

**NORTH WALES POLICE & CRIME COMMISSIONER
GROUP STATEMENT OF ACCOUNTS
2020 – 2021**

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Narrative Report

Group Accounts – Narrative Report by the Chief Finance Officer, Kate Jackson

INTRODUCTION

This Narrative report aims to provide a commentary around how resources have been used by the organisation to achieve its desired outcomes. It is subject to independent scrutiny by our appointed external auditors and the aim is to produce a report that is fair, balanced and understandable.

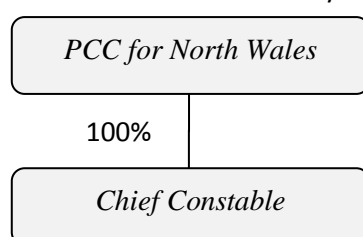
To that end the narrative report starts by clarifying the responsibilities of the Police & Crime Commissioner with sections on the organisation's Strategic Priorities, Operational and Financial Performance, Future Outlook and important content relating to the main Statement of Accounts then following on within the report.

GOVERNANCE & RESPONSIBILITIES

2020-2021 marks the ninth 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 established both the Police and Crime Commissioner and the Chief Constable as corporations sole, each deemed a separate legal entity that can employ staff, enter into contracts and take part in legal proceedings. The Police and Crime Commissioner has the responsibility to secure the maintenance of an efficient and effective police force and will commission the delivery of this from the Chief Constable. The Act has also established Police and Crime Panels for each policing area whose role is to hold the Police and Crime Commissioners to account for their decisions and actions.

In practice the two corporations sole are required to prepare their own statutory single entity Statement of Accounts, in accordance with the Code of Practice on Local Authority Accounting and relevant International Financial Reporting Standards. The Police and Crime Commissioner is also required to produce a set of Group Accounts. The Police and Crime Commissioner is identified as the holding organisation and the Chief Constable is deemed a wholly owned subsidiary. A more detailed review of the governance arrangements in place is included later in this document in the form of the Annual Governance Statement but 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.



The Statement of Accounts for 2020-2021 provides a picture of the financial position at 31 March 2021 and a summary of the income and expenditure in the year to 31 March 2021.

NORTH WALES STRATEGIC PRIORITIES

North Wales is regarded as one of the most beautiful places to live and visit in the UK.

With a population of 687,500, the North Wales force area covers an area of 6,300 square kilometres extending from Bronington in the East to Aberdaron in the West and from Cemaes Bay in the North to Aberdyfi in the South.

The Force area covers the six geographic counties of North Wales, namely Gwynedd, Anglesey, Conwy, Denbighshire, Flintshire and Wrexham and is serviced by a single Health Board, Betsi Cadwaladr University Health Board and by the North Wales Fire and Rescue Service and Authority. The area is also serviced by the National Probation Trust and the Welsh Ambulance Service Trust.

North Wales encompasses both urban and rural areas including two cities, the Snowdonia National Park, two significant ports (Holyhead in Anglesey and Mostyn in Flintshire), expanding industrial regions and numerous busy towns, many of which attract a high volume of tourists during the summer months.

Key objectives and performance priorities are set out in the Police and Crime Plan 2017-2021. The priorities in the plan have been developed in response to the areas of greatest threat, risk and harm facing North Wales following an extensive consultation process.

PCC elections were due to be held in May 2020, however, due to the COVID pandemic these were postponed until May 2021. The PCC produced a COVID Response Plan which confirmed that the priorities identified in the Police and Crime Plan 2017-2021 would remain in place.

These priority areas identified in the Police and Crime Plan 2017-2021 are:

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

Furthermore, as part of the COVID response plan the PCC set out a further five focus points in order to deal with the emergency situation, these were:

1. Ensuring the Chief Constable has sufficient resources to respond to the emergency
2. Ensuring, on behalf of our communities, that the police respond in ways that are necessary, sufficient, proportionate and ethical (holding to account)
3. Facilitating effective partnership working among agencies and groups working in community safety and criminal justice
4. Commissioning services, particularly for victims of crime, and providing grants for policing and harm reduction purposes
5. Ensuring that the long term health of North Wales Police is protected by monitoring the organisation's recovery planning and activity beyond the Covid-19 emergency

With the overall priorities set by the PCC, the Chief Constable's Delivery Plan sets out the specific actions North Wales Police will take to deliver these priorities. Of note is the importance of partnership working to tackle them.

All priority areas present issues beyond policing and an effective response can be delivered only in partnership as reflected in the schematic below:



The Police and Crime Plan 2017-2021 and the COVID response Plan are available on the PCC's Website <https://www.northwales-pcc.gov.uk>

The Chief Constable's 'plan on page' for 2020-2021 is outlined below:

 <p>HEDDLU GOGLEDD CYMRU NORTH WALES POLICE</p>	<p>Our Vision - what we aspire to Making North Wales the safest place in the UK</p>	<p>Plan on a Page 2020/21</p>		
<p>Our Public - who we serve</p> <p>With a focus on public engagement:</p> <ul style="list-style-type: none"> • Public have confidence in North Wales Police • Victims get a quality service 				
<p>Policing Delivery - what we do</p> <table border="1"> <tr> <td data-bbox="76 510 555 745"> <p>Prevent Crime and Pursue Offenders</p> <p>With a focus on priority crime:</p> <ul style="list-style-type: none"> • Domestic Abuse • Modern Slavery • Serious and Organised crime • Sexual Abuse including Child Sexual Exploitation • High impact crime including knife crime, gun crime, robbery and burglary </td> <td data-bbox="555 510 1013 745"> <p>Protect Communities</p> <p>With a focus on problem solving:</p> <ul style="list-style-type: none"> • Respond effectively • Provide Safe Roads • Preventative Policing • Use Police Powers Proportionately • High Investigative standards </td> </tr> </table>		<p>Prevent Crime and Pursue Offenders</p> <p>With a focus on priority crime:</p> <ul style="list-style-type: none"> • Domestic Abuse • Modern Slavery • Serious and Organised crime • Sexual Abuse including Child Sexual Exploitation • High impact crime including knife crime, gun crime, robbery and burglary 	<p>Protect Communities</p> <p>With a focus on problem solving:</p> <ul style="list-style-type: none"> • Respond effectively • Provide Safe Roads • Preventative Policing • Use Police Powers Proportionately • High Investigative standards 	
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<p>Internal - how we deliver</p> <table border="1"> <tr> <td data-bbox="76 790 555 1003"> <p>People, Learning and Growth</p> <p>With a focus on digital innovation:</p> <ul style="list-style-type: none"> • People are engaged and their wellbeing is supported • People have the right skills and are in the right place • People support and deliver organisational improvement and in particular digital innovation • Our workforce is representative </td> <td data-bbox="555 790 1013 1003"> <p>Financial</p> <p>With a focus on value for money:</p> <ul style="list-style-type: none"> • Budgets are balanced • Efficient use of resources • Effective use of resources </td> </tr> </table>		<p>People, Learning and Growth</p> <p>With a focus on digital innovation:</p> <ul style="list-style-type: none"> • People are engaged and their wellbeing is supported • People have the right skills and are in the right place • People support and deliver organisational improvement and in particular digital innovation • Our workforce is representative 	<p>Financial</p> <p>With a focus on value for money:</p> <ul style="list-style-type: none"> • Budgets are balanced • Efficient use of resources • Effective use of resources 	<p>gwnedud Gogledd Cymru'r lle mwyaf diogel yn y DU making North Wales the safest place in the UK</p>
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OPERATIONAL PERFORMANCE

The Statement of Accounts is primarily focused upon the financial performance for the year; however, it is also important to consider key objectives and performance set out in the Police and Crime Plan 2017-2021. The priorities in the plan have been developed in response to the areas of greatest threat, risk and harm facing North Wales following an extensive consultation process. Despite the unique circumstances the force retained its focus on value for money both in terms of its response to Covid-19 and its wider approach to service delivery.

Achievements in 2020-2021 included:

- responding to the Coronavirus emergency and fulfilling statutory responsibilities as the Commissioner's core priority;
- publishing the Coronavirus Response Plan, which outlined actions and aims to keep North Wales safe in the midst of the pandemic;
- PCC commissioned services continuing to operate in support of vulnerable people;
- on behalf of our communities ensuring that the police respond in ways that are necessary, sufficient, proportionate and ethical;
- Recruiting of an additional 62 Officers to resource growth, meeting the Operation Uplift increase in Officers early in the financial year.
- Increasing resources and the associated capacity and capability within the Protecting Vulnerable People Unit;
- Establishing the new Economic Crime Unit within the force;
- Enhancing the capacity and capability of the force in the following areas:
 - Additional resources within the Major Crime Team;
 - Additional Response Officers;
 - Additional Training and Mentoring Officers;
 - Additional Training and Health and Wellbeing Staff;
 - Additional Corporate Support Officers and Staff;
 - Additional Crime Intelligence Staff;

- Delivering substantial investment and progress in relation to Digital Transformation including a step change in the force's ability to operate in an agile manner;
- Investment and progress against the Force Estate's strategy including refurbishment of Pwllheli Police Station;

Impact of COVID 19

The impact of Covid 19 and the resulting lockdown periods had a large impact on the demands on Policing throughout 2020-2021. None of the priorities remained untouched by changes in demand or the influence of easing lockdowns.

As a whole, crime demand reduced by the order of 10% overall, with the crime types most affected being residential burglary, vehicle crime, sexual offences, and violence. Whilst domestic abuse was widely reported in the media as being a greatly increased issue due to lockdown, this manifested itself in calls to helplines, but not in police recorded crimes, which was the case nationally as well as within North Wales Police. However, on the first easing of lockdown in June 2020, there was an initial escalation in reporting levels of domestic abuse, which included a large number of historical and additional offences reported, supporting the view that these had been suppressed during lockdown.

Residential burglary was not similarly affected by lockdown easing, and remains suppressed for the time being; potentially due to the increased levels of home working that persist. One area that increased during the lockdown periods was anti-social behaviour, with neighbourhood disputes becoming an increased factor.

As would be anticipated road related incidents reduced dramatically under lockdown conditions, but returned to normal quickly when restrictions were eased. Response times to immediate priority incidents improved during lockdown periods due to lower number of incidents.

Public safety and confidence

The annual public confidence survey was run in September and October 2020 and in addition to the usual questions about the public perception of policing, included additional questions about the Policing of Covid 19 lockdown periods.

- Over 9 in 10 (93%) residents were confident in North Wales Police generally, which is significantly higher by 4 percentage points when compared with the 2019 survey (89%).
- More than 9 in 10 (92%) residents felt safe from crime and disorder living in North Wales generally; with just over a third (36%) feeling very safe, and only 6% felt unsafe. The proportion of residents who felt safe is significantly higher by 6 percentage points when compared with the 2019 survey (86% in 2019).
- The proportion of residents who feel North Wales is safer than the rest of the UK has increased significantly by 8 percentage points to 80%, when compared with the 2019 survey (72% in 2019).
- Seven in ten (70%) residents feel that the police struck a good balance with regards to the application of COVID-19 lockdown rules and regulations. Around a quarter (23%) disagreed – with most arguing that the police have been too lenient (20%), although a small selection (3%) said that they have been too strict.

There has been significant, and at times very different, demand placed on the police service in 2020-2021 policing under COVID restrictions as well as dealing with the threats in crimes of terrorism, sexual exploitation and cyber-crime. During the 2020-2021 the Force had to re-align its priorities to deal with the COVID policing requirements, while also protecting the vulnerable in society in line with the priorities in the Police and Crime Plan 2017-2021. The Police and Crime Commissioner produces an Annual Report to detail performance for the year which can be found [here](#).

Challenges still exist for the Police Service due to the level of imposed cuts over the last ten years coupled with continued uncertainty over government funding. The Police and Crime Commissioner has implemented a budget strategy to deliver the required savings over the period and as part of this has identified and delivered £2.358m of savings during 2020-2021. As part of the strategy, the level of reserves and provisions currently held is considered prudent and the general reserve of £5.417 million is slightly over 3% of the net revenue expenditure for the current 2021-2022 financial year which is within the acceptable range of 3% to 5% as defined in the Medium Term Financial Plan.

CORPORATE RISK

A Joint Risk Management Framework is shared by the Police & Crime Commissioner and Chief Constable to identify, evaluate and manage the risks faced by the respective organisations. The framework defines the steps that are required to gain the necessary understanding to support effective decision making.

Under the scrutiny of the Joint Audit Committee the Force has looked to develop its risk management framework over the course of the year. Over the course of the year the Corporate risk registers have tracked the emergence of new risk, the closing of existing risk and also changes in the risk level occurring over the course of the year. The risk management framework itself has also been the subject of an annual review which included developing the Force's Risk Appetite statement, strengthening the documentation and approach in this area.

As would be expected, a Pandemic risk features on the Force risk register and given Covid-19 events, a sub-Covid-19 risk register has also been created and monitored over the course of the year.

Other key Corporate Risks identified, tracked or monitored by the joint framework during 2020-2021 included: adequate financial resources being available to deliver service plans; potential impacts of EU exit, the impact of Covid-19 on service delivery, the potential impacts of Pension reform across Policing and various other risks associated with business change events.

Reviewing, monitoring and managing all these corporate risks on their merits over the course of 2020-21 has been especially important given the difficult context presented by Covid-19.

FINANCIAL PERFORMANCE

2020-2021 Budget

The Police and Crime Commissioner operated with a Net Revenue Budget of £163.705m for 2020-2021 which was formally set at a meeting of the Police and Crime Panel on 31 January 2020 and equated to a 6.12% increase to the base revenue budget consisting of:

- Increase in precepts of 4.89%;
- Increase in Government funding of 7.48% directed at increasing Officers numbers via Operation Uplift;

The CFO delivered a presentation and report for the panel outlining the precept proposal which was subject to scrutiny in the meeting. The precept proposal was approved unanimously.

The increase in Government Grants was directed towards recruiting, training, infrastructure and pay for an additional 62 Police Officers (Operation Uplift), with any unallocated amount in 2020-2021 to be used to fund future Uplift costs, this equated to £1.577m for North Wales.

2020-2021 Net Revenue Outturn & Net Transfer to Reserves

Actual net operating expenditure for 2020-2021 was an outturn of £157.991m resulting in a net transfer to Group revenue reserves of £5.714m which is 3.5% of the Net Revenue Budget of £163.705m. This transfer to reserves is split as per the below:

	£m
Earmarked Reserves	4.406
Forensic Collision Investigation Reserve	1.080
General Reserves	<u>0.228</u>
Net Transfer to Group Reserves	<u>5.714</u>

The overall net movement in Earmarked reserves (including the FCIN figure above where North Wales Police acts as a host force for wider policing) is summarised below:

	£m	£m
Earmarked Reserves at 31 March 2020		19.974
Planned movements to earmarked reserves	-0.437	
New Earmarked Reserves	3.157	
FCIN Reserve	1.080	
Management of Change	1.686	
Net Movement		5.486
Earmarked Reserves at 31 March 2021		25.460

Further context for the Earmarked reserve net movement of £5.486m was:

- £0.437m being a planned and committed net movement from earmarked reserves;
- £3.157m being contributions mainly funded from Government funding for future events, namely Uplift £1.577m; Emergency Service Network (ESN) £0.158m; COVID and COVID Recovery £0.597m and Police Education Qualifications Framework (PEQF) £0.325m; and also £0.500m from delayed expenditure on training due to COVID going to the Training Reserve;
- £1.080m related to contributions to earmarked reserves relating to the Forensic Collision Investigation Network which North Wales Police host on behalf of all Policing areas;
- £1.738 being the net contribution to the Management of Change reserve;

The increase to the General Reserve of £0.228m represents the amount needed to ensure the General reserve is maintained at the minimum level of 3% of net revenue budget.

Analysis of Outturn v Total Budgeted Operational Expenditure

Operating expenditure for the year increased by 4.1% on prior year to £157.991m (2020-2021: £152.743m), however overall there was a £4.813m underspend variance to budgeted operating expenditure of £162.804m. This variance is further explained below.

	£m
Employee pay overspend	0.735
Employee other underspend	-1.024
Direct Pension underspend	-0.309
Premises underspend	-0.663
Transport underspend	-0.668
Inflation & General Contingency underspend	-0.250
Other non-staff underspend	-0.403
Additional income and recharges	-0.616
Additional Specific Grants Received	<u>-1.615</u>
Total revenue underspend	-4.813

The outturn position on spend and financing is provided in the table below with further explanation of the key variances to follow:

ACTUAL 2019-2020 £m	REVENUE EXPENDITURE	BUDGET 2020-2021 £m	ACTUAL 2020-2021 £m	VARIANCE + (-) £m
132.819	EMPLOYEE COSTS	140.264	139.975	-0.289
2.833	POLICE PENSIONS	3.771	3.462	-0.309
33.817	NON STAFF RUNNING COSTS	36.246	34.159	-2.087
2.998	CAPITAL FINANCING	4.688	4.799	0.111
1.460	CAPITAL FINANCING FROM RESERVES	0.000	0.000	0.000
4.303	PCC COMMUNITY SAFETY FUND AND PARTNERSHIPS	5.208	5.200	-0.008
0.000	FCIN	1.306	1.306	0.000
-25.487	INCOME	-28.679	-30.910	-2.231
152.743	OPERATING EXPENDITURE	162.804	157.991	-4.813
2.184	TRANSFERS TO/-FROM EARMARKED RESERVES (REV)	0.901	5.486	4.585
-1.460	TRANSFERS TO/-FROM EARMARKED RESERVES (CAP)	0.000	0.000	0.000
0.797	TRANSFER TO/-FROM GENERAL RESERVE	0.000	0.228	0.228
154.264	NET EXPENDITURE	163.705	163.705	0.000
	FINANCED BY:			
73.234	TOTAL GRANTS	78.715	78.715	0.000
81.030	COUNCIL TAX PRECEPT	84.990	84.990	0.000
154.264	TOTAL FINANCING	163.705	163.705	0

Further Analysis of Revenue Outturn – Underspend £4.813m

Primary reasons for the underspend outlined above were as follows:

Employee costs – Pay Overspend £0.735m

The target recruitment of 62 additional Police Officers towards the Operation Uplift increase was achieved early and maintained throughout the year. Planned additional recruitment above the target was put in place during the year in order to attain the target number of Officers early in 2021-22, which included some transferees. This led to increased costs when compared with the original budget. Staff vacancies were kept to a minimum throughout the year, with extra agency staff being employed to cover additional work relating to the COVID pandemic.

Employee other costs - Under spend £1.024m

The majority of the underspend relate to training (£0.738m). A training moratorium was put in place during the first lockdown period and external training reduced considerably during the whole year. Overtime was underspent by £0.145m as staffing levels were high and absence low during the year. The balance of the underspend related to allowances.

Direct Pension Costs – Underspend £0.309m

This related mainly to 3 fewer Ill Health Retirements than budgeted (with the numbers to occur in future anticipated to be proportionately higher).

Non Staff running costs

The main variances are analysed below:

- **Premises – Underspend £0.663m**

Specific works of £0.394m were delayed. Energy budgets were underspent by £0.140m due to a combination of usage and price stability. An underspend of £0.110m resulted from a reduction in the PFI charge relating to the Life Cycle Fund previously held by the PFI providers.

- **Transport – Underspend £0.668m**

Car and Travel allowances were underspent by £0.227m as officers and staff worked from home, with less or no travel to meetings. Vehicles running costs were underspent by £0.441m, £0.329m of which related to fuel costs as fuel prices and usage in some areas outturned lower than budgeted.

- **Inflation and General Contingency – Underspend £0.250m** – Contingencies were held back in case of any non COVID requirements in quarter 4 should they have materialised. Given they didn't contingencies were re directed to cover additional COVID costs rather than fund these costs from reserves.

- **Other non staff – Under spend £0.403m**

A number of headings underspent including Uniforms, Stationery, and other volume crime related costs as operational requirements changed.

Income - Additional income £2.231m

Significant items driving the variance include:

- **Secondments and other recharges income - £0.464m** in excess of the budget.
- **Other income - £0.308m** in excess of the budget as income improved in the second half of the year.
- **Additional grant income - £1.615m** announced Q4 including COVID grants, ESN; and additional claims awarded for PCSOs and Security grants. A total of £1.468m COVID grants were received to support operational activities.

Office of the Police & Crime Commissioner – Underspend £0.102m

Included above is the cost of the Office of the Police and Crime Commissioner. The revised budget for the year was £0.930m and the outturn was £0.828m. The underspend related mainly to the Deputy Commissioner role being vacant; other significant underspends were experienced in travelling and office running costs, as all the staff worked from home and did not travel to meetings.

The Office of the Police and Crime Commissioner is responsible for commissioning services to support the Police and Crime Plan which amounted to £5.2m in 2020-2021. This was funded from the Commissioner's Community Safety budget and grants including Ministry of Justice grant to support victims of crime, and from Welsh Government for the VAWDASV programme. This expenditure was administered by the Office of the Police and Crime Commissioner during the financial year.

Forensic Collision Investigation Network FCIN

North Wales Police has agreed to host the FCIN in order to enable the accreditation of collision investigations nationally. All Policing areas in England and Wales have signed a collaboration agreement which includes the funding of the FCIN. 2020-2021 was the first year for FCIN, contributions and transfer of previous funds exceeded costs by £1.080m, this amount has been set aside within the reserves to fund future FCIN costs governed by the FCIN National Board.

Further Analysis of Capital Financing

The original Capital Budget was £9.906m, including the carry forward from 2019-20 this increased to £12.677m at the end of quarter 1. Due to a number of reasons as detailed below, and including the effect of COVID on internal and external resources, the projection was reduced to £8.491m at the end of quarter 2 and then to £6.087m at the end of quarter 3. Actual expenditure was £5.258m.

A summary is given below with the variance column analysing the difference between the Q3 Revised Budget and Actual outturn:

<u>Capital Outturn 2020-2021</u>	2020-2021 Original Budget £000	2020-2021 Original with C/F Budget £000	2020-2021 Revised Q2 Budget £000	2020-2021 Revised Q3 Budget £000	2020- 2021 Actual £000	2020- 2021 Variance from Q3 £000
Total Building Works	4,529	4,701	2,911	1,889	1,669	-220
Total Vehicles and Other Equipment	2,231	2,807	2,417	2,033	1,727	-306
Total Information Technology and Communication	3,146	5,169	3,163	2,165	1,862	-303
Total Capital Expenditure	9,906	12,677	8,491	6,087	5,258	-829
Home Office Grant	123	123	123	123	123	0
Revenue Contribution	2,413	2,553	2,690	2,691	2,846	155
Earmarked Reserves	1,608	3,506	1,403	539	0	-539
Capital Receipts	155	203	203	55	88	33
Borrowing for Estates	4,141	4,440	2,446	1,854	1,459	-395
Borrowing for replacement programme	1,466	1,852	1,626	825	742	-83
Total Funding	9,906	12,677	8,491	6,087	5,258	-829
Source of funding						
External sources	123	123	123	123	123	0
Own resources	4,176	6,262	4,296	3,285	2,934	-351
Debt	5,607	6,292	4,072	2,679	2,201	-478
TOTAL	9,906	12,677	8,491	6,087	5,258	-829

Key elements of the capital programme driving the figures are outlined below:

- **Building and Estates Work** – The largest project was the refurbishment of Pwllheli Police Station, this was delayed by 3 months due to COVID, but being reoccupied in May 2021. Works within the HQ building in Colwyn Bay were completed. The site for a new Vehicle Commissioning Centre was purchased in the final quarter of the financial year, for development in 2021-2022. The key variances against the original budget were driven by deferral of expenditure in relation to Holyhead Police Station, the new VCC and Caernarfon Station.
- **Vehicles and Equipment** - The vehicle replacement programme progressed well in 2020-2021, after facing considerable challenges with COVID affecting factories and deliveries, as well as the complications of Brexit on the supply chain. The majority of vehicles were delivered before the end of the year. Replacement of specific equipment was delayed but is expected to progress in 2021-2022.
- **IT and Communications** – A substantial cross-cutting Digital and IT upgrade programme was commenced in 2019-2020 and continued in 2020-2021. This included implementation of personal issue lap top and body worn video equipment for officers who previously shared equipment, national projects, and other smaller upgrades and developments within the Force's infrastructure. The under spend of just over £2m in 2019-2020 reflects the complexity of the ambitious programme set at the beginning of the year, which includes inter-relationships between the individual schemes. Some of the projects are nationally driven which can result in delays beyond the Force's direct control. Work on the programme has continued in 2020-2021 with the programme remaining a key strand of to deliver its response to COVID and its wider strategy. The pandemic did have an effect on the programme with resources having to be redeployed to enable around 800 additional individuals to work from home from the start of the first lockdown. The key variances against original budget were driven by deferral of the Mobile App and associated Mobile Phone refresh expenditure and a deferral of some expenditure in relation to the Command & Control upgrade despite good progress being made.
- Some of the projects are nationally driven which can result in delays beyond the Force's direct control.
- The largest element of the IT programme was to provide Officers with 2 in 1 laptops as part of the Connected Officer and Digital Workplace Projects. These were being deployed in the last quarter of 2019-2020 which assisted with COVID policing, with the projects continuing throughout 2020-2021 and now nearing completion.
- One of the largest projects was the National Enablement Programme (NEP). The NEP is designed to provide policing with the tools and capabilities needed for the future (including tools such as Office365). Collaboration

at a national policing level will be enabled allowing digital communications and mobile technology to be better utilised locally, regionally and nationally. The NEP is being rolled out in 2021-2022 with the infrastructure already in place.

- A number of smaller projects were put on hold or delayed as priority was given to implementing the larger projects which were critical work streams for the wider organisation moving into 2021-2022 .
- During the COVID lockdown period a moratorium on ICT Changes was put in place on non COVID related IT developments which has resulted in a number of projects being carried forward into 2021-2022.

RECONCILIATION OF FUNDING AVAILABLE & GAAP

The earlier sections of this report shows how the funding available to the Police and Crime Commissioner (i.e. government grants and council tax) for the year have been allocated to provide services in comparison with the original budget set. It is on this basis that the expenditure and income is managed on a day to day basis.

However, the primary statements that follow within the Statement of Accounts are prepared and presented in accordance with generally accepted accounting practices, and show the accounting cost in year rather than the amount to be funded from taxation. The differences are detailed in Note 7 Adjustment between accounting basis and funding basis under regulations.

RESERVES, PROVISIONS, SOURCES of INCOME & BORROWING:

Reserves

The movement in reserves are shown in the table below:

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

Movement in Reserves 2020-2021	Balance at 31 March 2020 £m	Transfers Out 2020-2021 £m	Transfers In 2020-2021 £m	Total Movement 2020-2021 £m	Balance at 31 March 2021 £m
General Reserve	5.189	0.000	0.228	0.228	5.417
Earmarked Reserves					
Capital Reserve	3.002	0.000	0.000	0.000	3.002
Pensions ill health reserve	1.115	-0.140	0.000	-0.140	0.975
PFI Reserve	3.177	-0.071	0.000	-0.071	3.106
Major Incident Reserve	2.435	0.000	0.000	0.000	2.435
Insurance Reserve	1.173	0.000	0.000	0.000	1.173
Estates Security and Maintenance	2.279	-0.490	0.103	-0.387	1.892
Partnerships Balances Reserve	0.674	-0.050	0.109	0.059	0.733
Management of Change Reserve	5.290	-0.259	1.945	1.686	6.976
Training Reserve	0.100	0.000	0.500	0.500	0.600
Uplift Reserve	0.000	0.000	1.577	1.577	1.577
ESN Reserve	0.000	0.000	0.158	0.158	0.158
COVID Reserve	0.000	0.000	0.597	0.597	0.597
PEQF Reserve	0.000	0.000	0.325	0.325	0.325
FCIN Reserve	0.000	0.000	1.080	1.080	1.080
Commissioners Community Safety Fund	0.510	-0.089	0.087	-0.002	0.508
Legal Reserve (OPCC)	0.056	0.000	0.054	0.054	0.110
Office of the Police & Crime Commissioner Reserve	0.163	0.000	0.050	0.050	0.213
Total Earmarked Reserves	19.974	-1.099	6.585	5.486	25.460
Total Revenue Reserves	25.163	-1.099	6.813	5.714	30.877
Capital Receipts Reserve	0.054	-0.088	2.118	2.030	2.084
Total all reserves	25.217	-1.187	8.931	7.744	32.961

The Police and Crime Commissioner's reserves are required to meet any unforeseen events, fund the revenue and capital plans of the Force over forthcoming periods and to facilitate changes and developments that are required to improve efficiency and effectiveness and meet new demands.

Challenges still exist for the Police Service, given the level of imposed cuts over the last ten years coupled with continued uncertainty over government funding and large scale national projects being implemented. The Police and Crime Commissioner continues to implement the budget strategy to deliver the required savings over the period and as part of this £2.358 million savings were identified and delivered during 2020-2021.

As part of the strategy, the level of reserves and provisions currently held is considered prudent and the general reserve of £5.417 million being slightly over 3% of the net revenue expenditure for the year is within the acceptable range of 3% to 5% as defined in the Medium Term Financial Plan.

There were a number of movements within the reserves during 2020-21, with a number of new reserves being created to fund future one off and peak costs. Key elements in 2020-2021 to comment on in relation to Reserves and other long term funding are listed below:

Capital Reserve – No movement in 2020-2021 but the majority of this reserve is earmarked for the Command and Control system upgrade (which will continue to progress as work stream into FY2021-22) and other digital investments over the next two years.

Pension III Health Reserve Number of additional III Health retirements lower than expected triggering an adjustment to the contribution from reserves down from £0.425m to £0.140m. Anticipated IHRs mean that the balance is likely to be required in 2021-2022.

PFI Reserve – The Police and Crime Commissioner has a PFI scheme for the Divisional headquarters in St. Asaph. The funding for this scheme continues to be partially met from government grants, with the remainder funded by the revenue budget and an earmarked reserve. Details of the scheme and liability can be seen in Note 31. This is a planned contribution to make up for the annual reduction in grant.

Major Incident Reserve – Initially earmarked £0.800m towards COVID costs which was then reduced to £0.224m as grant funding became available. The in-year major incident contingency, together with government grants, was sufficient to fund the COVID requirements with no contribution required from the reserve.

Estates Maintenance and Security works – Set up to cover the costs relating to the Estates Condition Survey carried out in 2018-2019 and any other unforeseen significant estates works. Expenditure of £0.490m funded. £0.103m was added to reserve from the PFI Life Cycle repayment from the PFI supplier.

Partnership balances - a number of smaller partnerships where balances are held and used to fund future expenditure.

Management of Change – planned withdrawal of £0.259m and a contribution of £1.945m made to fund future change requirements.

Training Reserve – £0.5m added to reserve from the external training budget under spend to deal with the training backlog following the reduction in training due to COVID during 2020-2021.

Uplift Reserve – new reserve as planned. The Home Office strongly advised that any uncommitted Uplift funding should be put to one side to fund future recruitment, training of probationers, and infrastructure. £1.577m contribution as planned.

Emergency Service Network (ESN) Reserve – this is a new reserve originally planned to be set up at the end of 2021-22. ESN grant was awarded by the Home Office of £0.158m late in the year which has been earmarked for future ESN costs.

COVID reserve – an un-hypothecated grant of £0.597m was announced at the end of February 2021 towards additional cost of policing during the pandemic. As funding for these costs had already been found by this point in the year, the amount can be set aside for potential COVID and COVID recovery related costs in 2021-2022. If not used, the reserve can be re allocated at a later date.

Police Education Qualification Framework (PEQF) – Probationers commenced on the PEQF qualifications from September 2020. As the numbers of Probationers increase due to Operation Uplift there is a peak in the costs in 2023-

24. By creating the reserve this can be used to fund the peak, so that a budget increase is not needed. The £0.325m arises from income provided by WG/HO and under spend on the PEQF element of the Training budget.

FCIN – the Force has agreed to host the Forensic Collision Investigation Network in order to facilitate national accreditation of Forensic Collision Investigation work. Contributions from all Forces and the transfer of existing reserves from West Mercia has led to receipts totalling £2.385m ; and costs of £1.305m were incurred. The balance of £1.080m is held towards the costs to be incurred in future years as agreed by the national FCIN Board.

Community Safety Fund – overall small movement of £0.002m balancing the contributions and costs of the various commissioned work by the PCC.

OPCC Legal Reserve - £0.054m added from under spend on the OPCC budget to meet future costs.

OPCC Reserve – balance of £0.050m on the OPCC’s budget.

Capital Receipts reserve - this can be used towards capital expenditure only; the net increase of £2.030m mainly due to the sale of the old Wrexham DHQ and Police Station.

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

Pensions impact on Reserves

The Police and Crime Commissioner has a negative reserve on his Balance Sheet arising from the treatment of IAS 19 Employee Benefits. This relates to the Police Officers’ Pension Schemes and the Police Staff Local Government Pension Scheme liabilities. This amounts to a deficit of £1.951 billion as at 31 March 2021. The Police Officer Pensions Schemes are unfunded and the amount shown in the reserve of -£1.853 billion represents the amount that would be required to have a fully funded scheme. This liability is underwritten by the Home Office. The Police Staff Local Government Scheme does have a fund to finance future liabilities, and the reserve shown of -£0.098 billion reflects the estimated deficit in the fund as at the end of March 2021. Further details are shown in Note 34 in the accounts. The Police Pension Scheme was subject to actuarial revaluation in March 2019 and the Police Staff Local Government Scheme subject to actuarial revaluation as at March 2020, the results of these have been incorporated within the Statement of Accounts.

Capital Balances & Reserves:

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

CAPITAL BALANCES AND RESERVES	OPENING BALANCE	MOVEMENT	CLOSING BALANCE
	01/04/2020 £'000		31/03/2021 £'000
<u>USABLE CAPITAL RESERVES</u>			
Capital Receipts Reserve	54	2,030	2,084
<u>UNUSABLE CAPITAL RESERVES</u>			
Revaluation Reserve	21,449	-294	21,155
Capital Adjustment Account	19,992	-662	19,330

During the year the Police and Crime Commissioner reviewed asset valuations of 21 properties within the portfolio.

Provisions

PROVISIONS	OPENING BALANCE	MOVEMENT	CLOSING BALANCE
	£'000		£'000
INSURANCE FUND	838	-67	771

Sources of Income

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

The following are the levels of the Police share of the Council Tax that were set during the 2019-2020 and 2020-2021 financial years:

Band	A	B	C	D	E	F	G	H	I
2019-2020	185.40	216.30	247.20	278.10	339.90	401.70	463.50	556.20	648.90
2020-2021	193.74	226.03	258.32	290.61	355.19	419.77	484.35	581.22	678.09

Borrowing

No long term borrowing was taken out in 2020-2021. Short term borrowing was required at the beginning of the financial year due to the reduction in reserves and the uneven profile of pension grant receipts, and to ensure liquidity over the initial lockdown period. The total of loans outstanding at the end of the financial year was £9.375 million (2019-2020 £14.875 million).

FUTURE OUTLOOK

Uncertainty surrounding the level and potential impact of the future funding settlements in the Police Service mandates the need to continue to ensure that we maintain a stable financial platform and continue to review and transform our services. The impacts of COVID, an awaited outcome of a planned Comprehensive Spending Review and a potential future review of the Police Funding Formula heighten the current levels of uncertainty further.

The Medium Term Financial Plan sets out the financial requirements over the 2020-2025 period. It links the Police and Crime Plan priorities to the financial strategy and can be found on the Police and Crime Commissioner's Website.

The Police and Crime Commissioner and Chief Constable are 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, in order to meet forthcoming challenges and ultimately protect front line services. Having a sustainable financial platform is vitally important for future service delivery. The Strategic planning process has a critical role to play in ensuring that resources are allocated to the areas that matter most to meeting the demands that the organisation faces, in an effective way that delivers Value for Money in the process.

The 2021-2022 Budget was set by the Police and Crime Commissioner, and approved by the Police and Crime Panel on 2 February 2021, at £173.365 million. This represented a 5.14% Council Tax increase and an overall net increase of 5.90% compared to the 2020-2021 budget of £163.705 million. The increase includes an allocation of 61 additional Police Officers from phase 2 of the Government's Operation Uplift which will increase officer's numbers by 20,000 nationally. Significant investments have been made in prevention and proactivity, digital and demand management, and wellbeing initiatives. The CFO delivered a presentation and report for the panel outlining the precept proposal which was subject to scrutiny in the meeting. The precept proposal was approved unanimously.

During the last quarter of 2019-2020 Coronavirus spread internationally resulting in the UK entering lockdown on 23 March 2020. The impact on the 2020-2021 accounts was significant; however the effect on the overall financial position has been minimal due to the aid of government support and re allocation of existing budgets. Additional disclosures are included where appropriate. The long term effect on costs of policing relating to the pandemic is being monitored and managed within the 2021-2022 budgets. It is uncertain at this time what medium or long term impact the pandemic will have operationally or financially. The Force has set up a Recovery Group to manage any issues and to ensure implications are incorporated into the planning cycle. Longer term opportunities from changes in working practices, such as home working, are being explored.

ACCOUNTING POLICIES

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the financial position or financial performance. Minor changes have been made to update the policies these have had no material effect on the accounts and so have not required re-statement of the previous year's accounts.

COLLABORATION with OTHER BODIES

Police and Crime Commissioners are encouraged to explore areas where they might collaborate on the delivery of services, either with other police forces or on a local level with other public bodies.

To that end the Police and Crime Commissioner is working closely with the other Welsh Forces and the North West Region to explore areas for collaboration; details of current arrangements are in Note 39. On a local level, the Force's Facilities Department is managing jointly the estate of the Police and Crime Commissioner and the North Wales Fire and Rescue Service and further opportunities for joint working are being explored. The Police and Crime Commissioner also operates a joint control room with North Wales Fire and Rescue Service in St. Asaph.

The Force has been hosting the national Forensic Collision Investigation Network since 2020-2021, this is a significant collaboration between all Policing areas in Wales and England to attain accreditation and ensure the highest standards in collision investigation nationally. The Force also leads on a number of other national collaborations.

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 England and Wales. The Police and Crime Commissioner continues to work with Cheshire Constabulary delivering an Armed Policing Alliance and Police Dog Section to enhance operational performance whilst continuing to deliver efficiencies and savings necessary to deliver services at a time of government funding reductions.

EVENTS AFTER THE REPORTING PERIOD

At the time that the Statement of Accounts were submitted to the Police and Crime Commissioner on the 6 October 2021, all material adjusting or non-adjusting events which would be required to be included in the Statement of Accounts have been reflected under Note 6.

GROUP STATEMENT OF ACCOUNTS

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

- **Group Statement of Responsibilities** (Page 18).

This sets out the responsibilities of the Police and Crime Commissioner and the Chief Finance Officer in respect of the Statement of Accounts and confirms that the accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting.

- **Expenditure and Funding Analysis** (Page 19).

This shows how annual expenditure is used and funded from resources (government grants, council tax precept and business rates) by the Police and Crime Commissioner and the Group in comparison with those resources consumed or earned by the Police and Crime Commissioner and the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for management accounting purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Comprehensive Income and Expenditure Statement** (Page 21).

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

- **Group Movement in Reserves Statement** (Page 22).

This statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner, analysed into usable reserves (those that can be applied to fund expenditure) and other (principally technical accounting) unusable reserves.

- **Group Balance Sheet** (Page 23).

This shows the carrying values as at the Balance Sheet date of the assets and liabilities recognised by the Police and Crime Commissioner. The net assets of the Police and Crime Commissioner (assets less liabilities), are matched by the reserves held by the Police and Crime Commissioner.

- **Group Cash Flow Statement** (Page 24).

This statement shows the changes in cash and cash equivalents of the Police and Crime Commissioner during the year.

- **Group Notes to the Statements** (Pages 25 to 62).

These are all the explanatory notes which explain in more detail a number of items relating to the primary statements.

- **Police Pension Fund Account** (Page 63).

This details the transactions relating to Police Pension income and expenditure.

- **Group Statement of Accounting Policies** (Page 64).

This statement supports the accounts and details the specific principles, rules and practices applied by the Police and Crime Commissioner in preparing and presenting the financial statements.

These have been produced in accordance with the accounting standards which currently apply to local policing bodies. Where this produces a conflict with the underlying legal requirement to produce accounts showing tax payers' funds, relevant adjustments have been made in accordance with the CIPFA code of practice. A schedule of these adjustments can be found in Note 7 "Adjustments between Accounting Basis and Funding Basis under Regulations".

Statement of Responsibilities for the Group Statement of Accounts

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

The Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required:-

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

I approve this Statement of Accounts for the year ended 31 March 2021.



Andy Dunbobbin Police and Crime Commissioner for North Wales

Date: 6 October 2021

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

CHIEF FINANCE OFFICER'S CERTIFICATE

The statement of accounts has been prepared in accordance with the requirements of the Local Government Accounts and Audit (Wales) Regulations 2014, and reflects the format and content of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2020-2021 and the Service Reporting Code of Practice.

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Police and Crime Commissioner and the Group at the reporting date and of its income and expenditure for the year ended 31 March 2021.

The audit certificate appears on pages 97 to 99.



Kate Jackson (Chief Finance Officer)

Date: 6 October 2021

Group Expenditure and Funding Analysis 2020-2021

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

2020-2021	GROUP			PCC			CC		
	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Policing Services	175,962	6,456	182,418	-19,089	-89	-19,178	195,051	6,545	201,596
Net Cost of Services before intra group transfer	175,962	6,456	182,418	-19,089	-89	-19,178	195,051	6,545	201,596
Intra Group Transfer	0	0	0	195,051	0	195,051	-195,051	0	-195,051
Net Cost of Services	175,962	6,456	182,418	175,962	-89	175,873	0	6,545	6,545
Other Income and Expenditure	-181,676	38,979	-142,697	-181,676	-192	-181,868	0	39,171	39,171
SURPLUS(-)/DEFICIT(+) ON PROVISION OF SERVICES	-5,714	45,435	39,721	-5,714	-281	-5,995	0	45,716	45,716
Opening General Fund Balance *	-25,163								
Add surplus(-)/deficit(+) on General Fund balance in year	-5,714								
CLOSING GENERAL FUND BALANCE *	-30,877								

* Usable Revenue Reserves

Group Expenditure and Funding Analysis 2019-2020

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

2019-2020	GROUP			PCC			CC		
	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 24)	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Policing Services	172,188	2,619	174,807	-16,653	254	-16,399	188,841	2,365	191,206
Net Cost of Services before intra group transfer	172,188	2,619	174,807	-16,653	254	-16,399	188,841	2,365	191,206
Intra Group Transfer	0	0	0	188,841	0	188,841	-188,841	0	-188,841
Net Cost of Services	172,188	2,619	174,807	172,188	254	172,442	0	2,365	2,365
Other Income and Expenditure	-173,709	45,746	-127,963	-173,709	-447	-174,156	0	46,193	46,193
SURPLUS(-)/DEFICIT(+) ON PROVISION OF SERVICES	-1,521	48,365	46,844	-1,521	-193	-1,714	0	48,558	48,558
Opening General Fund Balance *	-23,642								
Add surplus(-)/deficit(+) on General Fund balance in year	-1,521								
CLOSING GENERAL FUND BALANCE *	-25,163								

* Usable Revenue Reserves

Group Comprehensive Income and Expenditure Statement

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

2019-2020				2020-2021		
GROUP	PCC	CC		GROUP	PCC	CC
£000	£000	£000		£000	£000	£000
56,276	0	56,276	Police Officers	59,854	0	59,854
39,243	491	38,752	Support Staff	40,621	516	40,105
57,279	70	57,209	Pensions	61,590	88	61,502
1,328	0	1,328	Allowances	1,208	0	1,208
1,430	5	1,425	Indirect Employees Expenses	1,095	7	1,088
6,333	3	6,330	Premises	6,388	0	6,388
2,810	19	2,791	Transport Expenses	2,422	3	2,419
19,146	212	18,934	Supplies and Services	22,647	172	22,475
10,517	0	10,517	Third Party Payments	8,756	0	8,756
206	58	148	Support Services	238	62	176
6,354	6,354	0	Depreciation, amortisation and impairment	5,386	5,386	0
0	3,337	-3,337	PCC expenditure on grants and initiatives	0	5,506	-5,506
833	0	833	Uncompensated absences accrual	3,131	0	3,131
201,755	10,549	191,206	Gross Operating Expenditure	213,336	11,740	201,596
-26,948	-26,948	0	Income	-30,918	-30,918	0
174,807	-16,399	191,206	COST OF SERVICES	182,418	-19,178	201,596
0	188,841	-188,841	Commissioning Cost (intra group transfer)	0	195,051	-195,051
174,807	172,442	2,365	NET COST OF SERVICES	182,418	175,873	6,545
25	25	0	Other Operating Expenditure (Note 9)	-69	-69	0
47,119	926	46,193	Financing & investment income and expenditure (Note 10)	40,191	1,020	39,171
-20,371	-20,371	0	Home Office Grant Payable towards the cost of retirement benefit	-18,991	-18,991	0
-154,736	-154,736	0	Taxation & Non specific grant income (Note 11)	-163,828	-163,828	0
46,844	-1,714	48,558	SURPLUS(-)/DEFICIT(+) ON PROVISION OF SERVICES	39,721	-5,995	45,716
-2,128	-2,128	0	(Surplus) or deficit on revaluation of PPE	-793	-793	0
-188,625	0	-188,625	Actuarial (gains) / losses on pension assets / liabilities	181,762	0	181,762
-190,753	-2,128	-188,625	Other Comprehensive Income and Expenditure	180,969	-793	181,762
-143,909	-3,842	-140,067	TOTAL COMPREHENSIVE INCOME & EXPENDITURE	220,690	-6,788	227,478

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Movement in Reserves Statement shows how the movements in year of the Police and Crime Commissioner's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices, and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Police and Crime Commissioner Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	23,642	9	0	23,651	-1,844,226	-1,820,575
<u>Movement in reserves during 2019-2020</u>						
Total Comprehensive Expenditure and Income	-46,844	0	0	-46,844	190,753	143,909
Adjustments between accounting basis & funding basis under regulations (Note 7)	48,365	45	0	48,410	-48,410	0
Net increase (+)/decrease (-) in 2019-2020	1,521	45	0	1,566	142,343	143,909
Balance at 31 March 2020 carried forward	25,163	54	0	25,217	-1,701,883	-1,676,666
<u>Movement in reserves during 2020-2021</u>						
Total Comprehensive Expenditure and Income	-39,721	0	0	-39,721	-180,969	-220,690
Adjustments between accounting basis & funding basis under regulations (Note 7)	45,435	2,030	0	47,465	-47,465	0
Net increase (+)/decrease (-) in 2020-2021	5,714	2,030	0	7,744	-228,434	-220,690
Balance at 31 March 2021 carried forward	30,877	2,084	0	32,961	-1,930,317	-1,897,356

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

Group Balance Sheet

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

Chief Constable	Police & Crime Commissioner	Group		Chief Constable	Police & Crime Commissioner	Group
2019-2020				2020-2021		
£000	£000	£000		£000	£000	£000
0	58,174	58,174	Land & Properties	0	58,434	58,434
0	11,698	11,698	Vehicles, Plant, Furniture and Equipment	0	10,882	10,882
1,738,023	0	0	Long-term Debtors to PCC (note 34)	1,962,371	0	0
1,738,023	69,872	69,872	Long Term Assets (note 12)	1,962,371	69,316	69,316
0	0	0	Short Term Investments (note 36)	0	6,000	6,000
0	1,963	1,963	Assets Held for Sale (note 16)	0	1,135	1,135
634	0	634	Inventories (note 13)	534	0	534
894	12,577	13,471	Short Term Debtors (note 14)	1,158	8,961	10,119
6,791	0	0	Intra Group Transfer	7,988	0	0
0	15,514	15,514	Cash and Cash Equivalents (note 15)	0	15,868	15,868
8,319	30,054	31,582	Current Assets	9,680	31,964	33,656
0	-5,658	-5,658	Short Term Borrowing (note 36)	0	-535	-535
-12,092	-2,341	-14,433	Short Term Creditors and Deferred Income (note 17)	-16,419	-2,254	-18,673
0	-810	-810	Short Term Finance Lease (note 31)	0	-877	-877
-1,528	-5,263	0	Intra Group Transfer	-1,692	-6,296	0
0	-190	-190	Provisions (note 18)	0	-44	-44
-13,620	-14,262	-21,091	Current Liabilities	-18,111	-10,006	-20,129
0	-648	-648	Provisions (note 18)	0	-727	-727
0	-1,738,023	0	Long Term Creditor	0	-1,962,371	0
0	-9,255	-9,255	Long Term Borrowing (note 36)	0	-8,875	-8,875
0	-9,103	-9,103	Long Term Finance Lease (note 31)	0	-8,226	-8,226
-1,738,023	0	0	Other long term liabilities (note 34)	-1,962,371	0	0
0	0	-1,738,023	Liability Related to Defined Pension Scheme (note 34)	0	0	-1,962,371
-1,738,023	-1,757,029	-1,757,029	Long Term Liabilities	-1,962,371	-1,980,199	-1,980,199
-5,301	-1,671,365	-1,676,666	Net Assets	-8,431	-1,888,925	-1,897,356
			Financed By:			
0	25,217	25,217	Usable Reserves (notes 7 & 8)	0	32,961	32,961
-5,301	-1,696,582	-1,701,883	Unusable Reserves (note 20)	-8,431	-1,921,886	-1,930,317
-5,301	-1,671,365	-1,676,666	Total Reserves	-8,431	-1,888,925	-1,897,356

Group Cash Flow Statement

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

2019-2020 £000		2020-2021 £000
46,844	Net surplus (-) or deficit (+) on the provision of services	39,721
-53,701	Adjust net surplus (-) or deficit (+) on the provision of services for non-cash movements (Note 21)	-57,646
827	Adjust for items included in the net surplus (-) or deficit (+) on the provision of services that are investing and financing activities	2,242
-6,030	Net cash flows from Operating Activities (Note 21)	-15,683
2,041	Investing activities (Note 22)	9,016
2,517	Financing Activities (Note 23)	6,313
-1,472	Net increase (-) or decrease (+) in cash and cash equivalents	-354
14,042	Cash and cash equivalents at the beginning of the reporting period (note 15)	15,514
15,514	Cash and cash equivalents at the end of the reporting period (Note 15)	15,868

Notes to the Group Statement of Accounts

1. Restatement of previous years Statements

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

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

The Code requires the Police and Crime Commissioner to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The following changes will be required from 1 April 2022:

- a) Definition of a Business: Amendments to IFRS 3 Business Combinations
- b) Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- c) Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

3. Critical Judgements in applying Accounting Policies

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

There remains uncertainty around proposed changes to the Police funding in the medium term. This necessitated a structural review which has now been implemented. There are plans in place to balance the budget in future years as set out in the medium term financial plan; however, it is not certain whether the current levels of funding will be sufficient in order to meet the resources required over the period of the medium term financial plan (MTFP) and therefore annual cycles of organisational planning will take place in line with the Financial Strategy contained in the MTFP.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Police and Crime Commissioner where the exact amount is not yet known. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Items within the Group Balance Sheet as at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension funds' assets. A firm of consulting actuaries is engaged to provide the Police and Crime Commissioner with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. The impact of increase or decrease in the assumptions e.g. increase or decrease in the discount rate is set out in Note 34.

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

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

6. **Events after the Balance Sheet Date**

Material events taking place after the reporting date but prior to the financial statements being authorised for issue are reflected in the financial statements and notes. Where events taking place provided information about conditions existing at 31 March 2021 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. **Adjustment between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Police and Crime Commissioner in the year to reflect the difference between General Accepted Accounting Practice (GAAP) and statutory provisions.

General Fund Balance:

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2020-2021	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments to Revenue Resources:				
Pensions costs (transferred to (or from) the pensions reserve)	42,585	0	0	-42,585
Charges for depreciation and impairment of non-current assets	5,386	0	0	-5,386
Revaluation losses on Property, plant and equipment	0	0	0	0
Capital grants and contributions applied	-124	0	0	124
Holiday Pay (transferred to the accumulated absences account)	3,131	0	0	-3,131
Financial Instruments (transferred to the FIAA)	0	0	0	0
Reversal of entries included in the SDPS in relation to capital expenditure (charged to the CAA).	2,050	0	0	-2,050
Total Adjustments to Revenue Resources	53,028	0	0	-53,028
Adjustments between Revenue and Capital Resources:				
Transfer of Non-Current Asset sale proceeds from revenue to the capital receipts reserve	-2,118	2,118	0	0
Statutory provision for repayment of debt	-2,629	0	0	2,629
Capital expenditure financed from revenue balances	-2,846	0	0	2,846
Total Adjustments between Revenue and Capital Resources	-7,593	2,118	0	5,475
Adjustments to Capital Resources:				
Application of capital grants to finance capital	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	-88	0	88
Cash payments in relation to deferred capital receipts	0	0	0	0
Total Adjustments to Capital Resources	0	-88	0	88
Total Adjustments	45,435	2,030	0	-47,465

2019-2020	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments to Revenue Resources:				
Pensions costs (transferred to (or from) the pensions reserve)	47,725	0	0	-47,725
Charges for depreciation and impairment of non-current assets	6,354	0	0	-6,354
Revaluation losses on Property, plant and equipment	0	0	0	0
Capital grants and contributions applied	-472	0	0	472
Holiday Pay (transferred to the accumulated absences account)	833	0	0	-833
Financial Instruments (transferred to the FIAA)	0	0	0	0
Reversal of entries included in the SDPS in relation to capital expenditure (charged to the CAA).	380	0	0	-380
Total Adjustments to Revenue Resources	54,820	0	0	-54,820

2019-2020 (Continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments between Revenue and Capital Resources:				
Transfer of Non-Current Asset sale proceeds from revenue to the capital receipts reserve	-355	355	0	0
Statutory provision for repayment of debt	-2,369	0	0	2,369
Capital expenditure financed from revenue balances	-3,731	0	0	3,731
Total Adjustments between Revenue and Capital Resources	-6,455	355	0	6,100
Adjustments to Capital Resources:				
Application of capital grants to finance capital	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	-310	0	310
Cash payments in relation to deferred capital receipts	0	0	0	0
Total Adjustments to Capital Resources	0	-310	0	310
Total Adjustments	48,365	45	0	-48,410

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2020-2021. The net movement in 2020-2021 was £5.486m increase.

Reserve:	Balance at 31 March 2019	Transfers Out	Transfers In	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021
	£'000	2019- 2020 £'000	2019- 2020 £'000	£'000	2020- 2021 £'000	2020- 2021 £'000	£'000
Capital Reserve	2,060	-801	1,743	3,002	0	0	3,002
Pensions ill health reserve	915	0	200	1,115	-140	0	975
PFI Reserve	4,333	-1,200	44	3,177	-71	0	3,106
Major Incident Reserve	2,435	0	0	2,435	0	0	2,435
Insurance Reserve	1,173	0	0	1,173	0	0	1,173
Estates Security and Maintenance	1,033	-131	1,377	2,279	-490	103	1,892
Partnerships Balances Reserve	653	0	21	674	-50	109	733
Management of Change Reserve	5,949	-659	0	5,290	-259	1,945	6,976
Training Reserve	0	0	100	100	0	500	600
Uplift Reserve	0	0	0	0	0	1,577	1,577
Emergency Service Network	0	0	0	0	0	158	158
COVID and COVID Recovery	0	0	0	0	0	597	597
PEQF	0	0	0	0	0	325	325
FCIN	0	0	0	0	0	1,080	1,080
Commissioners Community Safety Fund	461	0	49	510	-89	87	508
Legal Reserve (OPCC)	56	0	0	56	0	54	110
Office of the Police & Crime Commissioner Reserve	182	-19	0	163	0	50	213
	19,250	-2,810	3,534	19,974	-1,099	6,585	25,460

9. Other Operating Expenditure

	2020-2021 £000	2019-2020 £000
Gains (-)/losses(+) on the disposal of non-current assets	-69	25
	-69	25

10. Financing and Investment Income and Expenditure

	2020-2021 £000	2019-2020 £000
Interest payable and similar charges	1,027	1,055
Pension interest cost and expected return on pensions assets	39,171	46,193
Interest receivable and similar income	-7	-129
	40,191	47,119

11. Taxation and Non Specific Grant Incomes

	2020-2021 £000	2019-2020 £000
Council Tax Income:		
Denbighshire County Council	-11,704	-11,098
Wrexham County Borough Council	-15,540	-14,856
Isle of Anglesey County Council	-9,164	-8,780
Gwynedd Council	-15,088	-14,441
Conwy County Borough Council	-14,734	-13,968
Flintshire County Council	-18,760	-17,887
Non Domestic Rates Income	-11,548	-11,841
Non-ringfenced government grants	-67,166	-61,393
Capital Grants and contributions	-124	-472
	-163,828	-154,736

12. Property, Plant and Equipment

Movements in 2020-2021	Land & Building Inc. PFI	Masts & Sites	Plant & Equipment	Vehicles	Total Operational Assets	Surplus Assets (Non Operational) *	Assets under construction	Total Non Operational	Total Non Current Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2020	80,098	100	21,627	10,209	112,034	0	100	100	112,134
Additions	209	0	1,424	1,146	2,779	0	2,479	2,479	5,258
Revaluation Increases (+)/decreases (-) recognised in the Revaluation Reserve	-1,166	0	0	0	-1,166	1,345	0	1,345	179
Revaluation Increases (+)/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-86	0	0	0	-86	0	0	0	-86
Derecognition - disposals	0	0	0	-1,487	-1,487	0	0	0	-1,487
Other movements in cost or valuation	-501	0	-732	0	-1,233	501	732	1,233	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	-1,135	0	-1,135	-1,135
At 31 March 2021	78,554	100	22,319	9,868	110,841	711	3,311	4,022	114,863
Accumulated Depreciation and Impairment									
At 1 April 2020	-22,024	-100	-13,593	-6,545	-42,262	0	0	0	-42,262
Depreciation Charge	-978	0	-3,007	-1,312	-5,297	0	0	0	-5,297
Depreciation written out to the Revaluation Reserve	612	0	0	0	612	0	0	0	612
Derecognition - disposals	0	0	0	1,400	1,400	0	0	0	1,400
At 31 March 2021	-22,390	-100	-16,600	-6,457	-45,547	0	0	0	-45,547
Net Book Value									
At 31 March 2021	56,164	0	5,719	3,411	65,294	711	3,311	4,022	69,316
At 31 March 2020	58,074	0	8,034	3,664	69,772	0	100	100	69,872

* these include 4 small Police Stations which are no longer operational but which do not reach the specific Assets Held for Sale (Note 16) criteria

Movements in 2019-2020	Land & Building Inc. PFI	Masts & Sites	Plant & Equipment	Vehicles	Total Operational Assets	Police Houses (Non Operational)	Assets under construction	Total Non Operational	Total Non Current Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2019	76,353	105	49,663	11,599	137,720	294	1,707	2,001	139,721
Additions	466	0	3,651	1,671	5,788	0	586	586	6,374
Revaluation Increases (+)/decreases (-) recognised in the Revaluation Reserve	1,208	0	0	0	1,208	0	0	0	1,208
Revaluation Increases (+)/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - disposals	-122	0	0	-989	-1,111	-294	0	-294	-1,405
Derecognition - other	0	-5	-31,687	-2,072	-33,764	0	0	0	-33,764
Other movements in cost or valuation	2,193	0	0	0	2,193	0	-2,193	-2,193	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0	0
At 31 March 2020	80,098	100	21,627	10,209	112,034	0	100	100	112,134

Movements in 2019-2020 (continued)	Land & Building Inc. PFI	Masts & Sites	Plant & Equipment	Vehicles	Total Operational Assets	Police Houses (Non Operational)	Assets under construction	Total Non Operational	Total Non Current Assets
<u>Accumulated Depreciation and Impairment</u>									
At 1 April 2019	-20,094	-105	-42,999	-8,386	-71,584	-34	0	-34	-71,618
Depreciation Charge	-1,005	0	-2,281	-1,214	-4,500	-8	0	-8	-4,508
Depreciation written out to the Revaluation Reserve	921	0	0	0	921	0	0	0	921
Depreciation written out to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses (-)/reversals (+) recognised in the Surplus/Deficit in the Provision of Services #	-1,846	0	0	0	-1,846	0	0	0	-1,846
Derecognition - disposals	0	0	0	983	983	42	0	42	1,025
Derecognition - other	0	5	31,687	2,072	33,764	0	0	0	33,764
At 31 March 2020	-22,024	-100	-13,593	-6,545	-42,262	0	0	0	-42,262
<u>Net Book Value</u>									
At 31 March 2020	58,074	0	8,034	3,664	69,772	0	100	100	69,872
At 31 March 2019	56,259	0	6,664	3,213	66,136	260	1,707	1,967	68,103

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

Depreciation

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

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

Capital Commitments

As at 31 March 2021, the Police and Crime Commissioner was contractually committed to capital works on Land and Buildings which amounted to £0.058million, which related to the refurbishment of Pwllheli Police Station.

Effects of Changes in Estimates

There were no material changes to the method of estimation.

Revaluations

All of the Police and Crime Commissioner's properties were revalued at 1st of April 2014. Subsequently a rolling programme of valuations is undertaken ensuring that all properties are revalued once within the statutory 5 year cycle, the first full cycle having been completed in 2020-2021.

Operational properties were valued using Net Realisable Value in Existing Use and Depreciated Replacement Cost. Non-operational properties were valued using Fair Value where available. The valuation also included a review of the useful lives of the assets. The change in useful life has had no material financial effect on the accounts.

The valuation was undertaken by an independent valuer, Mr G.S.C. Harbord MA MRICS IRRV (Hons) of Wilks Head & Eve Chartered Surveyors. The valuers made the following commentary in their 2019-2020 report – ‘Our review (and any valuations completed during 2019-20) is reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty –and a higher degree of caution –should be attached to our review/valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of portfolio under frequent review.’ However, the 2020-2021 report states that ‘as at the commentary date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our commentary is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation –Global Standards’.

13. Inventories

	HQ Stores		Other Stores		Total
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021
	£0	£0	£0	£0	£0
Balance held at start of year	263	217	371	468	634
Purchases	497	520	292	336	789
Recognised as an expense in the year	-504	-474	-383	-433	-887
Written off balances	-2	0	0	0	-2
Balance held at year end	254	263	280	371	534

The national police distribution hub has been supplying Personal Protective Equipment free of charge to all Forces, this was valued at £0.055m as at 31.3.2021 and is not included in the Balance Sheet figure.

14. Debtors and Payments in Advance

	2020-2021	2019-2020
	£000	£000
Amounts falling due in one year -		
Trade Receivables	7,526	5,000
Prepayments	1,158	894
Other receivable amounts	1,435	7,577
	10,119	13,471

15. Cash and Cash Equivalents

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

	2020-2021	2019-2020
	£000	£000
Bank Current Accounts	-1,220	8,445
Cash held by the Police and Crime Commissioner	40	40
Short Term Deposits with Banks /Building Societies	17,048	7,029
	15,868	15,514

16. Assets Held for Sale

The assets which are held for sale by the Police and Crime Commissioner are surplus police properties. The balance brought forward from 2019-2020 relates to the sale of the former DHQ and Police Station site in Wrexham, the sale

of which was completed in 2020-2021.

	Current		Non-Current	
	2020-2021	2019-2020	2020-2021	2019-2020
	£000	£000	£000	£000
Balance outstanding at start of year	1,963	1,963	0	0
Assets newly classified as held for sale:				
Property, Plant and Equipment	1,135	0	0	0
Revaluation gains	0	0	0	0
Assets sold	-1,963	0	0	0
Balance outstanding at year-end	1,135	1,963	0	0

17. Creditors and Deferred Income

	2020-2021	2019-2020
	£'000	£'000
Amounts falling due in one year -		
Trade payables	5,320	4,448
Other payables	12,071	8,703
Short Term Creditors	17,391	13,151
Deferred Income	1,282	1,282
	18,673	14,433

18. Provisions

The Police and Crime Commissioner has made provision in the accounts for two purposes. The first is for insurance claims. The Force has external insurance in respect of public and employer's risk. The Insurance Fund provides for payments that may be due in the next or following years on the basis of known claims at the 31 March 2021.

The value will fluctuate during the year as some claims are settled and new claims are received. The Insurance Fund can be split into two specific provisions:

(i) Outstanding Legal Cases

The Police and Crime Commissioner has currently no legal cases in progress.

(ii) Injury Compensation Claims

The injury compensation claims relate to personal injuries sustained where the Police and Crime Commissioner is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Police and Crime Commissioner will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. The Police and Crime Commissioner may be reimbursed by its insurers, but until claims are actually settled, no income is recognised as the insurers will reimburse amounts only above the excess amounts, which are £100,000 for incidents prior to 1 April 2018, £150,000 for incidents between 1 April 2018 to 31 March 2019, £250,000 for incidents between 1 April 2019 to 31 March 2021.

The second purpose is other provisions:

Other Provisions

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

	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2020	538	300	838
Additional Provisions made in 2020-2021	310	34	344
Amounts Used in 2020-2021	-188	0	-188
Unused Amounts Reversed in 2020-2021	-222	-1	-223
Balance at 31 March 2021	438	333	771

Within the total of £0.771 million, £0.044 million relates to short term provisions and £0.727 million relates to long term provisions.

19. Usable Reserves

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

20. Unusable Reserves

	2020-2021 £000	2019-2020 £000
Revaluation Reserve	21,155	21,449
Capital Adjustment Account	19,330	19,992
Pensions Reserve	-1,962,371	-1,738,023
Accumulated Absences Account	-8,431	-5,301
Total Unusable Reserves	-1,930,317	-1,701,883

Revaluation Reserve

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

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

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

	2020-2021 £000	2019-2020 £000
Balance at 1 April	21,449	19,823
Upward revaluation of assets	1,627	2,644
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-836	-516
	22,240	21,951
Surplus (-) or deficit (+) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0	0
Difference between fair value depreciation and historical cost depreciation	-220	-226
Accumulated gains on assets sold or scrapped	-862	-293
Amount written off to the Capital Adjustment Account	-3	17
Balance at 31 March	21,155	21,449

Capital Adjustment Account

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

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

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

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

	2020-2021 £000	2019-2020 £000
Balance at 1 April	19,992	19,342
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	-5,386	-6,354
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-2,049	-380
	-7,435	-6,734
Adjusting amount written out of the Revaluation Reserve	1,085	502
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	88	310
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	124	472

(Continued)	2020-2021	2019-2020
	£000	£000
Capital Expenditure charged in year to the General Fund	2,846	3,731
Statutory provision for the financing of capital investment charged against the General Fund balances	2,629	2,369
	6,772	7,384
Balance at 31 March	19,329	19,992

Pensions Reserve

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

	2020-2021	2019-2020
	£000	£000
Balance at 1 April	-1,738,023	-1,878,923
Remeasurements of the net defined benefit liability(-)/asset (+)	-181,762	188,625
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-71,205	-73,267
Employer's pension contributions and direct payments to pensioners payable in the year	28,619	25,542
Balance at 31 March	-1,962,371	-1,738,023

Deferred Capital Receipts Reserve

The Police and Crime Commissioner has no deferred capital receipts.

Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2021. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2020-2021 £'000	2019-2020 £'000
Balance at 1 April	-5,301	-4,468
Settlement or cancellation of accrual made at the end of the preceding year	0	0
Amounts accrued at the end of the current year	-3,130	-833
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0
Balance at 31 March	-8,431	-5,301

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

Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2020-2021 £000	2019-220 £000
Interest received	-6	-109
Interest paid	986	1,011
Total	980	902

Adjustments on the Provision of Services for Non cash movements:	2020-2021 £000	2019-2020 £000
Depreciation, impairments and downward valuations	-5,386	-6,354
Net increase (-)/decrease (+) in revenue creditors	-4,240	34
Net increase (+)/decrease(-) in revenue debtors	-3,353	741
Net increase (+)/decrease(-) in inventories	-99	-51
Pension liability	-42,585	-47,725
Contributions to(-)/from (+) provisions	67	34
Carrying amount of non-current assets sold (PPE, Inv. Prop, Intangibles)	-2,050	-380
Total Non-Cash Movement	-57,646	-53,701

Adjustments on the Provision of Services for items that are investing and financing activities:	2020-2021 £000	2019-2020 £000
Capital Grants credited to surplus(-)/deficit (+) on provision of services	124	472
Proceeds on sale of PPE and investment and intangibles	2,118	355
Total	2,242	827

Net Cash Flow from Operating Activities Total	-15,683	-6,030
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22. Cash Flow Statement - Investing Activities

	2020-2021	2019-2020
	£000	£000
Purchase of PPE, Investment Property and Intangible Assets	5,258	6,375
Proceeds from sale of PPE, Investment Property and Intangible Assets	-2,118	-355
Proceeds from short-term and long-term investments	0	-3,507
Purchase of short-term investments	6,000	0
Capital Grants	-124	-472
Net Cash Flows from Investing Activities	9,016	2,041

23. Cash Flow Statement - Financing Activities

	2020-2021	2019-2020
	£000	£000
Cash receipts of short-term and long-term borrowing	0	-15,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	810	748
Repayment of short-term and long-term borrowing	5,503	16,769
Net Cash Flows from Financing Activities	6,313	2,517

24. Notes to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020-2021				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Adjustments (Note 3)	Total Adjustments
Police & Crime Commissioner	-89	0	0	-89
Chief Constable	0	3,414	3,131	6,545
Net Cost of Service	-89	3,414	3,131	6,456
Other income and expenditure from the Expenditure Funding Analysis	-192	39,171	0	38,979
Difference between the General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement surplus/deficit on the provision of services	-281	42,585	3,131	45,435

Adjustments between Funding and Accounting Basis 2019-2020				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Adjustments (Note 3)	Total Adjustments
Police & Crime Commissioner	254	0	0	254
Chief Constable	0	1,532	833	2,365
Net Cost of Service	254	1,532	833	2,619
Other income and expenditure from the Expenditure Funding Analysis	-447	46,193	0	45,746
Difference between the General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement surplus/deficit on the provision of services	-193	47,725	833	48,365

Note 1: Adjustments for Capital Purposes

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

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

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

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

Note 2: Net change for pension adjustments

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

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

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

Note 3: Other adjustments

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

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

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

25. Members' Allowances

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

As at the end of March 2021 there were a total of 4 members.

	2020-2021		2019-2020	
	£000	Number of Members	£000	Number of Members
Allowances	10	4	11	4
Expenses	0		0	
	10		11	

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

26. Officers' Remuneration

The following table set out the remuneration disclosures for Relevant Police Officers (defined as the Chief Constable and any Senior Police Officers and staff with a full time salary of more than £150,000 per year or other relevant officers with a salary above £60,000). Within the tables below the Chief Constable, Deputy Chief Constable, Assistant Chief Constable, Director of Finance and Resources and the Force Medical Officer costs are charged to the Chief Constable's Accounts. The Police and Crime Commissioner, Deputy Police and Crime Commissioner, Chief Executive Officer and Chief Finance Officer costs are charged to the Police and Crime Commissioner's Accounts. Other Senior Police Officers (above the rank of Superintendent) and Senior Employees (designated office holder of a local government body) are included Remuneration Banding table.

2020-2021									
Post Holder:	Notes:	Salary (including fees & allowances)	Bonuses	Expense Allowance	Other Expenses	Benefits in kind	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£	£
Chief Constable - C. Foulkes		155,809	0	5,168	6,469	6,940	174,386	48,301	222,687
Deputy Chief Constable		124,824	0	0	0	6,726	131,550	37,941	169,491
Assistant Chief Constable		118,009	0	20	0	5,858	123,887	36,583	160,470
Assistant Chief Constable	1	83,181	0	0	0	5,780	88,961	22,342	111,303
Director of Finance & Resources		101,915	0	0	0	8,396	110,311	19,364	129,675
Police & Crime Commissioner		71,400	0	0	0	0	71,400	13,566	84,966
Deputy Police and Crime Commissioner	2	6,156	0	371	6,228	0	12,755	1,103	13,858
Chief Executive Officer of the Police & Crime Commissioner		87,021	0	428	0	0	87,449	16,534	103,983
Chief Finance Officer of the Police & Crime Commissioner	3	42,925	0	0	0	0	42,925	8,156	51,081
Force Medical Officer - Dr. A. Lister	4,5	18,069	0	0	0	0	18,069	2820	20,889

Note 1: The post holder held this post from 01/04/2020 to 17/01/2021 (Collaboration ACC – see Note 39)

Note 2: The post holder held this post from 01/04/2020 to 14/05/2020

Note 3: The Chief Finance Officer works part time, full time equivalent salary is £73,875

Note 4: The post holder held this post from 01/04/2020 to 28/08/2020

Note 5: The Force Medical Officer works the equivalent of 1 day per week. The full time equivalent salary is £181,614

2019-2020									
Post Holder:	Notes:	Salary (including fees & allowances)	Bonuses	Expense Allowance	Other Expenses	Benefits in kind	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£	£
Chief Constable - C. Foulkes		153,200	0	62	19,735	3,519	176,516	47,492	224,008
Deputy Chief Constable		121,839	0	18	0	3,718	125,575	37,016	162,591
Assistant Chief Constable	1	8,027	0	480	0	94	8,601	2,106	10,707
Assistant Chief Constable	2	101,853	0	37	0	2,087	103,977	31,574	135,551
Assistant Chief Constable	3	30,187	0	0	0	1,629	31,816	8,131	39,947
Director of Finance & Resources	4	62,668	0	2,127	1,835	0	66,630	9,426	76,056
Director of Finance & Resources	5	37,111	0	0	0	2,381	39,492	6,049	45,541
Police & Crime Commissioner		71,400	0	2,886	0	0	74,286	11,638	85,924
Deputy Police and Crime Commissioner		47,493	0	1,359	0	0	48,852	7,741	56,593
Chief Executive Officer of the Police & Crime Commissioner		84,908	0	908	0	0	85,816	13,840	99,656
Chief Finance Officer of the Police & Crime Commissioner	6	40,979	0	376	0	0	41,355	6,679	48,034
Force Medical Officer - Dr. A. Lister	7	35,954	0	0	0	0	35,954	5,860	41,814

Note 1: The post holder held this post from 01/04/2019 to 28/04/2019

Note 2: The post holder held this post from 29/04/2019 to 31/03/2020

Note 3: The post holder held this post from 16/12/2019 to 31/03/2020 (Collaboration ACC – see Note 39)

Note 4: The post holder held this post from 01/04/2019 to 31/10/2019

Note 5: The post holder held this post from 18/11/2019 to 31/03/2020 (Head of Finance deputised for Director of Finance and Resources from 01/11/2019 to 17/11/2019 as part of normal duties)

Note 6: The Chief Finance Officer works part time, full time equivalent salary is £68,298

Note 7: The Force Medical Officer works the equivalent of 1 day per week. The full time equivalent salary is £179,770

2020-2021

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

Remuneration Bands	Number of Employees 2020-2021	Number of Employees 2019-2020
£60,000 - £64,999	25	27
£65,000 - £69,999	9	9
£70,000 - £74,999	7	6
£75,000 - £79,999	4	4
£80,000 - £84,999	4	4
£85,000 - £89,999	6	2
£90,000 - £94,999	1	1
£95,000 - £99,999	2	1
£100,000 - £104,999	1	0

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

Exit packages cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021
	No.	No.	No.	No.	No.	No.	£000	£000
£ 0 - £20,000	0	2	7	6	7	8	20	45
£ 20,001 - £40,000	0	0	0	0	0	0	0	0
£ 40,001 - £60,000	0	1	0	0	0	1	0	53
£ 60,001 - £80,000	0	0	0	1	0	1	0	75
£ 80,001 and above	0	0	1	8	1	8	83	707

Median Pay Ratio

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

	2020-2021	2019-2020
Chief Executive's pay	87,021	84,908
Median pay of the Police & Crime Commissioner's staff	35,999	34,254
Median pay ratio:	2.4	2.5
Chief Constable's pay	169,218	176,454
Median pay of the Chief Constable's staff	33,388	33,409
Median pay ratio:	5.1	5.3

We have used the Median Pay of the Chief Constable as he is the highest ranking officer for this ratio. The Force Medical Officer is employed part-time and full time equivalent costs is £181,614. We have not used the Force Medical Officer's full time equivalent costs for this ratio as they are not the highest ranking officer.

27. External Audit Costs

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

	2020-2021			2019-2020		
	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	84	42	42	86	43	43
Total	84	42	42	86	43	43

The above represents payments made within the financial year 2020-2021. The agreed strategy fee for the audit year November 2020 to October 2021 was £83,699 for 2020-2021.

28. Grant Income

The Police and Crime Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020-2021.

	2020-2021 £0	2019-2020 £0
Credited to Taxation and Non-specific Grant Income		
Home Office Capital Grant	124	472
Home Office Police Grant and Floor Grant	56,100	50,738
Revenue Support Grant	11,066	10,655
Share of Non domestic Rates Grant	11,548	11,841
Total	78,838	73,706

	2020-2021 £0	2019-2020 £0
Credited to Services		
CRB Criminal Records	698	657
Speed Reduction	1,014	1,005
Community Support Officers Welsh Government	3,530	3,384
School Liaison Programme	389	391
Ace Funding	0	247
PFI Grant	1,245	1,298
Cyber Grant	180	124
Proceeds of Crime Acts	154	241
Security Grants	2,424	2,313
PCC Safer Streets Grant	993	0
Drug Intervention Programme (DIP)	511	478
Victims Commissioning/Services	2,410	1,223
Officer Uplift Grant	1,731	297
Pension Grant	1,582	1,582
Police Apprenticeship Grant	205	0
Covid PPE Grant	422	0
Covid Surge Grant OT	309	0
Income Loss Recovery Scheme	140	0
Covid Surge Grant	598	0
ESN HO Grant	158	0
Taser Grant	103	0
Other Grants	224	234
Within cost of services in Comprehensive Income & Expenditure Statement	19,020	13,474

29. Related Parties

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

Relating to Arfon Jones, who was Police and Crime Commissioner during 2020-2021:

- The Police and Crime Commissioner was a Director of BlueLight Commercial, which is owned by its members including policing bodies and other blue light sector organisations such as the College of Policing and

National Crime Agency. Every Police and Crime Commissioner in England and Wales is a member of BlueLight Commercial;

- The Police and Crime Commissioner's wife is a serving Councillor for Wrexham Council and is a member of the Planning Committee, Safeguarding and Wellbeing Scrutiny Committee, Corporate Land and Buildings Committee, Licensing Committee and Community Health Council. For further information regarding funding allocated to Wrexham Council please see relevant Decision Notices published on the OPCC's website.

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

The Chief Constable is a trustee of both PACT (North Wales Police and Community Trust) and Dangerpoint. The Force allocates funding from income received via the Police Property Fund Account in support of PACT projects whose objectives are to raise the profile of community safety, significantly minimise the fear of crime and thus enhance the quality of life throughout North Wales. For 2020-2021 this equated to £17,400 donated from the fund to PACT contributing towards meeting the costs of the Fund administration of £46,774.

The Police and Crime Commissioner and Chief Constable participate in a partnership with HMPPS and provide funding to support the 'Dechrau Newydd' project in North Wales. This dual partnership is to reduce drug related offending and deaths through community provision and support.

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

30. Capital Expenditure and Capital Financing

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

	2020-2021 £000	2019-2020 £000
Opening Capital Financing Requirement	30,395	30,903
Capital Investment		
Property, Plant and Equipment	5,258	6,374
Intangible Assets	0	0
Revenue Expenditure funded from Capital under Statute	0	0
Sources of Finance		
Capital Receipts	-88	-310
Government Grants and other contributions	-123	-472
Sums set aside from revenue	0	-1,460
Direct revenue contributions	-2,846	-2,271
MRP Principal	-2,630	-2,369
Closing Capital Financing Requirement	29,966	30,395

Explanation of Movements in year

	2020-2021 £000	2019-2020 £000
Increase (+)/decrease (-) in underlying need to borrow (unsupported by government financial assistance)	381	240
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	-810	-748
Increase (+)/decrease(-) in Capital Financing Requirement	-429	-508

31. Leases

Finance Lease including Private Finance Initiative (PFI)

The PFI contract was signed in September 2002. The contract provides a serviced facility comprising a Divisional Headquarters, Police Station, Custody Block and a Scientific Support and Major Incident block in the St Asaph Business Park. The facility became operational in March 2004. The contract lasts for 25 years, and there are options available to take ownership of the building when the contract expires. The contract provides for a review of pricing in relation to the service charge element to be carried out at 5 yearly intervals. Negotiations have resulted in an agreed reduction of £0.113 million in service charge from 1 April 2019. The Force was awarded notional credit approval of £19.623 million for the scheme, which results in £36.7 million of additional revenue funding over the life of the contract. The contracted commitment on the remaining life of the contract is £21.407 million (2019-2020 £26.594 million).

Value of asset held for PFI

The PFI Asset has been assessed under current Accounting requirements and is included as part of the Police and Crime Commissioner's Asset portfolio on the Balance Sheet (see Note 12). The asset was revalued as at 31 March 2019 as part of the Asset Portfolio. The table below summarises the movement in the PFI asset value.

PFI	£000
Gross Value as at 31 of March 2020	18,454
Cumulative Depreciation to 31.3.2020	-2,334
Depreciation 2020-2021	-335
Total Depreciation to 31.3.2021	-2,669
Net Book Value as at 31 of March 2021	15,785

Value of Liability

PFI	£000
Value as at 31 of March 2020	9,913
Capital Repayment	-810
Net Value as at 31 of March 2021	9,103

Total payments to be made over the life of the contract

PFI	£000
Amount due within 1 year	2,908
Due within 2 to 5 years	11,828
Due within 6 to 10 years	6,671
Total	21,407

Operating Leases

Rentals paid under agreements for rental properties totalled £280,000 in 2020-21. The future minimum lease payments due under non-cancellable leases in future years are:

Rental Agreements	£000
Amount due within 1 year	200
Due within 2 to 5 years	268
Due within 6 to 10 years	54
Total	522

32. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 12 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

33. Termination Benefits

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

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

and terminated the contracts of a number of employees in 2020-2021 incurring costs of £0.880 million (2019-2020 £0.103 million) as disclosed in note 26.

34. Defined Benefits Pension Schemes

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

The Police and Crime Commissioner participates in two pension schemes:

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

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

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

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which the liabilities are recognised when awards are made.

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

Transactions Relating to Post Employment Benefits:

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

The Chief Constable of North Wales, along with other Chief Constables and the Home Office, currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management hearing was held in October 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April 2015 to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries originally estimated the increase in scheme liabilities for the Police and Crime Commissioner to be approximately 4.4% or £75.59m of pension scheme liabilities. This increase was recognised in the 2018-2019 accounts. In 2019-2020, the actuaries estimated a reduction of £15.58m in scheme liabilities. This reflects a change in assumptions and therefore represents a gain on remeasurement and reported in the Comprehensive Income and Expenditure Statement (CIES).

The impact of a change in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023-2024, although this timetable is subject to change.

The impact on annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a policing body to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police

pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant. Claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response As at 31st March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

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

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

For the purposes of the 31 March 2020 IAS19 balance sheet figures, an estimated adjustment to the liabilities for McCloud was captured from the 2019 valuation data, and was recorded separately as a Past Service Cost in the 2019-2020 Profit and Loss statement. No further adjustment has been made within this year's accounts. The previous amount within the balance sheet has simply been rolled forward and therefore included within the closing position at the balance sheet date. No explicit additional adjustment for McCloud has been added to the current service cost for 2020-2021.

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
	2020-2021 £000	2019-2020 £000	2020-2021 £000	2019-2020 £000	2020-2021 £000
Comprehensive Income & Expenditure Statement					
<i>Cost of Services:</i>					
<i>Service Cost comprising:</i>					
Current Service Cost	-11,900	-15,445	-38,710	-39,900	-50,610
Unfunded Benefits Contributions	116	120	0	0	116
Past Service Gains (-)/Losses (+)	-1	-280	0	8,760	-1
Transfers In	0	0	-530	-700	-530
Police Pension top-up grant receivable	0	0	18,992	20,371	18,992
<i>Financing and investment income and expenditure</i>					
Net interest expense	-1,291	-2,173	-37,880	-44,020	-39,171
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	-13,076	-17,778	-58,128	-55,489	-71,204
<i>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>					
<i>Remeasurement of the net defined benefit liability comprising:</i>					
Return on plan assets (excluding the amount included in the net interest expense)	53,820	-21,744	0	0	53,820
Actuarial gains(+) and losses (-) arising on changes in demographic assumptions	-4,831	10,437	0	53,470	-4,831
Actuarial gains (+) and losses (-) arising on changes in financial assumptions	-89,898	34,187	-197,930	55,000	-287,828
Other experience gains (+) and losses (-)	2,297	21,185	54,780	36,090	57,077
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Account	-51,688	26,287	-201,278	89,071	-252,966

	Local Government Pension Scheme		Police Pension Scheme		Total
	2020-2021 £000	2019-2020 £000	2020-2021 £000	2019-2020 £000	2020-2021 £000
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of post-employment benefits in accordance with the code	-13,076	-17,778	-58,128	-55,489	-71,204
<i>Actual amount charged against the General Fund balance for pensions in the year:</i>					
Employer's contributions payable to scheme	6,810	5,473	0	0	6,810
Retirement benefits payable to pensioners	0	0	21,809	20,069	21,809

Pensions Assets and Liabilities Recognised in the Balance Sheet.

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

	Local Government Pension Scheme		Police Pension Scheme		Total
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Present value of the defined benefit obligation	359,671	251,505	1,863,800	1,684,330	2,223,471
Fair value of plan assets	-261,100	-197,812	0	0	-261,100
Sub-total	98,571	53,693	1,863,800	1,684,330	1,962,371
Other movement in the liability (+)/asset (-) (if applicable)	0	0	0	0	0
Net Liability arising from the defined benefit obligation	98,571	53,693	1,863,800	1,684,330	1,962,371

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

	Local Government Pension Scheme	
	31 March 2021 £000	31 March 2020 £000
Opening fair value of the scheme assets	197,812	210,875
Interest income	4,602	5,114
Remeasurement gain (+)/loss (-):		
- the return on plan assets, excluding the amount included in the net interest expense	53,820	-21,744
Contribution from employers	6,810	5,473
Contributions from employees	2,375	2,246
Benefits paid	-4,319	-4,152
Closing fair value of the scheme assets	261,100	197,812

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 2021	31 March 2020	31 March 2021	31 March 2020
	£000	£000	£000	£000
Opening balance at 1 April	251,505	296,328	1,684,330	1,793,470
Current service cost	11,900	15,445	38,710	39,900
Interest cost	5,893	7,287	37,880	44,020
Contributions from scheme participants	2,375	2,246	7,770	7,150
Remeasurement gains (-) and losses (+):				
- Actuarial gains/losses arising from changes in demographic assumptions	4,831	-10,437	0	-53,470
- Actuarial gains/losses arising from changes in financial assumptions	89,898	-34,187	197,930	-55,000
- Other experience gains/losses	-2,297	-21,185	-54,780	-36,090
Past service costs	1	280	0	-8,760
Transfers In	0	0	530	700
Benefits paid	-4,319	-4,152	-48,570	-47,590
Liabilities extinguished on settlements (where applicable)	-116	-120	0	0
Closing balance at the 31 March	359,671	251,505	1,863,800	1,684,330

Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme 2020-2021			Local Government Pension Scheme 2019-2020		
	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	1,507	0	1,507	980	0	980
Sub-total	1,507	0	1,507	980	0	980
Equity Securities:						
Other	0	0	0	0	0	0
Sub-total	0	0	0	0	0	0
Debt Securities:						
Other	0	0	0	0	0	0
Sub-total	0	0	0	0	0	0
Property:						
<i>By type:</i>						
UK Property	0	20,708	20,708	0	19,497	19,497
Overseas Property	0	0	0	0	23	23
Sub-total	0	20,708	20,708	0	19,520	19,520
Private Equity:						
UK and overseas	0	16,235	16,235	0	11,499	11,499
Sub-total	0	16,235	16,235	0	11,499	11,499
Other Investment Funds and unit trusts:						
Equities	0	167,288	167,288	0	132,658	132,658
Infrastructure	0	4,603	4,603	0	4,549	4,549
Other	0	50,759	50,759	0	28,606	28,606
Sub-total	0	222,650	222,650	0	165,813	165,813
Totals	1,507	259,593	261,100	980	196,832	197,812

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 2019.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions used. The sensitivity analysis below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption changes while all the other assumptions remain constant. The estimation in the sensitivity analysis has followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

2020-2021	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)	14,387	-14,387	64,000	-64,000
Rate of inflation (increase (+) or decrease (-) by 0.5%)	38,385	-38,385	177,000	-176,000
Rate of increase in salaries (increase (+) or decrease (-) by 0.5%)	6,106	-6,106	19,000	-19,000
Rate of increase in pensions (increase (+) or decrease (-) by 0.5%)	38,385	-38,385	168,000	-167,000
Rate for discounting scheme liabilities (increase (-) or decrease (+) by 0.5%)	-45,514	45,514	-177,000	176,000

Asset and Liability Matching (ALM) Strategy

The pensions committee of Gwynedd Council does not have an asset and liability matching strategy (ALM). Responsibility for the Fund's risk management strategy rests with the pensions committee. The Pension Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to pay pensions. The Administering Authority has produced a Funding Strategy Statement in conjunction with the Fund's Actuaries, which states how solvency and risk will be managed in relation to liabilities. The Strategy was reviewed and updated following the actuarial valuation in 2019 and has taken an overall view of the level of risk inherent in the investment policy set out in the Investment Strategy Statement published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, (the investment regulations) and the funding policy set out in the Statement. These documents continue to be reviewed to ensure that the overall risk profile remains appropriate.

Impact on the Police and Crime Commissioner's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Gwynedd Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation will be completed during 2022-2023 to be implemented from April 2023.

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 change the 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 anticipates to pay £6.825 million contributions to the scheme in 2021-2022.

The weighted average duration of the defined benefit obligation for the Local Government Pension Scheme is 26.0 years, 2020-2021, (26.0 years 2019-2020). The weighted average for the Police Pension Scheme is 20.0 years, 2020-2021, (21.0 years 2019-2020).

35. Contingent Liabilities

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

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

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

36. Financial Instruments including Nature and Extent of Risks Arising

(a) Financial Instruments - Classifications

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

Financial Liabilities

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

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

Financial Assets

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

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

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

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

(b) Financial Instruments - Balances

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

Financial Liabilities	Long Term		Short Term	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	8,875	9,255	500	5,620
- Accrued interest	0	0	35	38
Total Borrowing *	8,875	9,255	535	5,658
Loans at amortised cost:				
- Bank overdraft	0	0	0	0
Total Cash Overdrawn	0	0	0	0
Liabilities at amortised cost:				
- PFI arrangements	8,226	9,103	877	810
Total Other Long-term Liabilities	8,226	9,103	877	810
Liabilities at amortised cost:				
- Trade payables	0	0	18,673	14,433
Included in Creditors	0	0	18,673	14,433
Total Financial Liabilities	17,101	18,358	20,085	20,901

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

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

Financial Assets	Long Term		Short Term	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
	£000	£000	£000	£000
<i>At amortised cost:</i>				
- Principal	0	0	6,000	0
- Accrued interest	0	0	0	0
- Loss allowance	0	0	0	0
Total Investments	0	0	6,000	0
<i>At amortised cost:</i>				
- Principal	0	0	15,868	15,495
- Accrued interest	0	0	0	19
- Loss allowance	0	0	0	0
Total Cash and Cash Equivalents	0	0	15,868	15,514
<i>At amortised cost:</i>				
- Trade receivables	0	0	10,132	13,478
- Loss allowance	0	0	-13	-7
Included in Debtors	0	0	10,119	13,471
Total Financial Assets	0	0	,31,987	28,985

Offsetting Financial Assets and Liabilities

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

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

	31.3.2021			31.3.2020		
	Gross assets (liabilities) £000	(Liabilities) assets set off £000	Net position on balance sheet £000	Gross assets (liabilities) £000	(Liabilities) assets set off £000	Net position on balance sheet £000
Trade receivables	10,119	0	10,119	13,471	0	13,471
Bank accounts in credit	17,088	-1,220	15,868	15,536	-22	15,514
Total financial assets	27,207	-1,220	25,987	29,007	-22	28,985
Trade payables	-18,673	0	-18,673	-14,433	0	-14,433
Bank accounts in debit	-1,220	1,220	0	-22	22	0
Borrowings	-9,410	0	-9,410	-14,913	0	-14,913
PFI arrangements	-9,103	0	-9,103	-9,913	0	-9,913
Total financial liabilities	-38,406	1,220	-37,186	-39,281	22	-39,259

(c) Financial Instruments - Gains and Losses

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

	Financial Liabilities	Financial Assets		
	Amortised Cost £000	Amortised Cost £000	2020-2021 Total £000	2019-2020 Total £000
Interest expense	1,021	0	1,021	1,050
Impairment losses	6	0	6	5
Losses from changes in fair value	37,830	0	37,830	46,193
Fees paid	0	0	0	0
Interest payable and similar charges	38,857	0	38,857	47,248
Interest income	0	-7	-7	-129
Interest and investment income	0	-7	-7	-129
Net impact on surplus/deficit on provision of services	38,857	-7	38,850	47,119

(d) Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Police and Crime Commissioner have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

- The fair values of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service and interest charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

	Fair Value Level	Balance Sheet		Balance Sheet	
		31.3.2021 £000	Fair Value 31.3.2021 £000	31.3.2020 £000	Fair Value 31.3.2020 £000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	9,375	9,141	9,875	9,523
Lease payables and PFI liabilities	2	9,103	8,699	9,913	8,729
Total		18,478	17,840	19,788	18,252
Liabilities for which fair value is not disclosed *		18,708		19,471	
Total Financial Liabilities		37,186		39,259	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		18,673		14,433	
Short-term borrowing		535		5,658	
Other short-term liabilities		877		810	
Long-term borrowing		8,875		9,255	
Other long-term liabilities		8,226		9,103	
Total Financial Liabilities		37,186		39,259	

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

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

	Fair Value Level	Balance		Balance	
		Sheet 31.3.2021 £000	Fair Value 31.3.2021 £000	Sheet 31.3.2020 £000	Fair Value 31.3.2020 £000
Financial assets held at amortised cost:					
Corporate Bond	1	0	0	0	0
Total		0	0	0	0
Assets for which fair value is not disclosed *		31,987		28,985	
Total Financial Assets		31,987		28,985	
<i>Recorded on balance sheet as:</i>					
Short-term debtors		10,119		13,471	
Short-term investments		0		0	
Cash and cash equivalents		21,868		15,514	
Total Financial Assets		31,987		28,985	

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

e) Financial Instruments - Risks

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

In line with the Treasury Management Code, the Police and Crime Commissioner approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Police and Crime Commissioner also approves Treasury Management Practices specifying the practical arrangements to be followed to manage these risks. The Treasury Management Strategy includes an Investment Strategy in compliance with the Welsh Government's Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield.

The main risks covered are:

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

Credit Risk: Treasury Investments

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

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

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

Credit Rating *	31.3.2021		31.3.2020	
	Long-term	Short-term	Long-term	Short-term
	£000	£000	£000	£000
UK Government	0	6,000	0	0
AAA	0	0	0	0
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	9,048	0	7,000
A+	0	8,000	0	10
A	0	0	0	0
A-	0	0	0	0
Total Investments	0	23,048	0	7,010

* as per Fitch published long-term rating @ 31-3-2021

The current account is held with HSBC who are rated AA-.

Credit Risk: Trade Receivables

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

	31.3.2021		31.3.2020	
	Trade receivables	Lease receivables	Trade receivables	Lease receivables
	£000	£000	£000	£000
Neither past due nor impaired	6,623	0	4,835	0
Past due < 3 months	775	0	82	0
Past due > 3 months	115	0	76	0
Individually impaired	13	0	7	0
Total Receivables	7,526	0	5,000	0

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

Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31.3.2021			31.3.2020		
	Liabilities £000	Assets £000	Net £000	Liabilities £000	Assets £000	Net £000
Not over 1	-20,085	31,987	11,902	-20,781	28,985	8,204
Over 1 but not over 2	-1,451	0	-1,451	-1,377	0	-1,377
Over 2 but not over 5	-4,863	0	-4,863	-4,600	0	-4,600
Over 5 but not over 10	-6,412	0	-6,412	-7,626	0	-7,626
Over 10 but not over 20	-4,375	0	-4,375	-4,875	0	-4,875
Total	-37,186	31,987	-5,199	-39,259	28,985	-10,274

Market Risks: Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2021, 100% (2020: 100%) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and 0% (2020: 0%) to variable rates.

Market Risks: Price Risk

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

Market Risks: Foreign Exchange Risk

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

37. Partnership Schemes

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

38. Funds

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

	31.3.2021 £000	31.3.2020 £000
Police Property Act Fund (Proceeds from confiscated property for distribution to charities)	1	1
Misuse of Drugs Fund (Seized monies from Drugs enquiries used to finance expenditure in combating drugs)	134	133
	135	134

39. Jointly Controlled Operations/Collaboration

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

CIPFA guidance on accounting for collaboration has been considered in determining the nature of the relationships and, as most arrangements have joint control through a strategic management board, it is considered that most are correctly classified as joint operations. Some arrangements are of a collaborative nature but are classified as third party payments. Others involve officers from individual forces carrying out duties on a regional basis but funded by a lead force from grants made by the Home Office, other agencies or are self-funded from fees and charges.

The following groups the arrangements into:

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

Collaboration – Joint Operations

Forensic Collision Investigation Network (FCIN)

Forensic Collision Investigation is a highly specialist area of policing, involving a small number of scientific and technical staff who provide a significant public service through the investigation of death and serious, often life changing, injuries on our roads.

In 2020-2021 the responsibility for the Forensic Collision Investigation Network (FCIN) was transferred from West Mercia Police to North Wales Police. The FCIN moved out of the Specialist Capabilities Programme to the 'Host Force' model with the primary objective being that all collision investigation activities comply with national forensic standards. The police service decided that this should be delivered through a networked approach underpinned by a Section 22a Collaboration Agreement.

As at the end of the Financial Year 2019-20 West Mercia Police held reserves to the value of £271k with a debtor to the value of £13k outstanding to North Wales Police. These monies were passed over to North Wales Police during the course of 2020-21 with the balance of £258k placed into reserves at year end.

The budgeted expenditure agreed for 2020-2021 by the FCIN Management Board was £2,071k with the funding met by all forces party to the Section 22a Collaboration Agreement. The budget was set to meet the cost of scientific development and roll out of the FCIN network to meet the accreditation deadline as set by the Forensic Science Regulator. The budget was inclusive of costs such as staff, consultants, scientific validation, competency testing, other non staff etc.

The Covid-19 pandemic has significantly impacted upon both the activities and timeline of the scientific development and roll out of the network, as recognised by the Finance Science Regulator decision to delay the accreditation deadline. The overall expenditure incurred in 2020-21 was £1,249k an overall underspend of £822k versus budget, with agreement for the amount to be placed into earmarked reserves.

Thus in total an amount of £1,080k (£258k balance from West Mercia and £822k 20/21 underspend) was placed in earmarked reserves as per Note 8 Transfers to/from Earmarked Reserves. This earmarked reserve is in place to meet the requirement of the FCIN to achieve the accreditation deadline and more specifically around costs such as resource costs, accreditation activities and competency testing.

All the expenditure and income relating to the FCIN activities are coded separately on our ledger which have been derecognised reflecting our share of income and expenditure, with the North Wales Police funding contribution for 2020-2021 being £27k.

2019-2020		2020-2021		
Net Expenditure £'000	Functions	Expenditure £'000	Income £'000	Net Expenditure £'000
0	Forensic Collision Investigation Network	27	0	27
0	Total	27	0	27

The North West Regional Organised Crime Unit (NWROCU) was established in April 2009 bringing together the six regional police forces in collaboration to tackle serious and organised crime across the North West. It encompasses the work of a number of teams with Merseyside as the lead force. In 2019-2020 the responsibility for the Protected Persons Service function transferred over to the National Crime Agency. The amount reflected in North Wales Police accounts in 2020-2021 is £851k (£832k in 2019-2020) with the breakdown by function as follows:

2019-2020		2020-2021		
Net Expenditure £'000	Functions	Expenditure £'000	Income £'000	Net Expenditure £'000
236	Regional Crime Unit	223	0	223
42	Prisoner Intelligence	72	-34	38
11	Regional Intelligence Unit	28	-12	16
176	Technical Surveillance Unit	217	-13	204
-1	Protected Persons Service	0	0	0
168	Confidential Unit	174	-6	168
0	Regional Asset Recovery Team	53	-53	0
6	Operational Security Officer	14	-7	7
0	Cyber Crime	27	-27	0
0	GAIN	3	-3	0
112	UCA	302	-185	117
0	ACE	12	-12	0
0	ECURFT	14	-14	0
0	Prevent	9	-9	0
0	Disruption	15	-15	0
82	Business Support	95	-17	78
0	Other Titan Grants	47	-47	0
832	Total	1,305	-454	851

The following joint operations have Cheshire as lead force:

The North West Joint Underwater Search Unit serves the areas of Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales with the overall expenditure being met by those forces.

The NW Armed Policing Collaboration was formed in 2012 with six member forces. Since this time the region has been operating under a single interim College of Policing (CoP) Firearms Training Licence having previously operated under six full training licences. Lancashire left the Collaboration on 31 March 2018.

The Armed Policing Alliance provides armed officers to both Cheshire and North Wales in a fully integrated joint force team since its inception in 2014. It is an armed policing alliance that serves the areas of Cheshire and North Wales and is staffed by police officers and support staff from the two constituent police forces with the overall expenditure being met by those forces.

The Dog Alliance provides dog handlers to both Cheshire and North Wales. The pilot went live operationally in April 2016 and provides a range of police dogs skills to both Cheshire and North Wales and is staffed by police officers and support staff from the two constituent police forces with the overall expenditure being met by those forces.

The ANPR collaboration has strong links to the North West Motorway Policing Group as Automatic Number Plate Recognition (ANPR) is identified as an effective method of providing protective services across the region's strategic road network. North Wales Police joined this arrangement in 2012.

2019-20		2020-2021		
Net Expenditure £'000	Functions	Expenditure £'000	Income £'000	Net Expenditure £'000
73	Joint Underwater Search Unit	78	-4	74
56	North West Armed Policing	97	-37	60
3,068	Armed Policing Alliance	3,145	0	3,145
660	Dogs Alliance	689	0	689
10	ANPR	10	0	10
3,867	Total	4,019	-41	3,978

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 2020-2021		Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors
Gross Expenditure	Population %	£000	£000
South Wales	42.48%	2,839	229
Dyfed-Powys	16.48%	1,102	89
Gwent	18.85%	1,260	101
North Wales	22.19%	1,483	120
Total:	100.00%	6,684	539
Total Income & Grants	Population %	£000	£000
South Wales	42.48%	-2,839	-229
Dyfed-Powys	16.48%	-1,102	-89
Gwent	18.85%	-1,260	-101
North Wales	22.19%	-1,483	-120
Total:	100.00%	-6,684	-539

SHARE OF SERVICE COLLABORATION 2019-2020		Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors
Gross Expenditure	Population %	£000	£000
South Wales	42.41%	5,032	237
Dyfed-Powys	16.50%	1,959	92
Gwent	18.84%	2,235	105
North Wales	22.25%	2,640	125
Total:	100.00%	11,866	559
Total Income & Grants	Population %	£000	£000
South Wales	42.41%	-5,032	-237
Dyfed-Powys	16.50%	-1,959	-92
Gwent	18.84%	-2,235	-105
North Wales	22.25%	-2,640	-125
Total:	100.00%	-11,866	-559

In 2017-2018 an All Wales Collaboration Team was established to coordinate existing activities and identify new opportunities for collaboration across the four Forces in Wales. Traditionally the team was led by a Deputy Chief Constable and funded based on agreed contributions from each Force in Wales. During 2019-2020 it was agreed that the team would be led by an Assistant Chief Constable with the costs of this lead role fully met by the home force. The total costs of the team in 2020-2021 were £161k (2019-2020 – £282k) and Police and Crime Commissioner for North Wales' contribution to these costs was £40k in 2020-2021 (2019-20 – £59k). During 2020-21 an Assistant Chief Constable from North Wales Police was the lead for the All Wales Collaboration Team, covering the period of 1st April 2020 until 17th January 21 which resulted in a remuneration of £110,147 as per Note 26 Officers' Remuneration , with the costs fully met by the Police and Crime Commissioner for North Wales.

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

Collaboration – Third Party Payments

The only significant arrangement of this kind is the payment made towards the National Police Air Service (NPAS) which was £0.561 million in 2020-2021 (£0.457 million in 2019-2020).

Collaboration – Grant/Self-funding

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

Police Pension Fund Account

As from 2006-2007 Police Officer Pensions are paid separately from the main revenue account. Employer and Employee contributions and other Pensions income are paid into the Police Pension Fund account and all the Police Pensions expenditure is paid out of the account. The Police Pension Scheme is an unfunded scheme and as such has no investment assets. Each individual Police and Crime Commissioner is required by legislation to operate a Pension Fund and the amounts to be paid into and out of the Pension Fund are specified by regulation. The Police Pension Fund Regulations 2007 provide that any deficit on the account is transferred to the Police and Crime Commissioner accounts to balance the fund to nil. This deficit is reimbursed by the Home Office and is accounted for within the Police and Crime Commissioner accounts. Similarly, any surplus arising from the expenditure being less than the income is required to be repaid to the Home Office by the Police and Crime Commissioner. Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. Long term pension obligations are detailed within note 34 Retirement Benefits.

The Pension account is designed to discharge liabilities to pay pensions as they fall due and takes no account of pensions and other liabilities after the period end. All fund transactions are treated in accordance with the Police and Crime Commissioner's Accounting Policies as set out on pages 64 to 78. Administration of the Pension Fund is carried out through a third party contract agreement.

2019-2020 £000	Fund Account	2020-2021 £000
	Contributions receivable	
	From Employer:-	
16,512	- Normal	17,980
0	- Early retirements	0
156	- Capital Charge for Ill Health Retirement	673
7,157	Members Contributions	7,776
878	Transfer Values received	529
24,703	Total Income	26,958
	Benefits Payable	
37,896	Pensions	38,841
6,899	Commuted and lump sum retirement benefits	6,930
237	Lump Sum Death Benefits	168
	Payments to and on account of leavers	
0	Transfer out to other schemes	0
42	Refund of Contributions	11
45,074	Total amounts Payable	45,950
20,371	Net Amount Payable for the year before transfer from the Police Fund	18,991
-20,371	Additional Contribution from the Police Fund (by grant)	-18,991
0	Net amount payable/receivable for the year	0
	Net Asset Statement:	
60	Contributions due from employer	60
21	Unpaid pension benefits	3
-81	Other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	-63
0	Total Liabilities	0

Group Statement of Accounting Policies

1. General

The Group Statement of Accounts summarises the Police and Crime Commissioner's transactions for the 2020-2021 financial year and the position at the year-end of 31 March 2021. 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 2020-2021, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The code specifies the principles and practices of accounting required to prepare a Group Statement of Accounts which presents a 'true and fair' view of the financial position, financial performance and cash flows of the Police and Crime Commissioner, including group financial statements.

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

2. Accruals of Income and Expenditure

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

- Revenue from sale of goods is recognised when the Police and Crime Commissioner transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Police and Crime Commissioner.
- Revenue from the provision of services to the Police and Crime Commissioner is recognised when the Police and Crime Commissioner can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Police and Crime Commissioner.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date that supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services rendered (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. A de minimus level of £3k is set for these transactions. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

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

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

4. **Exceptional items**

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

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

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

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

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

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

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

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

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

7. **Employee Benefits**

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

These employees are eligible to join the Local Government Pension Scheme, which is administered by Gwynedd Council. The triennial actuarial assessment carried out in 2016 stated that the employer's contribution needed to be set at a minimum of 16.3% per annum plus a lump sum of £0.8m to meet the liabilities of the fund. The triennial assessment carried out in 2019 set a minimum rate of 19% from April 2020 with no lump sum.

Police Officers

Until 2005-2006 the cost of the police pensions scheme, which was an unfunded, defined benefits scheme, was met from the preceding Police Authority's Income and Expenditure Account. In 2006-2007 there was a change in the way that police pensions were accounted for and a central fund was created by the Home Office to meet the cost of pensions and commutation payments. Police and Crime Commissioners pay a percentage of officers' salaries into the fund (currently 31.0%). Injury pensions continue to be the responsibility of the Police and Crime Commissioner and are met from the Police and Crime Commissioner's Income and Expenditure Account.

The Local Government Pension Scheme

The Local Government Pension Scheme is a defined benefits scheme:

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

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

Service cost comprising:

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

Remeasurements comprising:

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

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

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

Discretionary Benefits

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

8. Events after the Reporting Period

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

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

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

9. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-sale Assets

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

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

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

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

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

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

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

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

10. **Government Grants and Contributions**

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

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

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

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

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

11. **Interest in other entities**

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

12. Inventories and Long term Contracts

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

13. Jointly Controlled Operations and Jointly Controlled Assets

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

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

14. Leases

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

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

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

The Police and Crime Commissioner as a Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Police and Crime Commissioner as a Lessor

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

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

15. **Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Police and Crime Commissioner's arrangements for accountability and financial performance

16. **Property Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

- (i) Remaining life of component is between 0 and 10 years and value of component is over £500k
- (ii) Remaining life of component is between 10 and 15 years and value of component is over £750k
- (iii) Remaining life of component is between 15 and 20 years and value of component is over £1000k
- (iv) Remaining life of component is between 20 and 30 years and value of component is over £1250k
- (v) Remaining life of component is between 30 and 40 years and value of component is over £1500k
- (vi) Remaining life of component is between 40 and 50 years and value of component is over £2000k
- (vii) Remaining life of component is between 50 and 60 years and value of component is over £4000k

Asset Type:	Depreciation Policy:
Buildings	Depreciated over the life expectancy as stated by the valuer on a straight line method and revalued at least every 5 years
Computer Equipment	Straight line over 3 to 5 years commencing in the year following purchase.
General Equipment, Furniture and Fittings and Radio Equipment	Straight line over 7-10 years commencing in the year following purchase.
Vehicles	Straight line over 3-8 years commencing in the year following purchase.
Land	Undeveloped sites are not depreciated.

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

Disposals and Non-Current Assets held for Sale

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

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

Details of any properties classified as Assets Held for Sale are disclosed in the Balance Sheet and relevant notes.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and

Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

17. Private Finance Initiative

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

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

18. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

The provision for doubtful debts, now called loss allowances, is included within Debtors in Current Assets.

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme – this is a mandatory scheme for large public and private sector organisations and is designed to improve energy efficiency and cut emissions. Organisations that qualify are required to purchase and surrender carbon allowances on the basis of their emissions and

reflect any liabilities within their accounts. The Police and Crime Commissioner is currently not required to participate in the scheme due to current emissions being below the qualification threshold.

Contingent Liabilities

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

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

Contingent Assets

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

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

19. **Reserves**

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

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

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

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

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

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

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

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

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

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

22. **VAT**

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

23. **Fair Value**

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

Glossary of Terms

Accounting Policies

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

Accrual and Pre payment

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

Budget

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

Capital Expenditure

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

Capital Receipts

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

Contingent Liabilities/Assets

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

Creditors

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

Debtors

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

Depreciation

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

Direct Revenue Funding of Capital

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

Earmarked Reserves

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

Fair Value

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

Financial Instruments

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

International Accounting Standard (IAS)

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

International Financial Reporting Standards (IFRS)

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

Impairment

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

Liquid Resources

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

Minimum Revenue Provision

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

Net Debt

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

Non-Current Assets

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

Non-Domestic Rates (NDR)

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

Non-operational Assets

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

Operational Assets

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

Outturn

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

Private Finance Initiative (PFI)

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

Precept

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

Provision

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

Public Works Loan Board (PWLB) (part of the UK Debt Management Office)

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

Remuneration

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

Reserves

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

Revaluation

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

Revenue Expenditure

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

Revenue Support Grant

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

Slippage

Delayed capital expenditure not incurred within the original time frame.

Supported Borrowing

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

Unsupported Borrowing

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

Usable Capital Receipts

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

Annual Governance Statement 2020-2021

- 1.1. The Police and Crime Commissioner and the Chief Constable have joint governance arrangements. Therefore, many of the controls are common to both corporations sole. The Police and Crime Commissioner and Chief Constable have a Joint Governance Board to ensure that they fulfil their corporate governance responsibilities. The Board is chaired by the Police and Crime Commissioner's Chief Finance Officer and attended by senior officers of both Police and Crime Commissioner and Chief Constable. The purpose of the Joint Governance Board, therefore, is to enable the Police & Crime Commissioner and Chief Constable to fulfil these responsibilities by ensuring the corporate governance structures, processes and procedures of the OPCC and Force are robust, efficient and effective; comply with all relevant legislation, regulations and guidance; and reflect best practice. The Board also collates and documents the evidence to produce this Annual Governance Statement. The Board met four times during 2020-2021. During 2019-2020, a separate review of governance was undertaken, and actions arising from the review were begun immediately. The work continued during 2020-2021 and the recommendations were fully implemented by the end of the year, with continuous assessments being made as recommended in the review.
- 1.2. The Police and Crime Commissioner and the Chief Constable have a Scheme of Consent, which has been in place since 1 April 2014 and was reviewed and revised in September 2019. The aim of this Scheme is to provide for proper arrangements for the management of activities on behalf of the Commissioner and the Chief Constable. The Commissioner has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the Chief Constable to account on behalf of the public. The Commissioner is responsible for the totality of policing. The Chief Constable is charged with the impartial direction and control of all police officers and staff within the police force that they lead and is responsible for maintaining the Queen's Peace. The Chief Constable holds office under the Crown, but is appointed by the Commissioner. This Scheme was in effect throughout the financial year and has been agreed by all the named Senior Officers within the Scheme and the Chief Constable and Police and Crime Commissioner for North Wales.
- 1.3. Both the Police and Crime Commissioner and the Chief Constable are required to have a Chief Financial Officer to undertake the statutory section 151 responsibilities. There is an established Joint Audit Committee; the purpose of the Committee is to provide independent advice and recommendation to the Police and Crime Commissioner and the Chief Constable regarding the adequacy of the governance and risk management framework, the internal control environment and financial reporting. The Joint Audit Committee had an ongoing remit tracking progress of the Governance review as it progressed in 2020-2021.
- 1.4. Each force area has a Police and Crime Panel to support the effective exercise of the functions of the police and crime commissioner, and to review or scrutinise decisions made, or other actions taken, by the police and crime commissioner in connection with the discharge of the commissioner's functions. 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, Chief Executive Officer, Chief Finance Officer and Deputy Police and Crime Commissioner. The panel is made up of ten local councillors and two co-opted independent members, however in September 2016 the Panel appointed a third co-opted independent member following a recruitment campaign. The increase was sanctioned by the Home Secretary. Conwy County Borough Council is the 'Host Authority' for the North Wales Police and Crime Panel and provides the required support services for the effective operation and discharge of duties of the Police and Crime Panel.
- 1.5. Governance is about how the Police and Crime Commissioner and the Chief Constable ensure they are doing the right things, in the right way for the right people, in a timely, inclusive, open and accountable manner. It comprises the systems, processes, culture, behaviour and values, by which the organisation is directed and controlled and also the activities by which it is held to account and engages with the community it serves. This Annual Governance Statement (AGS) for the Police and Crime Commissioner and the Chief Constable describes how the organisation can show it has discharged its two overarching statutory duties during 2020-2021:
 - 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.

- 1.6 The Covid-19 pandemic was described as a “Public Health Emergency of International Concern” on 31 January 2020. Restrictions aimed at reducing the spread of Covid-19 were announced by the government on 23 March 2020 with the Coronavirus Act receiving Royal Assent on 25 March 2020. The impact on the governance process is reflected where appropriate throughout this report.
- 1.7 A Covid-19 Gold, Silver, Bronze response command structure was set up within the Force and established regionally as part of the North Wales Local Resilience Forum (LRF) with the Strategic Co-ordination Group (which was responsible for leading on the multi agency response to Covid-19) being chaired by a Police Gold Commander. It also featured formally within the Force’s risk management framework and was a key factor in operational decisions considering the implications for capacity and capability for various functions within the Force. The Police and Crime Commissioner also published a [Covid-19 Response Plan](#).
- a. During 2020-2021, Covid-19 has continued to have a significant bearing on the organisation’s working practices transforming them for both the Office of the Police and Crime Commissioner and North Wales Police to accommodate social distancing and other public health measures. In addition, operational decision making within the police service has continued to be led by the governance structures established towards the end of 2019-2020. providing a clear line of sight for related decision making including oversight of demand, capability and capacity pressures created by Covid-19. To ensure clarity around governance arrangements was retained during Covid-19 the Police and Crime Commissioner published a 2020-2021 Covid-19 response plan in May 2020 ensuring that clear accountability remained in place.
- b. More recently HMICFRS inspections exploring the effectiveness of decision making during Covid-19 have been announced along with a number of other more focussed reviews that will explore the effectiveness of the Governance and decision making in other areas. HMICFRS plays a key role in informing the Chief Constable, the Commissioner and the public on the efficiency and effectiveness of their forces and, in so doing, facilitate the accountability of the PCC to the public. Whilst, Covid-19 has had a disruptive impact on the work undertaken by HMICFRS the force has remained focussed on the areas for improvement identified in earlier inspections.
- c. 2020-21 also marked the first year that the force undertook a self-assessment against the CIPFA Financial Management (FM) Code of practice. The assessment concluded that both the Police and Crime Commissioner and the Chief Constable were compliant with the FM Code, further reference is made in the sections to follow. Whilst the assessment was one of compliance, any areas for continuous improvement identified are being progressed incidentally to the process. Internal Control activity – primarily in the form of TIAA’s Internal Audit programme – was also able to progress albeit primarily through a remote delivery model.
- d. Looking beyond the Covid-19 restrictions a Strategic Recovery & Planning Board, chaired by the Deputy Chief Constable, has been added to the Force’s Governance structure with the OPCC also having representation on that board ensuring that the activity driving the recovery is suitably strategically aligned. Progress has been reported to the Joint Audit Committee during 2020-2021. Furthermore, work has been undertaken around Business Continuity Planning and Resilience beyond the specific impact of Covid-19 with this work continuing to be progressed across the Force.

2. Purpose and scope of responsibility for the Governance Framework

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

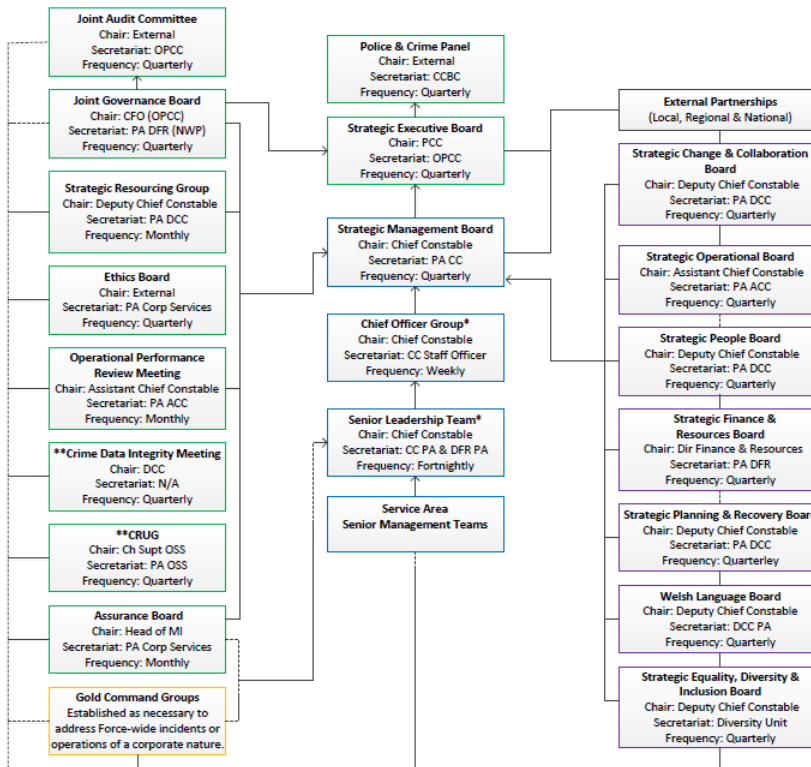
Management Code of Practice for the Police Forces of England and Wales and Fire and Rescue Authorities created under Section 4A of the Fire and Rescue Services Act 2004 (revised 2018).

- 2.3. This statement explains how the Police and Crime Commissioner and the Chief Constable have complied with the Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government updated in 2016 and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014 as amended, in relation to the statement of internal control and the publication of the Annual Governance Statement.
- 2.4. The governance framework comprises the systems and processes, culture and values by which the Police and Crime Commissioner and the Chief Constable are directed and controlled and its activities through which it accounts to, engages with and leads its communities. The framework enables the Police and Crime Commissioner and the Chief Constable to monitor the achievement of their strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost effective services and the achievement of value for money.
- 2.5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot prevent all risk of failure to achieve policies, aims and objectives; it can provide only reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the organisation's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them efficiently, effectively and economically.
- 2.6. The governance framework has been in place throughout the year ended 31 March 2021 and up to the approval of the Statement of Accounts. A more formal self-assessment of its efficiency and effectiveness is being progressed under the oversight of the Joint Governance Board with Internal Audit providing a written confirmation of the adequacy of the Governance arrangements as part of their annual audit opinion. However, the areas of both Corporate Governance and Risk Management were subject to continued scrutiny and challenge via the Joint Governance Board and the Joint Audit Committee over the course of 2020-2021. As a result the approach in both areas has developed with further work planned for 2021-2022 and subsequently being progressed and monitored. The high level Governance structure of the force is outlined schematically below:

North Wales Police Governance Structure – High Level Meetings

The structure below represents our current position as agreed through consultation with Chief Officers and Senior Leads.

The Governance structure will be kept under periodic review so that future governance changes are considered and where appropriate, progressed via the Governance commissioning and decommissioning process.



Board Type
<p><i>Boards and Sub-groups are categorised according to their primary function in relation to the governance and management of the Force. However, each Board and Sub-group performs all of the functions below to a degree.</i></p> <p>Decision Making Boards</p> <p>These Boards have the authority to make decisions relating to the finances and resources of the Force under their direction and control.</p> <p>Governance & Assurance Boards</p> <p>These Boards are largely concerned with ensuring the Force (and OPCC) have appropriate strategies, plans and policies in place as well as effective systems and processes to manage finance, performance and risk.</p> <p>Planning & Delivery Boards</p> <p>These Boards focus primarily on managing and overseeing the delivery of the Force's vision and priorities.</p> <p>Force-wide Command Groups</p> <p>These Groups are established as necessary to address Force-wide incidents or operations of a corporate nature.</p> <p>Reporting Arrangements</p> <p>Reports To →</p> <p>Escalates Decisions To →</p> <p>Information Sharing →</p> <p>* Principal decision-making groups in the event of Force-wide incidents or operations</p> <p>** Report directly to DCC</p>

North Wales Police Governance Structure, Corporate Services

3. CIPFA Principles of Good Governance and the Financial Management Code

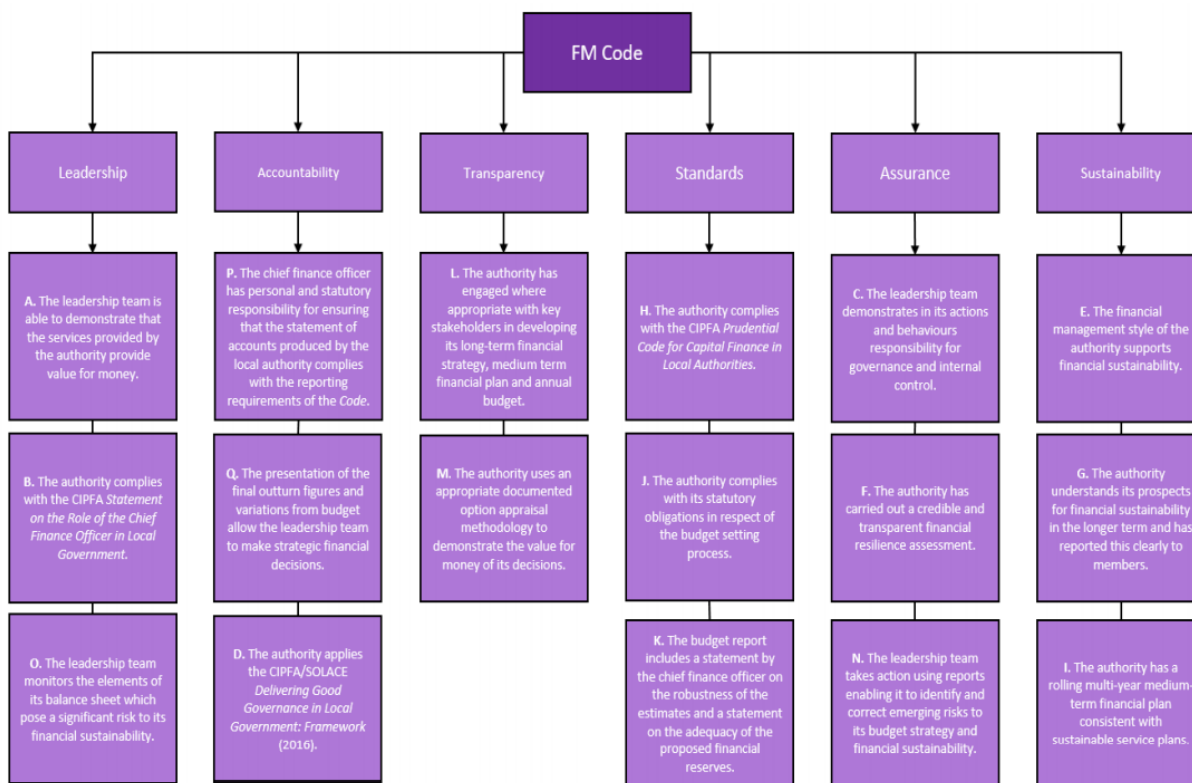
The CIPFA/SOLACE Framework: Delivering Good Governance in Local Government sets out seven principles of good governance which underpin effective governance arrangements to ensure that the intended outcomes for stakeholders are defined and achieved.

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



The sections that follow, review the arrangements in place across the force and their adequacy, cross referencing the sections outlined on the diagram above.

Furthermore (and in part discharging an action identified in the previous AGS action plan) during 2020-21, the Force undertook a self assessment against the CIPFA Financial Management Code for the first time. The code provides guidance to support good and sustainable financial management in local authorities (and other designated bodies such as policing) to support them to demonstrate their financial sustainability. The key elements of the code against which the Force’s position was assessed are outlined below.



The Financial Management Code: The Practicalities of Compliance, CIPFA

Findings from this assessment were reported initially to the Joint Governance Board and subsequently to the Joint Audit Committee with relevant findings relating to the arrangements in place also referenced in the sections to follow.

3.1. Ethics and Integrity

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

The Police and Crime Commissioner’s Code of Conduct and Chief Constable’s Code of Ethics underpin the standards of expected conduct and behaviour. The Police and Crime Commissioner and Chief Constable have policies and procedures and regulations in place that comply with law and conform to appropriate ethical standards and standards of professional behaviour. Ethical considerations are part of any business decisions taken and are set out within policies in operation within both organisations.

The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption Policy and whistleblowing arrangements in place which manage effectively the risk of fraud and corruption. Processes for declaring interest and registers for gifts and hospitalities are maintained and updated as required. Both the Joint Audit Committee and the Police and Crime Panel discharged fully all the functions as identified in the relevant CIPFA

publication for Audit Committees. The Joint Audit Committee's Terms of Reference may be found on the Police and Crime Commissioner's website.

The Police and Crime Commissioner has in place procedures for receiving feedback about policing in North Wales, and decisions made by or on behalf of the Police and Crime Commissioner and his officers. He also has procedures in place for the handling of complaints about the Chief Constable. Additionally, the Police and Crime Panel fulfils its responsibilities in relation to complaints made about the Police and Crime Commissioner as set out within the Police Reform and Social Responsibility Act.

To ensure ethical issues and dilemmas occurring at all levels are appropriately considered and discussed, the Force Governance Structure includes an Ethics Committee with an open invitation for the Office of the Police and Crime Commissioner to attend. Ethical dilemmas can be submitted anonymously via the Force Intranet site or by email and a summary of findings from the Committee are published on the Force Intranet site alongside being reported to Senior Management via the Governance structures for further consideration and reflection as required.

During 2020-21, in the pursuit of good practice, a new independent chair was appointed to the Ethics Committee and furthermore a governance framework to oversee and scrutinise the ethical implications associated with any use of Algorithms or Automated Decision Making was also established in Force with an appropriate reporting route through the Governance structures put in place.

3.2. Openness and Stakeholder Engagement

The Police and Crime Commissioner and the Chief Constable promote an open and transparent culture throughout the organisations to ensure that services meet people's needs. All public meeting papers and minutes are published on the website along with any decisions taken by the Police and Crime Commissioner. The Police and Crime Commissioner received a CoPaCC (Comparing Police and Crime Commissioners) transparency award for three consecutive years and secured this for a fourth year in August 2020. The most recent evaluation assesses not only whether the Police and Crime Commissioner publishes information on the website, but also whether it can be found and accessed easily.

The Police and Crime Commissioner is accountable to the people of North Wales to deliver an efficient and effective police service to the people of North Wales and the Chief Constable is accountable to the Police and Crime Commissioner to ensure that an effective police service is provided to the people of North Wales.

The Police and Crime Commissioner and the Chief Constable regularly publish information on the Commissioner's and Chief Constable's work and achievements and satisfaction of users, including the publication of a Police and Crime Plan and an Annual Report.

There is a consultation and engagement strategy in place to ensure that our services are responsive to issues raised. We regularly conduct surveys to inform our service delivery and assist in developing our priorities and objectives. Both the Police and Crime Commissioner and Chief Constable have internal and external consultation mechanisms in place which are used to inform and improve services. TIAA (the internal auditor) concluded a review of corporate communications for both the Police and Crime Commissioner and the Force in June 2020, which was assessed as "reasonable" assurance, and found that *comprehensive arrangements are found to be in place to ensure that Internal and External Communications strategies for the Force and Police and Crime Commissioner are effective.*

The Police and Crime Commissioner and Chief Constable work in partnership and collaboration with other organisations to achieve shared objectives and to ensure effective delivery of services which meet the needs of the organisations. Partnership and collaboration arrangements that are in place are monitored and kept under review to ensure that performance is achieved and objectives are met and stakeholder engagement is also a feature of our recruitment process for senior roles.

We have an effective scrutiny function, supported by evidence and data analysis, to challenge decision makers constructively, including those who work in partnership with the Commissioner and Chief Constable. All key decisions taken include a financial impact, legal impact, equality impact and risk assessment with the Governance structures in

place providing visibility around them and this continued to be the case during 2020-21. The Commissioner’s decisions are published on his website, and are also reported to the Police and Crime Panel. The Police and Crime Commissioner frequently attends local authority scrutiny committees. Further scrutiny is provided by the Joint Audit Committee. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards with committee papers being published on the Commissioner’s website. During 2019-2020 work was undertaken to develop the relevance and appropriateness of information provided to the Joint Audit Committee and this progressed further during 2020-2021. Independent scrutiny and challenge has been provided by the audit committee in a number of areas including the understandability of our financial statements; scrutiny of key decisions taken in relation to key Corporate risks (such as the Command & Control upgrade); and in relation to the Force’s ongoing Digital work streams including the work stream responsible for developing its future ICT target operating model.

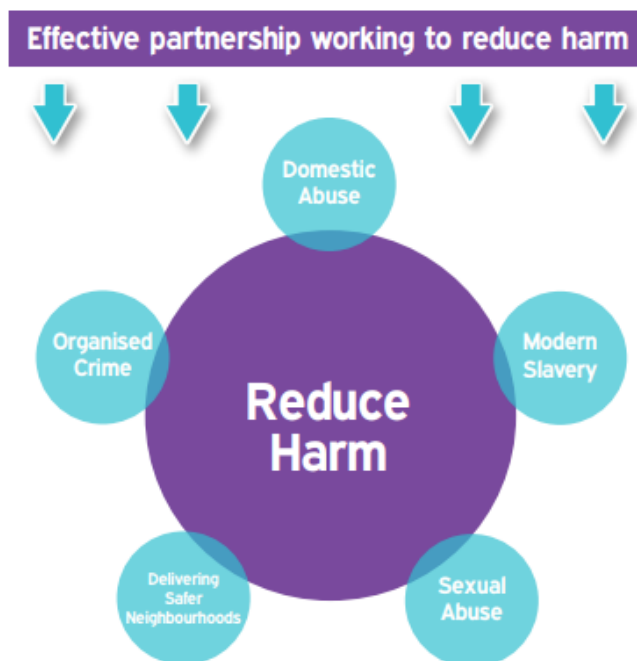
The post of Chief Executive to the Police and Crime Commissioner is the designated Monitoring Officer and there are arrangements to record any professional advice that is required for specialist areas.

Furthermore, the Chief Financial Officers for the Police and Crime Commissioner and the Chief Constable complied with the CIPFA statement ‘the Role of the Chief Financial Officer of the Police and Crime Commissioner and of the Chief Constable’.

3.3. Defining Outcomes

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

The Police and Crime Commissioner sets the police and crime objectives and these are contained in the Police and Crime Plan. The Police and Crime Plan has been communicated to the public through the website and by various engagement activities and a brief summary of performance is included on the council tax leaflet sent to every household, either electronically or by post. A summary is given below, with the Commissioner’s Covid Response Plan confirming the ongoing relevance of these priorities:



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 HMICFRS
- 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 Management Board (SMB) during the year. Resources are allocated against the plan as part of the Force's annual strategic planning process which considers demand and resource requirements against each area taking account of detailed demand assessments (via the Force Management Statement) and then the Force monitors performance against its delivery utilising its Balanced Scorecard framework. The Commissioner's performance is monitored and reported within the Annual Report, Statement of Accounts and the Medium Term Financial Plan.

The Strategic Executive Board (SEB) is the public forum for scrutiny of the Chief Constable by the Police and Crime Commissioner and minutes of each meeting are published. The additional functions of the Board include:

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

The Strategic Executive Board (SEB) and Strategic Management Board (SMB) scrutinise operational and financial performance, service delivery and the achievement of the police and crime objectives. A programmed approach to delivery of plans is in place via the Strategic Management Board (SMB). These boards have continued to meet at the usual frequency – despite Covid-19's impact – with meetings being held remotely using appropriate technology to ensure they take place.

3.4. Determining Interventions

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

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

The annual strategic and operational planning cycle takes into account the expected level of resources required and identifies where savings and reductions are required. This is also informed by the Priority Resource Planning process, which was introduced in 2019-2020 (for the 2020-2021 budget) as an enabler for informed decision-making. The resources, savings and growth are risk-assessed and achievement of all plans and work streams is monitored through the Strategic Management Board which is chaired by the Chief Constable. The impact of Covid-19 means that the approach to Strategic Planning for FY 2021-2022 needed to be adapted and so a streamlined – but equally robust – approach to strategic planning was established by the Chief Constable with a greater emphasis on business planning being introduced for each area of business. Also of note, was the need to ensure the force planning process was positioned to deal with either a single year or 3 year CSR settlement. Due to Covid-19 it was decided that the CSR20 would be a single year settlement with the expectation for a further CSR taking place in 2021.

Programme and project boards are in place which monitor the implementation and achievement of agreed initiatives and plans. These are established to support robust decision making in order to achieve the required outcomes with programmes such as Digital Transformation and Workforce Transformation being critical to the overall delivery of organisational strategies. Decision making is devolved where appropriate to enable flexible and responsive action and better outcomes. Accountability is measured through the governance structure and processes in place with actions and decisions clearly recorded in meetings and progressed over the course of 2020-21.

The Covid-19 pandemic necessitated the rapid adoption of agile working arrangements, and many staff and officers have been able to work from home since the lockdown began. Work to allow agile working was already in progress, and processes and governance had already been considered during the planning phase. The first lockdown, therefore, required an acceleration of the project rather than a fundamental change to our plans, with governance arrangements largely working well during the transition and this continues on an ongoing basis with constant reviews of the arrangements put in place taking place as part of the Recovery work stream which is planning to embed a greater degree of agility into the business as usual model.

3.5. Developing Leadership

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

The governance arrangements have been developed in line with the Police Reform and Social Responsibility Act 2011, statutory Policing Protocol Order 2012, Home Office Financial Management Code of Practice (FMCP) and existing guidance on financial and governance matters which continue to apply. The Force Governance structures have also been scrutinised in 2019-2020 as part of the Governance review, with that work being developed further in 2020-2021.

There is an approved scheme of consent in place which formalises the functions and delegation between the Commissioner and Chief Constable. The governance structure supports the implementation of planned activities and outcomes and there is a defined meeting structure in place to ensure that planned outputs are achieved in a timely manner.

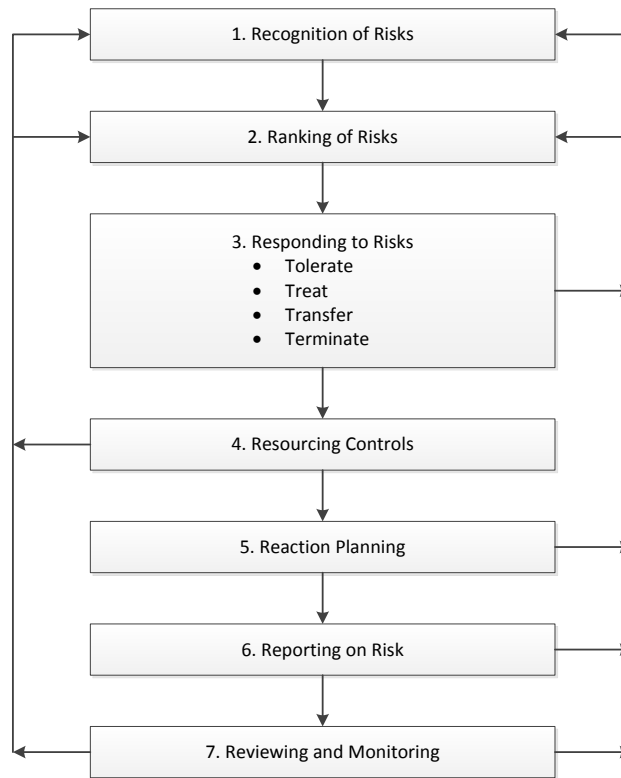
Our people are our key investment and we ensure that there are member and officer training and development programmes in place so that knowledge is kept up to date, including any professional development requirements. Our recruitment and succession planning processes are designed in order that we appoint the right people with the right skills into roles within the organisation. Focussing on our wellbeing, learning and development offer to our people remained a key area of focus during 2020-21 and the internal teams adapted their delivery models within the Force to ensure that the learning and development on offer wasn't compromised due to Covid-19.

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

3.6. Managing Risks and Monitoring Performance

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

The below represents the 7R's and 4T's of risk management as noted in the ISO31000 and NWP risk arrangements follows this model.



There is an embedded risk management culture across the organisation and at all levels which continues to be developed and built upon. There are corporate and individual area risk registers which conform to approved national methodology and are regularly reviewed and updated and reported to committees and boards across the organisation. Risk management is a standing agenda item on all key boards across the Force. The Joint Audit Committee has continued to provide challenge and support to improve our risk management processes, with processes being developed over the course of 2019-2020 – including a Formal Risk Appetite document – and further development ongoing for 2020-2021 to include further development of our Risk Assurance Framework. The Risk Appetite document was reviewed and strengthened as part of its annual review in 2020-21.

Whilst a Pandemic risk is reflected on the Force Risk Register, Covid-19 has its own established risk register which sits beneath it, with a view to ensuring that risk in this area is being appropriately managed.

Our plans, processes and policies are drawn up having due regard to the risks identified, with our Force Management Statement including a MORILE assessment for all areas of the force. The area is overseen by the Assurance Board. A partnership framework is in place to ensure that any partnerships are managed appropriately including risk management.

Strategic risks and the risk management process are overseen and monitored by the Joint Audit Committee. Members of the Joint Audit Committee are able to review all risks for transparency. During 2020-21 a number of risk deep dives have been undertaken exerting scrutiny around key decisions and management actions being taken in relation to the Force's corporate risks. The risk reports produced for the Audit Committee have also been an area of development over the course of 2020-21.

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

The Strategic Executive Board (SEB) chaired by the Police and Crime Commissioner and Strategic Management Board chaired by the Chief Constable scrutinise operational and financial performance, service delivery and the achievement of the police and crime objectives. A programmed approach to delivery of plans is in place via the Strategic Management Board.

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

Effective arrangements are in place to ensure that data is safeguarded and appropriately collected, used, stored and shared. All data is subject to agreed retention policies and the security classification scheme in operation throughout the force. There is an established Information Security Board in place to monitor arrangements and effectiveness including ensuring that Strategy, Policy and Process are all clearly defined and any issues of compliance are appropriately reported. Any significant issues of compliance are escalated upwards, initially to the Strategic Finance & Resources board.

The Commissioner and Chief Constable have data protection and information security policies in place which are regularly tested and supported with a training programme for all staff. Our Internal Audit function and HMICFRS provide further periodic scrutiny in this area.

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

3.7. Demonstrating Effective Accountability

The Police and Crime Commissioner and Chief Constable ensure that decision-makers involved in service delivery are accountable to them through the processes in place in both organisations. The Governance framework and the associated internal control framework provide a robust mechanism for retaining oversight of the key decisions being made. During 2020-21 the Force budget guidance document and associated financial delegations documentation has been updated and developed with a view to ensuring that the documents issued, match up to the Force's changing environment and demands.

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

The Police and Crime Commissioner's and Chief Constable's websites publish information which is pertinent to the public and stakeholders, ensuring the transparency needed for external accountability to be effective, is in place. The internal audit service reports to the Joint Audit Committee and has direct access to the Police and Crime Commissioner, Chief Constable and members. Recommendation for service improvements are acted upon and reported to the committee.

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

4. Review of Effectiveness

- 4.1. The Police and Crime Commissioner and the Chief Constable have responsibility for conducting, at least annually, a review of the effectiveness of the 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. The review of Governance in 2019-2020 has led to a number of recommendations, the implementation of which was reported as complete in August 2021.
- 4.2. Covid-19 has unquestionably impacted on the Governance arrangements of the Force, but not in a way that has been detrimental to its robustness during 2020-21. This demonstrated the need to change and adapt the governance structures to ensure that they continued to match up to the organisational requirements. Technology has been embraced to ensure that internal governance has continued to operate effectively across both Corporation sole organisations. Furthermore, with the exception of HMICFRS inspections the fundamental independent scrutiny forums of the Joint Audit Committee; the Police & Crime Panel; the Ethics Committee; the Internal Audit Programme and External Audit, have all been able to exert appropriate scrutiny, albeit, sometimes via a different delivery model.

4.3. In accordance with regulations, the Police and Crime Commissioner and Chief Constable have reviewed the effectiveness of its internal audit service. In conclusion, the service has complied fully with all public sector internal auditing standards (PSIAS).

4.4 As part of our governance framework and to ensure that we review our arrangements for effectiveness, we established a Joint Governance Board, charged with monitoring the arrangements for compliance and to make recommendations for the development of the governance arrangements as may be required. The remit of reviewing the efficiency & effectiveness of the Governance framework is ongoing but the full objectives of the Joint Governance Board are listed below:

- To ensure a continual review the adequacy and appropriateness of the governance arrangements ensuring that they operate Efficiently and Effectively.
- To oversee the production, management and review (as necessary) of the high-level corporate governance documents of the Office of the Police and Crime Commissioner and Force, specifically the Manual of Governance and its constituent parts.
- To co-ordinate, oversee and review (as necessary) the corporate governance structures of the Office of the Police and Crime Commissioner and Force and their associated processes and procedures.
- To review all recommendations relating to corporate governance arising from internal and external audits and inspections and consider their implications for the corporate governance arrangements of the Office of the Police and Crime Commissioner and Force.
- To review any Client Briefing Notes issued by the Internal Auditor and consider their implications for the corporate governance arrangements of the Office of the Police and Crime Commissioner and Force.
- To oversee and co-ordinate the preparation of the Annual Governance Statements of the Police & Commissioner and Chief Constable.

To make any recommendations to the Police & Crime Commissioner and Chief Constable on any matter relating to the corporate governance arrangements of the Office of the Police and Crime Commissioner and Force, where action or improvement is required.

4.5 During 2020-21, the organisations have progressed the action plan identified as part of the last AGS. A full analysis of the position against these actions is included in section 5 below, but the progress made has strengthened the Governance arrangements in place further.

4.5 Internal Audit carried out their annual service review of our key financial systems in 2020-2021 and provided generally positive reports during the year as listed below:

System	Assurance Level
Collaborative Risk Management – Mitigating Controls	Reasonable
Collaborative Budgetary Control	Substantial
Collaborative Project Review - Office 365	Reasonable
Collaborative Vetting of Contractors	Substantial
Creditors	Substantial
General Ledger	Substantial
Payroll	Substantial
Pensions	Substantial
Treasury Management	Substantial
Expenses & Additional Payments	Reasonable
Anti-Fraud Procurement	Substantial
HR/Workforce Management - Organisational Development	Substantial
ICT - Data Assurance	Substantial
Procurement - Strategic Lead	Substantial
Command Unit - Eastern Area	Reasonable
Property Subject to Charge	Limited
Fleet - Fuel	Reasonable
Fleet - Repairs	Reasonable
OHU Review	Advisory
Collaborative Governance - Yr 1 Strategic Resource Planning	
ICT - Infrastructure Review	

Internal Audits delivered FY2020-21

The annual report concluded:

HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

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

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on the ongoing financial viability or your ability to meet financial obligations which must be obtained by The Office of the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police from its various sources of assurance.(to be confirmed in Internal Audit Annual Report verbal assurance given at time of signing accounts)

- 4.7 The Wales Audit Office annual audit letter for 2019-2020 gave an unqualified opinion on the accounts for the Police and Crime Commissioner and the Chief Constable and recorded that they had not identified any significant weaknesses in the overall framework. It also concluded that the Police and Crime Commissioner and Chief Constable had appropriate arrangements in place to secure economy, efficiency and effectiveness in the use of their resources.

5. Governance Action Plan and Progress

- 5.1. In assessing the governance arrangements that are in place, the Governance Board will also develop and monitor any action plans to address any governance issues identified or where improvement to current arrangements is required. The areas to be covered in the 2021-2022 plan can be seen in the Appendix below.

5.2. The action plan for 2020-2021 contained areas for improvement. These are detailed below with their progress and current status.

Recommendation	Action	Current Status -complete Y/N?
Compliance with the CIPFA Financial Management (FM) Code	The Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating financial sustainability. The first full year of compliance is 2021-2022, therefore by 31 March 2021 the aim is to review current processes against the Code and implement any required changes.	Yes. Review completed and will now become an annual assessment.
Governance Review	A review of governance was undertaken during 2019-2020. The recommendations of this review are to be implemented during 2020-2021. This will be monitored and assessed via the Strategic Management Board, the Strategic Executive Board and the Joint Governance Board.	Yes. Recommendations implemented with actions reported as complete in August 21 and continuous review now in place.
Assurance Framework	A pilot of an enhanced assurance framework will commence within the Finance & Resources Directorate. Subject to the outcome of the pilot a revised assurance framework will be rolled out across North Wales Police. Our Risk Appetite will be agreed and documented.	No – The Risk Assurance Pilot has been undertaken but the wider roll-out of the assurance framework is not complete. Yes – Risk Appetite has been agreed & documented.

6. Conclusion

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

Signed:



Andy Dunbobbin
Police and Crime Commissioner



Stephen Hughes
Chief Executive Officer to the Police and Crime Commissioner



Kate Jackson
Chief Finance Officer to the Police and Crime Commissioner

ANNUAL GOVERNANCE STATEMENT - PLAN

The review of governance has recognised that our governance arrangements are satisfactory and meet our needs. The delivery of our vision will challenge our governance arrangements and attention to a number of issues will assist in strengthening those arrangements. The following areas are to be addressed in 2021-2022:

Issue	Actions
Risk Assurance Framework Development	<p>Following the Finance & Resources pilot in 2019-20 the timeline for rolling out the Risk assurance framework across the Force will be established against a context of Covid-19.</p> <p>The Risk Assurance Framework will be subsequently rolled out across the Force.</p>
<p>COVID-19</p> <p>The coronavirus pandemic presents a number of challenges to the Police and Crime Commissioner and Chief Constable. There is a need to maintain governance throughout this period of uncertainty, in a way which does not impede the Force's response to the situation and does not put officers, staff or the public at unnecessary risk.</p> <p>The Police and Crime Commissioner has published a Covid-19 Response Plan</p>	<p>Ensure that the ongoing impact of Covid-19 on Governance arrangements is reviewed and assessed.</p> <p>Ensure that the Strategic Recovery Board is embedded as a means of providing robust oversight of the organisation's Recovery and Planning process.</p> <p>Embed the Strategic Recovery & Planning Board.</p>
<p>Governance: Efficiency & Effectiveness</p> <p>The Joint Governance Board has identified the need to formally review the Efficiency and Effectiveness of the new governance structure.</p>	<p>Undertake a review of the Efficiency and Effectiveness of the new governance structure, reporting findings to the Joint Governance Board</p>

The independent auditor's report of the Auditor General for Wales to the Police and Crime Commissioner for North Wales

Wales

Opinion on financial statements

I have audited the financial statements of:

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

for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

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

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

North Wales Police Pension Fund's financial statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales Group and the North Wales Police Pension Fund as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent

otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales Group and the North Wales Police Pension Fund's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following area: management override; and
- obtaining an understanding of the Police and Crime Commissioner for North Wales's framework of authority as well as other legal and regulatory frameworks that the Police and Crime Commissioner for North Wales operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Police and Crime Commissioner for North Wales.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Joint Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales Group and the North Wales Police Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

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

Certificate of completion of audit

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



Adrian Crompton
Auditor General for Wales
Date: 7 October 2021

24 Cathedral Road
Cardiff
CF11 9LJ

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

Summary Capital Expenditure and Funding 2020-2021

2019-2020 Actual £'000	Description	2020-2021 Revised Budget £'000	2020-2021 Actual £'000
	<u>Building Works</u>		
101	Pwllheli Police Station Refurbishment	879	673
0	Vehicle Commissioning and Workshop	800	786
0	Force HQ Canteen	175	170
114	Wrexham DHQ Facility	0	0
485	Wrexham Town Facility	0	0
253	Sustainability Works	0	0
0	Retentions	25	7
0	Western Estates Area	0	33
27	Custody CCTV	0	0
99	Firearms Base works	10	0
1,079	Total Building Works	1,889	1,669
	<u>Vehicles and Other Equipment</u>		
1,760	Vehicle Purchase	1,850	1,724
118	Equipment	183	3
1,878	Total Vehicles and Other Equipment	2,033	1,727
	<u>Information Technology and Communication Equipment</u>		
1,238	Lap Tops and Desk Top Replacement	1,100	1,103
0	Lockers for charging and storage	50	37
11	DFU Server replacemnt	0	0
0	Airwave (replacement units)	79	59
406	Control Room Technology Replacement	0	0
19	Mobile Data Devices	0	0
114	Mobile Responder App	0	0
689	National Enablement Programme	430	413
94	Wifi	52	53
74	Digital Workplace Audio Visual	0	0
0	Digital Intelligence & Investigation	141	73
0	Nexus Memory Upgrade	13	0
127	Backup upgrade	30	30
0	Local Area Network	20	0
0	Unsupported Systems	86	0
42	Command and Control Upgrade	105	35
70	GIS update	0	0
533	Body Worn Video	59	59
3,417	Total Information Technology and Communication	2,165	1,862
6,374	Total Capital Expenditure	6,087	5,258

2019-2020 Actual £'000	Description	2020-2021 Revised Budget £'000	2020-2021 Actual £'000
	<u>Funding of Capital Programme</u>		
472	Home Office General Capital Grants	123	123
2,271	Revenue Contribution	2,691	2,846
1,460	Earmarked Reserves	539	0
310	Capital Receipts	55	88
1,861	Borrowing funded in revenue	2,679	2,201
6,374	Total Funding	6,087	5,258