Health Reserve.

- **Premises - underspend £0.226m**

Works in Llandygai and security works of £0.176m were delayed. As a result, instead of drawing £0.141m from the Estates Security and Maintenance Reserve, as planned, to fund these projects, the reserve was increased by £0.046m.

- **Transport - underspend £0.181m**

This is in line with the previous projection, with the largest underspend arising from Car and Travel Allowances (£0.125m).

- **Supplies and Services - overspend £0.495m**

This is a combination of a number of smaller under and overspends, the largest of these being £0.140m for IT and Communications.

- **The Inflation and General Contingency of £0.420m was unspent at the end of the year.**

- **Additional income has been received amounting to £1.737m. Significant items include:**

- Income from secondments was £0.481m in excess of the budget
- Income from Police led Prosecutions was £0.148m in excess of the budget.
- Tuition fee income was £0.097m in excess of the budget.
- Additional reimbursements amounting to £0.340m were received in respect of:
 - Regional Insourcing Project
 - Firearms Alliance
 - Go Safe
- Additional grant income of £0.242m announced in the last quarter of the year includes:
 - PEQF
 - Taser
 - Cyber

Included above is the cost of the Office of the Police and Crime Commissioner. The revised budget for the year was £833,648 and the outturn was £854,435. The overspend relates to £20,000 for the Youth Engagement Project (decision notice [DM.2019/11](#)).

The Office of the Police and Crime Commissioner is responsible for commissioning services to support the Police and Crime Plan. In addition to the Commissioner's Community Safety budget, £2.785m of grant-funded expenditure was administered by the Office of the Police and Crime Commissioner during the financial year. This included Ministry of Justice grant to support victims of crime, and from Welsh Government for the VAWDASV programme.

A reconciliation between the outturn and the Income and Expenditure Statement is shown on page 11 of the Statement of Accounts.

The table above includes the effect, on the income and expenditure account and reserves, of capital expenditure during the year. The capital programme comprises expenditure on assets with a useful life of more than one year, such as land, buildings, vehicles and some IT equipment. When assets are sold, receipts in excess of £10,000 must be transferred to the Capital Receipts Reserve, and can be used only to fund the capital programme or to repay debt. (In contrast, the earmarked reserve called the Capital Reserve derives from revenue, and the Commissioner may transfer amounts between the general fund and any earmarked reserve as he sees fit, and these reserves are reviewed regularly to ensure they are allocated suitably to deliver the Commissioner's plans.)

The Command and Control system requires a significant upgrade. The estimated cost of this is in excess of £2m; the budget approved for this purpose in January 2020 will be insufficient to fund this. Therefore, it is anticipated £1.7m of the revenue underspend (transferred to reserves at the end of the financial year) will be required for this purpose. The final decision is subject to the business case being approved, and the budget for the scheme will be determined at that point.

The original capital programme for 2019/20 was £6.667m. Taking into account slippage from 2018/19 and some minor additions and deletions, this increased to £9.176m. The capital outturn for 2019/20 was £6.374m. The majority of the variance will be carried forward (slippage – the money is required for works not yet completed). Every variance is considered individually to assess whether it has arisen as a result of a saving (the project cost less than the budget) or timing differences (slippage).

North Wales Police had planned to receive 22 vehicles during March 2020, but due to the Covid19 pandemic, these were actually received during April and May 2020.

The largest amount of slippage (both in percentage and cash terms) relates to IT and Communications. This was an ambitious programme, and it was not possible to deliver a number of projects within the financial year. The largest single item within this section relates to the National Enablement Programme (NEP) with slippage of £0.491m. Being a national scheme, this contains a number of elements over which we have limited control, and many of our own schemes have interrelationships with NEP. The IT and Communications programme continues to be monitored carefully to ensure funding is allocated to schemes which will bring the most benefit to North Wales Police.

Scheme	Budget 2019/20 (reprofiled) £'000	Expenditure 2019/20 £'000	Underspend/ Slippage
Estates	1,371	1,079	292
Vehicles & equipment	2,342	1,878	464
IT & Communications	5,463	3,417	2,046
Total Capital Programme	9,176	6,374	2,802

INTRODUCTION TO PCC'S & GROUP STATEMENT OF ACCOUNTS

The Police and Crime Commissioner is required to hold reserves. He is not allowed to set a budget which would leave the usable reserves overdrawn. A summary of the movement in reserves follows. Further information can be found within the [Statement of Accounts](#).

Movement in Reserves 2019-20	Balance 31 March 2019 £'000	Restatement 31 March 2019 £'000	Transfers out 2019-2020 £'000	Transfers in 2019-2020 £'000	Total Movement £'000	Balance 31 March 2020 £'000
General reserve	4,392	-	-	797	797	5,189
Earmarked Reserves:						
Capital reserve	2,060	-	(801)	1,743	942	3,002
Pensions ill health reserve	915	-	-	200	200	1,115
PFI reserve	4,333	(1,200)	-	44	(1,156)	3,177
Major incident reserve	2,435	-	-	-	-	2,435
Insurance reserve	1,173	-	-	-	-	1,173
Estates security and maintenance reserve	1,033	1,200	(131)	177	1,246	2,279
Partnerships balances reserve	653	-	-	21	21	674
Management of change reserve	5,949	-	(659)	-	(659)	5,290
Training reserve	-	-	-	100	100	100
Commissioner's community safety fund	461	-	-	49	49	510
Legal reserve (OPCC)	56	-	-	-	-	56
Office of the Police and Crime Commissioner reserve	182	-	(19)	-	(19)	163
Total Earmarked Reserves	19,250	-	(1,610)	2,334	724	19,974
Total revenue reserves	23,642	-	(1,610)	3,131	1,521	25,163
Capital receipts reserve	9	-	(310)	355	45	54
Total usable reserves	23,651	0	(1,920)	3,486	1,566	25,217

The usable reserves (shown above) represent the balance of taxpayers' funds that the Police and Crime Commissioner held on 31 March 2020. The balance sheet also includes unusable reserves, which are created from the transactions required for the accounting statements to comply with International Financial Reporting Standards.

While the Covid-19 pandemic had a minimal impact during 2019/20, with the lockdown beginning only one week before the end of the financial year, I anticipate there will be differences in income and expenditure during 2020/21 as a result of this. Almost one third of the overall workforce is currently working from home, visiting police premises only occasionally if necessary. Police officers are being issued with internet-enabled devices, and are able to do more of their work away from our buildings. The Police and Crime Commissioner has published his [Covid-19 Response Plan](#) and many of the actions from this feature within the Annual Governance Statement, which can be found towards the end of the Statement of Accounts.

Overall, the accounts show that the Police and Crime Commissioner and Chief Constable have managed their funding well in 2019/20 with a slight revenue underspend at the end of the year, being only 1.5% of the overall budget. Total revenue reserves at the year-end stood at 16% of the annual budget (the equivalent of just under 2 months' expenditure). With the need to upgrade the control room system in the medium-term, the demands arising from the Covid-19 pandemic, and continued uncertainty over future funding, these reserves will be key to our ability to be able to continue to deliver services to the public in North Wales.