

**HEDDLU  
GOGLEDD CYMRU  
NORTH WALES  
POLICE**

## JOINT AUDIT COMMITTEE

9.30am – 5 October 2020

Online by Microsoft Teams

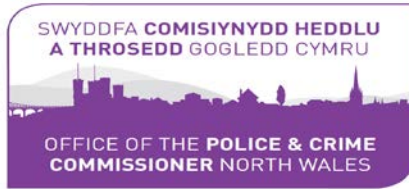
### AGENDA

#### Membership:

Rachel Barber (Chair)  
John Cunliffe  
Claire Hodson  
Dianne Walker

	Standing Items		Purpose	Time
	<b>Apologies</b>	Chair		
113	<b>Minutes of the last meeting</b> The Chair shall propose that the minutes of the meeting held on 30 July 2020.	Chair		5 Mins
114	<b>Actions Log</b>	Chair		15 Mins
	<b>Standing Items</b>			
115	<b>Organisational Update</b>	Chief Executive Officer & Director Finance and Resources	Information	10mins
116	<b>Statement of Accounts FY19-20 / ISA260</b>  a). Wales Audit Opinion  b). Management Response on exception  c). JAC Recommendation on Approval of Accounts	Wales Audit  Director of Finance and Resources & Chief Finance Officer  Audit Committee	Decision	15mins
117	<b>HMIC Update</b>	Chief Superintendent Corporate Services	Information	5mins
118	<b>Internal Audit</b> a. Internal Audit Overview – Management Report (incl. summary of Follow-up Review)  b. Internal Audit SICA 2020-21	a Director Finance & Resources / Budget Officer  b– TIAA Audit	Assurance	10mins

		Manager		
119	<b>Risk Update</b> - Risk Process Development & Current Risk Register	Chief Superintendent Corporate Services	Assurance	10mins
	<b>Substantive Items</b>			
120	<b>Value For Money - Presentation</b>	Director Finance and Resources / Head of Finance	Assurance	20mins
121	<b>National Audit Office Response</b>	Director Finance and Resources / Head of Finance	Assurance	5mins
122	<b>Assurance Board</b> • Table Top testing timetable • Progress on actions	Chair of Assurance Board	Assurance	10min
123	<b>Governance Update</b> • Joint Governance Board • Governance Review	Chief Finance Officer / Head of Corporate Services	Assurance	10min
124	<b>Work Programme for 2020/21</b>	Director Finance and Resources and Chief Finance Officer	Decision	5mins
	<b>AOB (Advise the chair ahead of the meeting)</b>			
126				
	<b>DATES OF FUTURE MEETINGS</b> 10 <sup>th</sup> December 2020 30 <sup>th</sup> March 2021 PROV 29 <sup>th</sup> July 2021 PROV 6 <sup>th</sup> October 2021 PROV 8 <sup>th</sup> December 2021			
		TOTAL		<b>2hrs</b>



**HEDDLU GOGLEDD CYMRU**  
Gogledd Cymru diogelach

**NORTH WALES POLICE**  
A safer North Wales

## JOINT AUDIT COMMITTEE

30 JULY 2020

### PRESENT

#### JOINT AUDIT COMMITTEE:

Rachel Barber - Chair  
John Cunliffe  
Dianne Walker  
Claire Hodson

#### FORCE OFFICERS:

Seb Phillips – Director of Finance & Resources  
Nigel Harrison – Temporary Chief Constable, All Wales Collaboration and Change Programme  
Guto Edwards - Head of Finance  
Helen Williams - Financial Control Accountant  
T/Chief Superintendent Simon Williams – Corporate Services  
Anne Matthews – Finance & Budgets Officer  
James Sutton – Head of Business Intelligence/Chair of Assurance Board  
Neil Ackers – Risk and Business Continuity Officer

#### OFFICE OF THE POLICE AND CRIME COMMISSIONER:

Stephen Hughes – Chief Executive Officer  
Kate Jackson – Chief Finance Officer  
Angharad Jones – PA to the Chief Executive

#### OTHER ATTENDEES

Helen Cargill, TIAA  
Mike Whiteley, Audit Wales  
Michelle Phoenix, Audit Wales

### APOLOGIES AND DECLARATIONS OF INTEREST

No apologies were received.

#### 99. MINUTES AND ACTION LOG

The minutes of the meeting held on 9 March 2020 were agreed as a true record of the meeting when the typing error in paragraph 91f is amended.

## 100. ACTION LOG

Action Log was updated and will be circulated with the minutes. Actions recommended closed and agreed closed were: (22a, 43, 59b, 79b, 89. 91a, 91c, 91d, 93a, 93b, 93c, 93d, 94a, 94b, 94d, 96, 97, 99a, 99b and 99c.

## 101. HMICFRS UPDATES

### HMIC

The Joint Audit Committee noted the update on HMICFRS and Strategic Planning.

It was reported that HMIC had suspended all activity since the outbreak of Covid-19 and the position remains the same at the current time but HMIC have indicated that inspections will re-commence in October 2020.

North Wales Police have continued to progress the recommendations but as the HMIC cannot check for progress made the number of actions remains the same within North Wales and nationally.

North Wales Police are satisfied with the progress made internally and have nothing to report by exception. When the HMIC resumes their inspections, North Wales Police are confident that a number of recommendations will be signed off and closed.

Inspections anticipated in the near future are:

- Response to Covid-19 and high risk areas of work
- Police Effectiveness, Efficiency and Legitimacy – next year
- Child Protection – next year
- Custody – next year.

### Strategic Planning

The force approach to organisational planning for the financial year 2021-2022 has commenced. It will dovetail into recovery plans post Covid-19.

The document represents a significant demand within the organisation as all service areas will complete a Business Plan which states their understanding of current and future demand. The Plan will highlight their ability to meet challenges, risk areas and any gaps between current capacity and also future demand and the ability to meet required savings. It will also link into the HMIC recommendations to ensure resources are in the right place.

Collaborative working is happening across the organisation with regular meetings being held and working towards autumn deadline.

The Office of the Police and Crime Commissioner's Covid Recovery Plan highlighted the role of the Joint Audit Committee in providing assurance on the robustness of

Force and OPCC arrangements in mitigating risks presented by Covid-19, including the impact on Operation Uplift.

The Chief Executive Officer noted that the response plan was written at the beginning of the pandemic and currently plans are proceeding well and the Joint Audit's role may come later but at the moment everything is proceeding well.

## 102. INTERNAL AUDIT

### a. INTERNAL AUDIT OVERVIEW – MANAGEMENT REPORT

The Joint Audit Committee noted the paper which provides an overview of internal controls activity within North Wales Police.

There has been a lot of internal audit activity between March and the July meeting. Thirteen recommendations were outstanding at the time of submitting the written report to JAC but three of these had since been completed by the date of the meeting:

- 243897 - Operational Framework document has been updated
- 243898 - The NWP/CGI Change Management Process has been updated
- 242413 – Overtime clarity email circulated

The reporting processes around TIAA audits and Client Briefing Notes (CBNs) were now being governed by the F&R SMT and feeding into the Joint Governance Board and Fraud alerts would now also feed into this process and in turn, into the Risk Framework as appropriate. Three Client Briefing Notes have been reflected as risks on the Risk Register.

The Internal Audit, Annual Audit Plan experienced delays in Quarter 1. Discussion was ongoing with Tiaa on how we can turn this delay around with field work only recently having re-commenced. There will be a need to actively monitor to ensure assurance is received and the work plan fulfilled.

Joint Audit Committee member thanked officers for a much more concise report but would like to see visibility on the two reporting fields of outstanding recommendations by owner and priority included within the audit tracker table. A further query was raised around ensuring a description of categories was included in the report.

ACTION 102a	Director of Finance and Resources / Finance & Budgets Officer to include the requested details for the current report and for subsequent Joint Audit Committee meetings.
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Joint Audit Committee member also questioned the setting of revision dates for recommendations as some seem to be on a third or fourth date. Concern that the dates set for delivery are not realistic.

It was also questioned why North Wales Police are moving away from the network to a more risky cloud environment with individual files.

Director of Finance and Resources will take questions away and reflect on response as believes its part of the NEP Programme. Will provide briefing at next Joint Audit Committee meeting.

ACTION 102b	Director of Finance and Resources to respond to JAC relating to the reason for due date revisions and how a GDPR issue relating to sensitive data stored on Network drives would be addressed through NEP and migration to a Cloud environment.
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#### Annual Report 2019-20

The Head of Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow a positive conclusion to the adequacy and effectiveness of risk management, control and governance processes and has expressed a clean opinion with positive assurance.

#### b&c. INTERNAL AUDIT SICA 2019-20 SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REVIEW and INTERNAL AUDIT SICA 2020-21

This report summarises and provides an update on the progress of work undertaken in 2019-20 and on progress against the 2020-21 Annual Plan.

It was reported that there has been slippage within TIAA this financial year because of the Covid pandemic and staff had been furloughed. Staff were now back at work and the Treasury Management audit will commence next week.

Updated audit timetable is being prepared to ensure priorities are delivered.

Internal Audit had attempted to identify common themes for collaborative audits within the four Welsh Forces but had experienced difficulty in identifying common risks. Initially the only item identified was the response to Covid and no other common risk was identified although a second risk for audit had now been identified.

### 103. **RISK UPDATE**

Joint Audit Committee noted the update provided within the Risk Update paper as at 30 June 2020.

It was reported that Neil Ackers had been appointed as Risk and Business Continuity Lead within North Wales Police and has replaced Kathryn Jones. All risks have been reviewed and are also tracked at the Assurance Board.

Work has been undertaken to capture all risks associated with the Covid-19 pandemic and are included within the document for information. Going forward Covid-19 risks will be reported to Joint Audit Committee by exception as they will be covered by the overarching Pandemic Risk on the Force Risk Register.

It was requested that a Deep Dive into the Command and Control Upgrade risk be brought to the next Joint Audit Committee to explain what actions are in place to progress this large piece of work to ensure compliance and options going forward.

ACTION 103a	Personal Assistant to place Command and Control Upgrade deep dive on next meeting agenda and Risk and Business Continuity Lead to ensure appropriate officer attends to present to Joint Audit Committee.
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A cultural shift has occurred within North Wales Police and a more fluid process is in place with risks added and completed. An increase in discussion has also been experienced on risk within the Force.

A delay has occurred in Assurance Mapping due to the pandemic. This issue was discussed at the Strategic Management Board who decided that assurance mapping will re-start in September with a roll-out plan being prepared.

Joint Audit Committee member enquired whether in closing a risk North Wales Police are stating they are happy with the level of risk or has the risk been eliminated? Chief Superintendent Corporate Services stated that the Force was happy with the mitigation processes which had been put in place and not that the risk had been eliminated.

It was suggested that the changing the wording from “closing a risk” to “acceptance of risk” be considered. Chief Superintendent to take away and clarify definitions.

ACTION 103b	T/Chief Superintendent Corporate Services to clarify wording regarding closure of risks and report back to Joint Audit Committee.
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Joint Audit Committee enquired whether there would be a delay to delivering the action plan, shared at the March meeting, which stipulated a timeline of 10-12 months to deliver the actions? The Committee also requested if in the update the original and revised timelines could be stipulated.

ACTION 103c	Risk and Business Continuity Lead to update the original and revised timelines could be included within the update to next Joint Audit Committee.
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The Joint Audit Committee noted the plan to revise the report format in consultation with the Risk Lead.

ACTION 103d	Risk and Business Continuity Lead to revise the report format in consultation with Risk Lead
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#### 104. ORGANISATION UPDATE

The Office of the Police and Crime Commissioner and North Wales Police provided an update on the work undertaken since the last Joint Audit Committee meeting.

## Office of the Police and Crime Commissioner

It was reported that there is a review being undertaken on the role of the Police and Crime Commissioner with part one taking place before the upcoming election and part two taking place after. Information regarding this review will be shared with Joint Audit Committee as received.

During the pandemic staff had been working from home and no impact had been experienced on the service or scrutiny provided. The period has highlighted that meetings can be held on-line and we do not envisage a return to the old way of working.

The Annual Report has been drafted and will be presented to the Police and Crime Panel at their September meeting and will be shared with Joint Audit Committee members thereafter.

Close partnership working has occurred within Wales during the pandemic with Welsh Government and all four forces working closely together which has been fantastic to see as this has not necessarily happened elsewhere.

North Wales have been very successful in securing additional monies with £1m secured for victims of crime, primarily domestic abuse from the Ministry of Justice and an additional £1m plus of Safer Street funding for Wrexham and Rhyl.

### North Wales Police

The financial context for the Force was that a comprehensive spending review will be undertaken in the autumn and the allocation of funding for the second round of Operation Uplift is still to be confirmed. North Wales Police are hoping to recover PPE costs associated with the pandemic back from the Home Office but are unsure if other associated costs will be reimbursed.

Sixty Two officers have been recruited as part of the Uplift programme. This has been achieved through prioritising their recruitment and training during Covid. Positive steps have also been taken through the issue of 2 in 1 tablets which is part of the National Enabling Programme and enables officers and staff to now work from various locations.

Work on the ICT Sourcing Strategy contract renewal has started with a consultant and internal staff working on the project. National work is ongoing re the National Air Service and also investigating the potential insourcing of Forensic capabilities. In summary there are a number of business change initiatives currently in progress.

Operationally there have been many challenges over the last five months with a fall of 27% in crime reported at our most recent Strategic Executive Board which was offset by an increase in other areas of demand i.e. non emergency calls. North



Wales experienced some community tensions arising from the area becoming a tourist hotspot and work continues to manage this situation.

Equality and diversity has also been very much in focus over the last few months and the Force is keen to learn from what has been happening locally and nationally.

#### 105. **ASSURANCE BOARD – ROLE AND REMIT**

Joint Audit Committee noted the content of the tabled paper explaining the role and remit of the Assurance Board.

Head of Business Intelligence explained the role of the Assurance Board and stated that the Board covers all areas of North Wales Police's work and includes key members of staff. Risk management has also been brought into the meeting when it was created as Assurance Board. The main work of the board will be to support and develop the assurance mapping process and providing a place for an overarching view of progress.

The Assurance Board ensures that all policies are in line with the new policy standards and processes and are reviewed against a policy threshold to ensure up to standard.

Joint Audit Committee member questioned whether continuity plans are tested as this would reassure the Committee that these plans work by seeing the successes and failures and would like to better understand the schedule of testing.

Head of Business Intelligence confirmed that Table Top testing is in place and partner agencies are involved in some areas and that a schedule of testing would be brought to the next Joint Audit Committee meeting.

ACTION 105a	Head of Business Intelligence to bring schedule of Table Top testing to next Joint Audit Committee meeting.
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Joint Audit Committee member asked that the Assurance Board minutes are copied to members on a regular basis and that the new Terms of Reference are also shared with the Committee.

Head of Business Intelligence noted that the Terms of Reference will be re-drafted imminently and that the first draft would be shared with Joint Audit Committee members along with the action and decision log.

ACTION 105b	Head of Business Intelligence to share actions and decision log of the Assurance Board and first draft of the reviewed Terms of Reference with Joint Audit Committee members.
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Joint Audit Committee member asked that an update paper be brought to the Joint Audit Committee to report on progress and offer assurance on the actions of the Assurance Board.

ACTION 105c	Head of Business Intelligence to bring paper update paper to
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106. **VALUE FOR MONEY - PRESENTATION**

This item will be deferred until October 2020 meeting.

107. **COVID-19 INCL. RECOVERY PLAN - PRESENTATION**

Temporary Assistant Chief Constable updated Joint Audit Committee members of actions taken thus far in relation to the Covid-19 pandemic, the way forward and how the recovery process will work.

(Video link to T/ACC was lost at this point).

T/ACC asked to provide clarification on how North Wales Police are preparing for the second wave of the pandemic that all are predicting.

ACTION 107a	T/ACC to provide clarification on how North Wales Police preparing for second wave of pandemic.
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Joint Audit Member thanked the Temporary Assistance Chief Constable for his presentation and the clarification it brought to the processes in effect around Covid-19.

108. **UPDATE ON 2019-20 STATEMENT OF ACCOUNTS**

a. NWP VERBAL UPDATE

Head of Finance provided an update on current position and explained that the date set for completing the audit is 6 October 2020 and that the Statement of Accounts has been updated to show the amended pension figure. The narrative and AGS have been revised for clarification and additional requirements surrounding Covid.

Some discussions are ongoing on the treatment and classifications of assets and other minor amendments but discussions will be concluded to agree any changes or have unadjusted misstatements.

Date for inspection of the accounts is set for the end of August with Wales Audit being available on 1<sup>st</sup> September to meet any elector of the area to discuss.

Joint Audit Committee member requested a copy of both sets of accounts as no feedback has been received in over two months since detailed feedback from JAC members and that the narrative report was received too late (less than 24 hours before this meeting) to be able to review before the meeting. Joint Audit Committee expressed their disappointment. JAC Member stated that it is her recommendation to the JAC Chair that reference be made in the 2020/21 JAC Annual Report if her concerns over the lack clarity and transparency in the Statement of Accounts are not addressed in the 2020 documents, as this is now the third year of scrutiny and the same issues remain.

Head of Finance explained that Wales Audit will need to first review the figures before further draft is issued and hopes to get a further full draft prepared by the end of August.

Director of Finance and Resources/Chief Finance Officer/Head of Finance to meet to ensure all Joint Audit Committee member comments are considered for action and to report back to the Joint Audit Committee members to discuss.

ACTION 108a	Director of Finance and Resources/Chief Finance Officer/Head of Finance to meet to ensure all Joint Audit Committee member comments are actioned and to report back to the Joint Audit Committee members to discuss.
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b. WALES AUDIT UPDATE

Wales Audit updated the Joint Audit Committee and reported that the audit is substantially completed. Many Teams meetings have taken place and a revised timetable agreed. All comments to be provided to North Wales Police by 20 August 2020.

c. AUDIT ACCOUNTS LETTERS

Joint Audit Committee noted the Audit Account Letters tabled and thanked Chief Finance Officer for presenting as requested by members.

d. TREASURY MANAGEMENT OUTTURN REPORT

Joint Audit Committee noted the treasury management activity undertaken in 2019-20 and the reasons why limits or indicators were breached.

Joint Audit Committee noted that the £10m balance that North Wales Police are required to hold at any one time had dipped below this sum at five occasions during 2019-20. Head of Finance explained that they knew when these breaches were to occur and that this would only be on a very short terms basis (confirmed as less than 7 days following further discussion) and that no short term loans were needed.

*(Lost video link to Head of Finance)*

Joint Audit Committee member asked what were the consequences of breaching these limits and Director of Finance and Resources explained that this is a limit that North Wales Police set themselves and that there are no specific consequences if this limit is breached.

It was noted that it would be useful to have in table 1 and 2 a budgetary forecast position at the end of the year as this would demonstrate budgetary control and show if there were any variations to predicted year end positions.

Director of Finance and Resources/Head of Finance to take away to look to incorporate into paper.

ACTION 108b	Director of Finance and Resources/Head of Finance to take away to look to incorporate into paper.
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Joint Audit Committee member requested clarity as to when short term borrowing is needed and asked whether there is any advice set within the guidance/policy as to when borrowing should take place.

Director of Finance reported that he is unsure if there was specific guidance provided within the Treasury Management Policy but would look into the matter and report back.

ACTION 108c	Director of Finance and Resources/Head of Finance to investigate whether limits set on when short term borrowing is required and report back to Joint Audit Committee.
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Joint Audit Committee member has received a copy of the National Audit Office Response but had not been able to read as was only circulated the previous day. Joint Audit member requested that papers are received no less than a week in advance to ensure ample time to read.

Action 108d	All to ensure that papers are distributed to Joint Audit Committee members a week prior to meeting.
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Director of Finance and Resources explained that the National Audit Office request consisted of 100 plus questions that had been worked through systematically. Not all were directly applicable to North Wales Police but the themes contained within the queries were relevant and gave reason to pause for thought in some areas.

Joint Audit Committee requested that an update on progress against the National Audit Office Response is placed on the agenda for the next Joint Audit Committee meeting.

ACTION 108e	Personal Assistant to place updates on National Audit Office Response on the agenda for next the Joint Audit Committee meeting in October.
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109. **GOVERNANCE UPDATE**

a. GOVERNANCE REVIEW

The Joint Audit Committee noted progress to date in implementing the recommendations arising from the Governance Review.

It was noted that the Code for Corporate Governance has been formally approved by the Commissioner and Chief Constable and the Code is available on the Commissioner's website.

The Project Board continues to ensure oversight and has continued to meet every two weeks throughout the Covid-19 pandemic.

The Chief Constable's Scheme of Delegation has been developed and drafted in consultation with a wide range of officers from across the organisation. The next step is to obtain approval from the Chief Officer Group and then the Scheme will become formally adopted by the Chief Constable. A copy of the Scheme of Delegation will be made available to members once approved.

Joint Audit Committee members noted that this was a very good report and very thorough and noted that it was heartening to see recommendations being actioned. Members asked that the Appendix be reported upon at next meeting and also a list of projects and targets.

ACTION 109a	T/Chief Superintendent Corporate Services to update Joint Audit Committee members on Appendix and projects/targets at next meeting.
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b. JOINT GOVERNANCE BOARD

Joint Audit Committee noted the update provided and the work of the Joint Governance Board.

Chief Finance Officer stated that there is an error within the paper at 3.3 and that the next meeting date is 7 September 2020 and not the 5 August 2020 as stated.

It was noted that a productive first meeting was held with more impetus now that Terms of Reference have been updated and that the Board is working closely with the Assurance Board.

110. **JOINT AUDIT COMMITTEE ANNUAL REPORT**

The Joint Audit Committee Annual Report was approved as tabled and Chief Finance Officer was asked to note where the Joint Audit Committee consider that they require more assurance and to ensure that this reflected within the annual work programme.

ACTION 110	Chief Finance Officer asked to reflect areas that require more assurance within the Annual Work Programme.
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111. **WORK PROGRAMME FOR 2020/21**

The work programme was noted and approved subject to the amendments suggested by Joint Audit Committee members being incorporated, JAC Evaluation and JAC Annual Report to be placed on the March 2021 meeting and the Force Management Statement item being moved from December 2020 to March 2021.

Director of Finance and Resources commented that the capital expenditure delay of £2m is related to the drill down into digital transformation risks such as the command and control system identified for a risk deep dive earlier in the meeting.

## 112. **ANY OTHER BUSINESS**

### **AOB1 – All Wales Development Session**

Joint Audit Committee members reported that this was a well lead and productive session but Members surprised that they were not asked for feedback.

### **AOB2 – Annual Audit Plan**

Joint Audit Committee members noted the update on audit plans and additional risks.

### **AOB3 – Membership of Joint Audit Committee**

Chief Executive Officer reported that Dianne Walker and Claire Hodson will be standing down from the Committee in March 2021. Chief Executive Officer noted his thanks for all their hard work and also for early notification of their intention to stand down from the Committee. Work has now commenced on recruiting three new members.

The next Joint Audit Committee meeting will be held on 5 October 2020 at 9.30am either in Conference Room 1, FHQ Colwyn Bay or by Microsoft Teams.

**JOINT AUDIT COMMITTEE  
ACTION LOG from 30.07.2020**

	Open
	Closed
	Deferred

**New/Open actions from March 2020**

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
	56a	<b>Ethics</b> - Police and Crime Commissioner to raise with Victim's Commissioner the dilemma received regarding individuals who are sexually assaulted.	On hold	Police and Crime Commissioner	Chief Finance Officer has liaised with Chief Information Officer who states that this is a national issue which is being considered currently by the ICO, CPS and courts and recommends that the PCC does not involve himself in the matter at the moment. 09/03/2020 – as national issue, the PCC getting involved may hinder progress. Put on hold until the national picture becomes clearer. 02/06/2020 - On hold. Awaiting national progress.	
	56b	<b>Ethics</b> – Chief Information Officer to produce simple flow diagram of the ethical dilemma process and how it is embedded within North Wales Police Governance	Immediate	Governance and Policy Officer	<b>28/11/2019</b> Governance and Policy Officer to pick-up and take forward. 04/03/2020 T/Chief Supt Corporate Services will produce a simple flow diagram re Ethical Dilemmas and share at next JAC meeting. (This diagram may be subject to change once the new Independent Chair is appointed – see action 56c). 09/09/2020 – draft copy to be shared with Joint Audit Committee and then presented to the Ethics Committee for finalisation and then re-shared with Joint Audit Committee. 02/06/2020 – Ethical Dilemmas Process Flow Chart shared with Joint Audit Committee.	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<p>30/07/2020 – Flow chart very simplistic and does not explain fully how process works. T/Chief Supt Corporate Services reported Ethics Committee currently being refreshed with new Chair and membership. This will be further explored when new Chair in place.</p> <p>23/09/2020 – The simple flow chart has been shared and represents our current flow as to how ethical dilemmas find their way to the Ethics Committee and how they are resolved and fed back into the Senior Leadership Team to inform practice/process. The flow will be reviewed when the Independent Chair commences her work. There has been progress with the Independent Chair passing Vetting week commencing 21/09/20. Request for action to be pending to allow for the Independent Chair to start and to review processes. T/Ch Supt Simon Williams.</p>	
	59h	<p><b>Internal Audit</b> - Director of Finance and Resources to update Joint Audit Committee of ICO visit to North Wales Police to review their action plan in relation to GDPR.</p>	When ICO visit completed	Director of Finance and Resources	<p>The review took place in preparation for the introduction of GDPR and the actions are completed.</p> <p><b>28/11/2019</b> Re-open. Director of Finance and Resources will look into this report back to Joint Audit Committee.</p> <p>04/03/2020 DFR has met with the Head of Information Security &amp; Compliance to discuss progress in relation to the TIAA audit recommendations stemming from the GDPR audit. The actions have been tracked via the Internal Audit standing item to date (the wording of the action requires amendment as the last ICO visit review was in Jan 2013). Two actions remain open in relation to audit GDPR Compliance Audit PO No FN27625. An updated position is provided below: 237156 Discharging the action will be dependent on the delivery of the National Enablement Programme (currently a Project within the Digital Transformation Programme of work) with a full deployment to commence post completion of a Business User Pilot and expected to take a further 12 months. 237154 IS&amp;C have progressed the necessary works</p>	



MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<p>producing a Data Protection Policy and discharging the action is dependent on the Policy officer ratifying the document produced.</p> <p>The proposal is to close this action on the action log and track progress via the Internal Audit Standing agenda item.</p> <p>09/03/2020 DFR to consider whether IS&amp;C team contact the ICO to explore possible avenues for assurance of GDPR compliance.</p> <p>02/06/2020 – Meeting with CIO and Head of Information Standards and Compliance scheduled post March JAC but cancelled due to Covid. Meeting to finalise view on proposed next steps for June.</p> <p>30/07/2020 The above meetings have been undertaken and the prospect of inviting the ICO for audit discussed. The consensus of the management team was that whilst we recognise this is a critical area, we feel we are better focussed progressing our own programme of work around compliance rather than consuming resource associated with an ICO audit being undertaken at our request. JAC asked when all work complete that ICO are invited as will give different insight into gaps which exist.</p> <p>17/09/20 DFR &amp; JAC Risk lead discussed &amp; agreed to use TIAA audit for Sept as an initial route for providing further assurance. TOR developed with audit lead as a result and findings will then be used to determine appropriate next steps.</p>	
	91b	<b>Internal Audit</b> - Force Management Statements to be placed on the Joint Governance board and the July Joint Audit Committee Agenda	By Meeting July	Chief Finance Officer	<p>02/06/2020 There is no obligation to produce the Force management Statement during 2020/21. The document however will be reviewed and produced for the March 2021 meeting.</p> <p>30/07/2020 CFO to update work programme to reflect change from December 2020 to March 2021.</p> <p><b>Recommend action closed.</b></p>	
	94c	<b>Annual Governance Statement</b> - Interim Governance Manager to	Immediate	Interim Governance	03/06/2020 - draft Chief Constable's Scheme of Delegation has been previously shared 03/06/2020. Draft is currently	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		share draft Scheme of Delegation with Joint Audit Committee for their comments.		Manager / Joint Audit Committee members	subject to review by the Force's Chief Officers. 26/06/2020 – Draft shared with Joint Audit Committee. 30/07/2020 – JAC members to send comments on document by end August and paper to be presented with final Accounts in October meeting. 11/08/2020 – Further e-mail send to JAC members asking for comments by the end of August.	
	102a	<b>Internal Audit Overview</b> - Director of Finance and Resources / Finance and Budgets Officer to include the requested details for the current report and for subsequent Joint Audit Committee meetings.	For October meeting	Director of Finance and Resources and Finance and Budgets Officer	Report was re-written complete with changes and submitted to JAC members on 31/07/2020.  This amended report will be issued moving forward. <b>Recommend this action be closed</b>	
	102b	<b>Internal Audit Overview</b> - Director of Finance and Resources to respond to JAC relating to the reason for due date revisions and how a GDPR issue relating to sensitive data stored on network drives would be addressed through NEP and migration to a Cloud environment	Immediate	Director of Finance and Resources	17/09/20 DFR emailed JAC Risk Lead 31/07/20 with reasons for due date revisions highlighted. The need to ensure due dates on TIAA recommendations are scrutinised as being reasonable & realistic prior to agreement has been stressed to those undertaking audits by the DFR and HoF.  DFR emailed JAC Risk Lead 31/07/20 re. GDPR: <i>“To mitigate the GDPR issue referred to ultimately any solution would need to ensure that only GDPR compliant data is migrated to the Cloud (where it then needs managing in a structured way) and also that any data that isn't migrated needs appropriately managing...”</i>  <i>Resourcing the work stream either via the NEP project team or via a separate work stream is currently being discussed with a business case in progress.”</i>	
	103a	<b>Risk Update</b> – Personal Assistant to place Command and Control Upgrade deep dive on next meeting agenda and Risk and Business Continuity Lead to ensure appropriate officer attends to present to Joint Audit Committee	October meeting	Personal Assistant and Risk and Business Continuity Lead	Command and Control Upgrade placed on agenda <b>02/09/20</b> Email forwarded to PA for invite to be sent to Chief Superintendent Neill Anderson and Keith Williams for attendance by one or both at JAC 5 <sup>th</sup> October for presenting to members the 'Deep Dive' of Risk 54 – Command and Control Upgrade.	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<b>03/09/2020</b> Invite sent to both. <b>Recommend Action Closed.</b>	
	103b	<b>Risk Update</b> – T/Chief Superintendent Corporate Services to clarify wording regarding closure of risks and report back to Joint Audit Committee.	Immediate	T/Chief Superintendent Corporate Services	<p><b>02/09/20</b> Risk Closure is covered in our Force Risk Management and Assurance Mapping Framework Document as follows: <b>Closing risks</b> <i>When a risk has been managed to an acceptable level (usually the target level) or the circumstances around it have improved it may be closed. Assurance (evidence to support the closure) must be articulated in the risk template. The SMT or Project Board that own the risk must approve closure and allocate an action to the Risk Lead to ensure the risk is updated and removed from the Force Risk Register. Where there are open risks at the point that a project closes then the risks will be referred to the relevant SMT for decisions on the future management of that/those risk(s). Closed risks will not be reopened. If a risk becomes active again it must be recorded as a new risk.</i></p> <p>The Risk and Business Continuity Lead has reviewed this entry and our current Risk Closure process and will ensure Risks being requested for closure have a rationale from the Risk Owner/Lead that clearly meets one or more of the following:</p> <ul style="list-style-type: none"> <li>• The Risk is tolerated</li> <li>• The Risk is Treated, i.e. Controls have been effective and Risk target Level has been reached</li> <li>• The Risk is transferred</li> <li>• The Risk is terminated</li> </ul> <p>The Assurance Mapping Framework Document will be updated accordingly.</p>	
	103c	<b>Risk Update</b> – Risk and Business Continuity Lead to update the original and revised timelines could be included within the	Immediate	Risk and Business Continuity Lead	<p><b>02/09/20 Update from Risk and BC Lead.</b> This action update is covered in the JAC Risk Highlight Report. <b>Recommend action closed.</b></p>	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		update to next Joint Audit Committee.				
	103d	<b>Risk Update</b> - Risk and Business Continuity Lead to revise the report format in consultation with Risk Lead	Immediate	Risk and Business Continuity Lead	<b>02/09/20 Update from Risk and BC Lead.</b> Risk and Business Continuity Lead discussed this matter with Risk Lead JC on 28/08/20. It was agreed that the Risk Highlight Report continue to be submitted in two sections, i.e. Open Session and Closed Session. The Open Session will continue to document all Risks on the Force Risk Register or COVID19 Risk Register that have not been negated. The Closed Session Report will only report Risks by exception, i.e. New Risks, Closed Risks, Risk Changes etc. which will reduce the size of the overall Risk Highlight report.	
	105a	<b>Assurance Board</b> - Head of Business Intelligence to bring schedule of Table Top testing to next Joint Audit Committee meeting.	October meeting	Head of Business Intelligence	We recognise this is an important aspect of our assurance work, and will be seeking to focus on it in meaningful sense once there is capacity to do so having dealt with the pressing BC issues of learning the lessons from COVID. Processes are in place with business continuity single points of contact for ongoing table top exercises, and annual Force level exercise, but there is not currently a formal/detailed schedule in place. A full testing schedule will form part of our response but we need to give it proper consideration before providing an update to Joint Audit Committee. I will aim for a fuller update at the next Committee meeting detailing current and planned testing schedules.	
	105b	<b>Assurance Board</b> - Head of Business Intelligence to share actions and decision log of the Assurance Board and first draft of the reviewed Terms of Reference with Joint Audit Committee members.	As soon as available	Head of Business Intelligence	Provided separately. The last meeting of the Assurance Board was the July 2020 meeting, as the August 2020 meeting was cancelled due to lack of attendees. The actions and decisions, and terms of reference have been provided. The next meeting is 09/09/20 at which the revised terms of reference also provided will be tabled. 04.09.2020 – Terms of Reference and Decision Log shared with members. <b>Recommend action closed.</b>	
	105c	<b>Assurance Board</b> – Head of Business Intelligence to bring update paper to October Joint Audit Committee.	October meeting	Head of Business Intelligence	On agenda. <b>Recommend action closed.</b>	
	107a	<b>Covid-19 recovery plan</b> - T/ACC	Immediate	T/Assistant Chief	North Wales Police specifically as opposed to the wider LRF	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		to provide clarification on how North Wales Police preparing for second wave of pandemic.		Constable	continue to have a command Strategic/Tactical/ Operational command structure identified around COVID response. The main risk to NWP is capacity if abstractions rates start to rise. As such we are seeking to get ahead of abstractions by making our buildings covid secure, maximising social distancing, stockpiling of PPE, vaccination programme against FLU. We still have over 800 of our staff able to and mostly working from home. We have plans across critical functions such as Control Room, Local Policing Service and Firearms that allow for a withdrawal of service and also utilising support cross functional. We can maintain recruiting by online learning which has been developed. We have detailed management data which given insight into any abstraction.	
	108a	<b>Statement of Accounts</b> - Director of Finance and Resources/Chief Finance Officer/Head of Finance to meet to ensure all Joint Audit Committee member comments are considered for action and to report back to the Joint Audit Committee members to discuss.	Immediate	Director of Finance and Resources / Chief Finance Officer / Head of Finance	17/09/20 – Meetings held between DFR, HoF & CFO to develop approach around Intro, Narrative Report & AGS to develop timescales for issuing a revised draft set of accounts. Frequency of updates to Finance lead increased and updated approach reported to JGB on 07/09/20, draft accounts circulated on 10/09/20 and subsequently reviewed on 15/09/20 with Finance lead & JAC chair. Further feedback on 15 <sup>th</sup> to be reflected in Statement of Accounts circulated to Oct JAC.	
	108b	<b>Statement of Accounts</b> - Director of Finance and Resources/Head of Finance to take away to look to incorporate comments into paper.	Immediate	Director of Finance and Resources/Head of Finance	17/09/20 Financial control accountant progressing response with intention to circulate ahead of Oct JAC.	
	108c	<b>Statement of Accounts</b> - Director of Finance and Resources/Head of Finance to investigate whether limits set on when short term borrowing is required and report back to Joint Audit Committee.	Immediate	Director of Finance and Resources/Head of Finance	17/09/20 Financial control accountant progressing response with intention to circulate ahead of Oct JAC.	
	108d	<b>Statement of Accounts</b> - All to ensure that papers are distributed to Joint Audit	October meeting	All	17/09/20 DFR update: Changes have continued to feature at a late stage in the process but the Finance team are trying to maximise the window that the JAC members have	

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		Committee members a week prior to meeting.			to review the relevant information.	
	108e	<b>Statement of Accounts</b> - Personal Assistant to place updates on National Audit Office Response on the agenda for next the Joint Audit Committee meeting in October.	October meeting	Personal Assistant	National Audit Office response placed on October Joint Audit Committee agenda. <b>Recommend action closed.</b>	
	109	<b>Governance Review</b> - T/Chief Superintendent Corporate Services to update Joint Audit Committee members on Appendix and projects/targets at next meeting.	October meeting	T/Chief Superintendent Corporate Services	On agenda. <b>Recommend action closed.</b>	
	110	<b>Joint Audit Committee Annual Report</b> - Chief Finance Officer asked to reflect areas that require more assurance within the Annual Work Programme.	Immediate	Chief Finance Officer	Value for Money was identified as a key area where JAC require more assurance and this is on the Work Programme. The Work Programme is now presented on a rolling basis at each JAC meeting, making it possible to add in areas as they are identified.	

**Closed actions since last meeting – Archived March 2020 - available on request**

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
	22a	<b>AOB – GDPR</b> – Chief Executive Officer to look into the sharing of information between North Wales Police and the Office of the Police and Crime Commissioner under the new GDPR.	Immediate	CEO	Information Sharing Agreement required between the Office of the Police and Crime Commissioner and North Wales Police. Head of Information Standards & Compliance was working on this. ISA/MOU is being drafted for the sharing of information between OPCC and NWP. It is proposed to have one document to complement the Policing Protocol. CEO does not believe that this is needed as sharing of information is covered by the Policing Protocol and legislation that covered the work of the Commissioner but Work is still progressing between	Closed

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					<p>both organisations. This work is being progressed.</p> <p>09/10/2019 – Head of Information Standards and Compliance is still liaising with other Forces to see what needs/has to be done but the Policing Protocol covers the transfer of information between OPCC's and Forces.</p> <p>04/03/2020 - The first draft of the MOU has been received, observations and requests for amendments have been made. The CEO will liaise with the Force's Chief Information Officer in order to finalise this document.</p> <p>09/03/2020 – Hope to finalise document by the end of March.</p> <p>02/06/2020 – Awaiting final document which has been requested by the end of June. Will be circulated to JAC members when finalised.</p> <p>07/07/2020 Shared with JAC members. 30/07/2020 JAC member asked if paper reviewed that paper records are included as also covered in GDPR.</p> <p><b>Recommend action closed.</b></p> <p><b>30/07/2020 When paper reviewed in future to include paper as well as digital records.</b></p>	
	42	<p><b>Wales Audit Office – Fraud Enquiry Letters</b></p> <p>– In future, Chief Finance Officer to provide previous year's response to the Fraud Enquiry Letters for both years side by side in a single document in order for the Joint Audit Committee to be able to compare both more easily.</p>	July 2020	CFO	<p>Ongoing.</p> <p>08/06/2020 Document currently being produced and will be presented to the meeting. As requested both years information will be provided in the same document to aid comparison.</p> <p><b>30/07/2020 – On agenda. Action Closed</b></p>	Closed
	59b	<p><b>Internal Audit</b> - Internal Audit to check what action has been taken against the Data Assurance recommendation.</p>	March meeting	Internal Audit Manager	<p>One of the recommendations was closed off at 2018/19 Follow-up and the remaining two will be assessed during the 2019/20 Follow-up.</p> <p>28/11/2019 Internal Audit follow-up audits will happen in Feb/March and will report on findings.</p> <p>04/03/2020 Internal audit follow-up review being undertaken w/c 2 March.</p>	Closed

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
					03/06/2020 – Reviewed as part of the 2019/20 follow-up and are complete. <b>Recommend action closed.</b>	
	79b	<b>Internal Audit Report and Progress Report</b> - Internal Audit to place an extra column for comments within the Client Briefing Notes table.	By March meeting	Internal Audit Manager	Sent the SICA for translation prior to receiving actions log. Future reports to be amended accordingly and will liaise with Management for responses. 02/06/2020 – Internal schedule prepared with extra column for Management response. Being reported internally via F&R SMT - included as part of the papers under item 102 of the July meeting. <b>Recommend action closed</b>	Closed
	89	<b>Action Log</b> - Action Log to be updated in advance of meeting to enable actions to be reviewed by exception at Joint Audit Committee	By July meeting	Personal Assistant	02/06/2020 - Period follow-up on actions to be coordinated by secretariat. <b>Recommend action closed.</b>	Closed
	91a	<b>Internal Audit</b> – Finance and Budgets Officer to produce a cover report/executive summary for next Joint Audit Committee meeting	By July Meeting	Finance and Budgets Officer	02/06/2020 - Internal Control section added to F&R SMT as standing agenda item. Summary reports will provide a much abbreviated output for JAC. The intention is to continue to share the core working paper documentation with JAC members prior to the meeting itself. New format of papers provided under item 102 of the July meeting. <b>Recommend action closed.</b>	Closed
	91c	<b>Internal Audit</b> – Chair to note within the Joint Audit Committee Annual Report that the PCC and Chief Constable were content that not all days allocated to Internal Audit were used and to be carried to next financial year	By July Meeting	Chair of Joint Audit Committee	Statement included within the Annual Report for 2019/20. <b>Recommend action closed</b>	Closed
	91d	<b>Internal Audit</b> – Internal Audit to add extra column to table in Annex 2 of the Client Briefing Note to take account of Management Action.	Immediate	Internal Audit- Now Treasury & Budgets Officer	02/06/2020 – CBNs are now monitored via F&R SMT and will be reported to JAC under the Internal control section of the agenda (links to action 91a). <b>Recommend action closed.</b>	Closed
	93a	<b>Risk Management Process</b> – T/Chief Superintendent to share Risk and Business Continuity job description with Joint Audit Committee	Immediate	T/Chief Superintendent Corporate Services	Document shared with JAC 10/03/2020. <b>Recommend action closed.</b>	Closed
	93b	<b>Risk Management Process</b> – Chair of the Assurance Board to ensure the ongoing	Immediate	Chair of Assurance Board	02/06/2020 – Delivery of NWP’s progression in relation to the risk agenda (inc risk assurance	Closed



MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		monitoring of Risk Management Framework and delivery of next steps will be progressed via the Assurance Board			mapping, risk appetite, risk categorisation) is being led by the newly appointed risk lead, overseen by the Assurance Board. Assurance Board Chair to present at the July meeting. <b>Recommend action closed.</b>	
	93c	<b>Risk Management Process</b> - Chair of the Assurance Board to ensure that progress updates in relation to delivery of next steps regarding the Risk Management Framework are reported to Joint Audit Committee on an ongoing basis.	Immediate	Chair of Assurance Board	02/06/2020 – The Risk Lead will provide a Risk Report covering the progression of the delivery of the next steps in respect of the Risk Management Framework for scrutiny at JAC. This is a standing agenda item. The Chair of the Assurance Board will present at the July meeting. <b>Recommend action closed.</b>	Closed
	93d	<b>Risk Management Process</b> - Director of Finance and Resources to ask Chair of the Assurance Board to prepare paper and attend July Joint Audit Committee meeting.	By July meeting	Director of Finance and Resources	02/06/2020 Chair of Assurance Board invited to attend and prepare paper. Assurance Board Role and Remit paper and agenda item prepared for July agenda. <b>Recommend action closed.</b>	Closed
	94a	<b>Annual Governance Statement</b> - Terms of Reference for the Joint Governance Board to be re-visited to ensure distinct differences between Governance and Assurance Boards.	Immediate	Chief Finance Officer	02/06/2020 - The ToR were discussed and reviewed at the Joint Governance Board meeting in March 2020. The ToR were updated to reflect the changes agreed at the meeting. (The latest version circulated to JAC 03/06/2020). Meeting's purpose and objectives are different and distinctive to those of the Assurance Board. The ToR of the Assurance Board (circulated 03/06/2020). (Please note, ToR of the Assurance Board were prepared using the old format and will be formatted in accordance with the new corporate template in due course.) <b>Recommend action closed.</b>	Closed
	94b	<b>Annual Governance Statement</b> - T/Chief Superintendent Corporate Services to draft Governance job description and share with Joint Audit Committee members. Place on June off-line meeting agenda.	June	T/Chief Superintendent Corporate Services	02/06/2020 – Job Description for the Governance Post is currently being re-evaluated and therefore has recently been re-visited. The latest Job description shared with JAC members 08/06/2020. <b>Recommend action closed.</b>	Closed
	94d	<b>Annual Governance Statement</b> - Governance to be tracked/scrutinised at the Joint Governance Board meetings	By July meeting	T/Chief Superintendent Corporate	02/06/2020 – ToR for Joint Governance Board to incorporate this aspect of the board. Governance update on July 2020 agenda. <b>Recommend action</b>	Closed

MEETING DATE	MINUTE NO.	ACTION DESCRIPTION	REQUIRED BY (DATE)	PERSON RESPONSIBLE	UPDATE	OUTCOME
		with executive summary produced for Joint Audit Committee meetings.		Services	closed.	
	96	<b>Internal Audit Plan</b> - Chief Finance Officer to ensure that the 14 days Internal Audit days not used this Financial Year are carried over to 2020-2021.	Immediate	Chief Finance Officer	TIAA has billed for days worked in 2019/20. Remaining budget has been brought forward to the new financial year. <b>Recommend action closed.</b>	Closed
	97	<b>Wales Audit Office Annual Plan</b> - Head of Finance and Joint Audit Member to discuss format of June Meeting	Before June meeting	Head of Finance and JAC member	02/06/2020 – discussed and draft agenda circulated. <b>Recommend action closed.</b>	Closed
	99a	<b>AOB – Joint Audit Committee Annual Report</b> - Head of Finance to provide Joint Audit Committee overview of how Value for Money is measured within North Wales Police.	Immediate	Head of Finance	02/06/2020 – Proposed item and presentation for July 2020 agenda. Recommend July 2020 agenda item. <b>Recommend action closed.</b>	Closed
	99b	<b>AOB – Forward Work Plan</b> - Chief Finance Officer to ensure that a Forward Work plan is included as an agenda item at future Joint Audit Committee meetings to enable Committee members to review and capture future activities.	Immediate	Chief Finance Officer	<b>On agenda as substantive item. Recommend action closed.</b>	Closed
	99c	<b>AOB – Joint Governance Board</b> - Personal Assistant to update Office of the Police and Crime Commissioner website to reflect the re-establishment of the Joint Governance Board.	Immediate	Personal Assistant	<b>Website updated to reflect re-establishment of Joint Governance Board. Recommend action closed.</b>	Closed

Abbreviation Key	
<b>CC</b>	Chief Constable
<b>CEO</b>	Chief Executive Officer (OPCC)
<b>CFO</b>	Chief Finance Officer (OPCC)
<b>DFR</b>	Director of Finance and Resources (NWP)
<b>Head of Finance</b>	Guto Edwards
<b>Head of Procurement</b>	Patricia Strong

<b>HMICFRS</b>	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
<b>JAC</b>	Joint Audit Committee
<b>NWP</b>	North Wales Police
<b>OPCC</b>	Office of the Police and Crime Commissioner
<b>PA</b>	Personal Assistant to CEO and CFO
<b>PCC</b>	Police and Crime Commissioner
<b>PSD</b>	Professional Standards Department (NWP)
<b>TIAA</b>	Internal Audit
<b>WAO</b>	Wales Audit Office



### Joint Audit Committee

5<sup>th</sup> October 2020

<b>Title:</b>	OPCC Organisational Update
<b>Author:</b>	Stephen Hughes, Chief Executive
<b>Purpose of the report:</b>	Update JAC on OPCC matters of note
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information
<b>Summary / Key Points:</b>	Updates the JAC on <ul style="list-style-type: none"><li>• PCC review</li><li>• Safer Streets Fund</li><li>• Roads Policing report (HMICFRS)</li><li>• North Wales Youth Commission</li></ul>
<b>Recommendations:</b>	None
<b>Risk register impact:</b>	None
<b>Assurance implications:</b>	None
<b>Equality Impact:</b>	None
<b>Information exempt from disclosure:</b>	No



## Joint Audit Committee

### OPCC Organisational Update

#### 1. Updates

The previous meeting of the Joint Audit Committee (JAC) was held on 30<sup>th</sup> July 2020. This report will provide an update to the JAC on OPCC matters since then.

#### 2. PCC review

The JAC will recall at the last meeting a review of the role of PCC's was referred to. Part one of the review has commenced and the PCC has responded to the call for evidence. An all Wales response on behalf of the four PCC's in Wales has also been submitted.

Further detail regarding part one of the review can be found here -

[https://www.gov.uk/government/news/priti-patel-to-give-public-greater-say-over\\_policing-through-pcc-review](https://www.gov.uk/government/news/priti-patel-to-give-public-greater-say-over_policing-through-pcc-review)

#### 3. Safer Streets Fund

Shortly before the previous JAC meeting, the OPCC were notified that bids submitted to the Safer Streets Fund had been successful. This was referred to very briefly during the meeting. Further details are now available.

The Safer Streets Fund is a £25m fund, available to PCCs in England and Wales in 2020/21. PCCs were asked to work with partners to design and deliver local crime prevention plans, with the view to reducing acquisitive crimes through situational crime prevention.

PCCs were able to submit up to three prioritised bids, each for a defined local area within their PCC geography that is persistently and disproportionately affected by acquisitive crime, with up to £550k grant funding being available per successful bid.

In selecting a local target area, PCCs needed to ensure that the area met the eligibility criteria for funding. The key criteria was (i) that areas have a defined geography, (ii) that these areas have a suitable population size, (iii) that the areas are persistently and disproportionately affected by acquisitive crimes, and (iv) that these areas are predominantly residential.

North Wales Police analysts thoroughly considered the data for all areas within North Wales and only two specific areas, Rhyl West and Caia Park in Wrexham met the criteria. Even then, the crime prevention measures on offer were very specific and it took a huge amount of hard work for the partnership teams to translate that in to solutions which would be achievable and meaningful for both communities and meet the Home Office criteria.



## **North Wales were successful in obtaining the funding for the primary and secondary bids submitted:**

### **Primary Bid Queensway Bid – Awarded £550,000**

The funding will be used to include the following:

- An environmental fund administered by the PCC and Project Board will be established to address issues such as graffiti, bush cutting, tree removal and garden landscaping in communal areas.
- Increase CCTV coverage, providing safety and security for all residents.
- Use ANPR technology to target travelling offenders and organised crime groups.
- Improve natural surveillance within the area through the provision of new lighting and upgrade of existing lighting.
- Provide alley gating to control access to seven alleys, as well as replacing two old gates which are inadequate.
- Demolition of three garage blocks, and replacing with car parking area (subject to planning permission).
- Provide 200 metres of additional fencing outside of the streets currently being funded by the Borough council.
- Delivery and installation of 1,000 burglary crime prevention packs to those residents whose property is vulnerable to rear entry.
- Training for community wardens and volunteer community watch to allow the residents to take action themselves to prevent crime.

### **Secondary bid: Rhyl West Bid – Awarded £517,000**

The funding will be used to include the following:

- An environmental community uplift fund administered by the PCC and Project Board will be established. It will allow streets to be subject to a deep clean, have renewed signage, freshly painted communal walls, removal of graffiti, placing of new bins as well as the creation of a community space.
- Increase CCTV coverage within the area, providing safety and security for all residents.
- Use ANPR technology on the main arterial route into Rhyl West to target travelling offenders and organised groups which are key factors relating to acquisitive crime.
- Improve natural surveillance within the area through the provision of new lighting in two alley ways that have not had any lighting historically.
- Delivery and installation of 626 burglary crime prevention packs, targeting those properties within the identified zones that have either been a victim of crime or are very close to a property that has (figure calculated from last 3 years data).
- Community Champions training to allow the community to take action themselves to prevent crime.

## **4. HMICFRS – Roads Policing: Not Optional**

The HMICFRS Roads Policing National Inspection examined how effectively the road network in England and Wales is policed. The report considered four areas:

1. Are national and local roads policing strategies effective?
2. Does capability and capacity match demand?
3. Do the police engage effectively with public and partners?



4. How well are police officers trained to deal with roads policing matters?

The report identified eight recommendations for all Chief Constables to complete. The PCC's response to this report and its recommendations will be shared with the JAC shortly.

**5. North Wales Youth Commission**

Following on from the completion and publication of the Youth Commission's report (see links below) the PCC brought the report to the attention of statutory partners who sit on the Safer Communities Board.

English: <https://www.northwales-pcc.gov.uk/Document-Library/Working-in-Partnership/North-Wales-Youth-Commission-Final-Report-to-the-Police-and-Crime-Commissioner-for-North-Wales-ENGLISH-April-2020.pdf>

The JAC will note that many of the recommendations have much broader implications than policing alone. The recommendations around crime and policing matters are often very much contingent on other services. For example the police often come into contact with young people experiencing mental health crisis. As with adults, such episodes are actually a health issue rather than one of criminality. We need the active participation of health services in supporting young people to reduce the likelihood of crisis occurring in the first place.

We appreciate that the matters raised by the Youth Commission are not always easy to tackle, however the police and our partners should be working together to try to improve services for young people and the PCC will continue to champion the interests and safety of young people to colleagues in other statutory services.

North Wales Police have begun to look at the actions they can take forward (and a number of them are already taking place). An important part of this work is to establish a permanent mechanism for youth engagement and consultation. The OPCC is working with the Force on this, as well as monitoring and supporting further action to meet and/or contribute towards the recommendations made.

<b>Report Author:</b>	<b>Stephen Hughes, Chief Executive</b>
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**Joint Audit Committee**

**Meeting Date: 05<sup>th</sup> October 2020**

<b>Title:</b>	Organisational Update – North Wales Police
<b>Author:</b>	Seb Phillips, Director of Finance & Resources
<b>Purpose of the report:</b>	To provide the Joint Audit Committee with an overview of key organisational events and issues taking place since the last JAC meeting held on 31.07.20.
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information
<b>Summary / Key Points:</b>	<p>This report provides a high level Organisational Update for North Wales Police highlighting key issues and events affecting the organisation for the period from 31.07.20 to 21.09.20.</p> <p>The issues and events are analysed between the four categories of Finance; People, Learning &amp; Innovation; Operational and Public / Community.</p> <p>The report replaces the Director of Finance &amp; Resources' verbal update previously provided to JAC meetings.</p>
<b>Recommendations:</b>	For members of the Joint Audit Committee to note the Director of Finance & Resources' report.
<b>Risk Register Impact:</b>	None.
<b>Assurance Implications:</b>	None.
<b>Equality Impact:</b>	None.
<b>Information Exempt from Disclosure:</b>	None - All content in <b>Open</b> Session



## **JOINT AUDIT COMMITTEE**

**5 October 2020**

### **Organisational Update**

#### **Report by Director of Finance & Resources, North Wales Police**

##### **1. Introduction**

This report provides a high level Organisational Update for North Wales Police highlighting key issues and events affecting the organisation for the period from 31.07.20 to 21.09.20.

The issues and events are analysed between the four categories of Finance; People, Learning & Innovation; Operational and Public / Community.

The report replaces the Director of Finance & Resources' verbal update previously provided to JAC meetings.

##### **2. Finance**

- The Comprehensive Spending Review 2020 continues to progress to allow government to consider its priorities across all spending over multiple years.
- NPCC and OPCC working groups have continued to co-ordinate efforts on behalf of all Forces with information requests and discussions spanning a number of critical issues including Productivity & Efficiency; ESN; Pensions and Uplift.
- The localised North Wales Police approach has retained a focus on delivering effective local Business Planning and the provisional plans for each area of the organisation have been submitted in Sept20 and are currently undergoing an initial review.
- Covid-19 Expenditure continues to be collated, monitored and managed locally with a monthly summary schedule being submitted to the home office. To date, confirmation of cost recovery remains limited to PPE items (with that being subject to the specific criteria being met).
- A finance update was submitted to the Aug20 SMB with provisional projections for the 2020-21 revenue account indicating a full year underspend of £0.8m. This projection is based on P1-3 actuals and P4-12 projections and so will be refined and developed in subsequent reports.

##### **3. People, Learning & Innovation**

- The 62 Officers related to 'Uplift Phase 1' have now been recruited by the Force and plans continue to progress in relation to the later phases. However, the position on Phase 2 allocation of Officers and Funding is still to be confirmed.
- As part of the Recovery group work stream an Agility survey - relating to where and how staff work – has been undertaken by over 1000 staff, supporting the strategic development of this area.
- A risk based programme to influenza vaccination for staff is currently being developed to help minimise absences over the forthcoming Autumn and Winter periods.
- A number of Critical Digital transformation work-streams continue to progress:
  - A Gold command structure has been established for the Command & Control programme.
  - NEP continues to progress with its Tech pilot phase commencing w/c 21.09.20.
  - The Full Business Case has been issued by the ESN National programme team resulting in a greater focus on local North Wales implications.

- The Body Worn Video project was completed in Sept20, formally transferring to an 'in life' status.
- A range of other change initiatives continue to progress with co-ordination taking place either locally, regionally or nationally.
- Forensic Collision Investigation (FCIN) is one such initiative where NWP have the status of national lead.

#### **4. Operational**

- Civil restrictions have eased with a phased approach across Wales taking place over July, August and September. Albeit it is highly likely further civil restrictions will be put in place as the transmission of COVID increases.
- Policing in a Covid Environment continues to evolve as a result with any regulatory changes being reviewed and implemented in real time taking account of the service delivery and internal implications overseen by the Covid Gold command structure.
- Locally the emphasis has followed NPCC guidance and remained on applying the 4 Es: Engage, Explain, Encourage & if required Enforce.
- Crime and Transport incident levels showed significant reductions during the lockdown period with an increase back towards pre-covid levels since, being reported to the Aug20 SMB. Public/Safety and welfare incident levels did not show any significant change during the lock down period.
- New powers were introduced in Wales in Aug20 to increase sanctions around unlicensed music events.

#### **5. Public / Community**

- During the height of the imposition of Civil restrictions, incidents received by the FCC increased significantly primarily driven by Non-Emergency incidents.
- Levels of demand were reported to the SMB in Aug20 giving an early indication of how easing restrictions was impacting demand and reported:
  - The volume of 999 calls returning to that of pre-covid levels.
  - Webchat & Email contacts to the control room – a key driver of the overall increase seen during lockdown – had returned to pre-covid levels
  - 101 calls continued to run at the level of the 'New Normal'.
- NWP continued to focus on its response to wider Equality & Diversity issues and tensions undertaking a review of its Governance arrangements and making these the primary focus for the Senior Leadership Forum agenda to be held at the end of Sept20.

#### **6. Recommendations**

For members of the Joint Audit Committee to note the Director of Finance & Resources' report.

**NORTH WALES POLICE & CRIME COMMISSIONER**

**GROUP STATEMENT OF ACCOUNTS**

**2019 – 2020**

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**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.

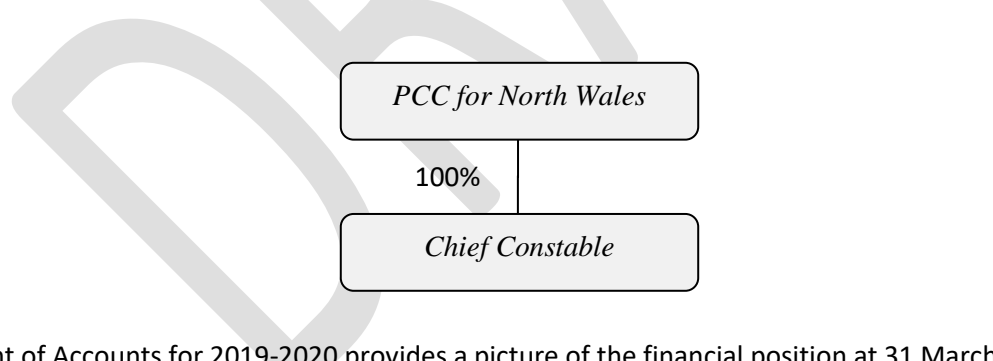
To that end the narrative report starts by clarifying the responsibilities of the Police & Crime Commissioner with sections on the organisation’s Strategic Priorities, Operational and Financial Performance, Future Outlook and important content relating to the main Statement of Accounts then following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

**GOVERNANCE & RESPONSIBILITIES**

2019-2020 marks the eighth 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. 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 2019-2020 provides a picture of the financial position at 31 March 2020 and a summary of the income and expenditure in the year to 31 March 2020.

**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.

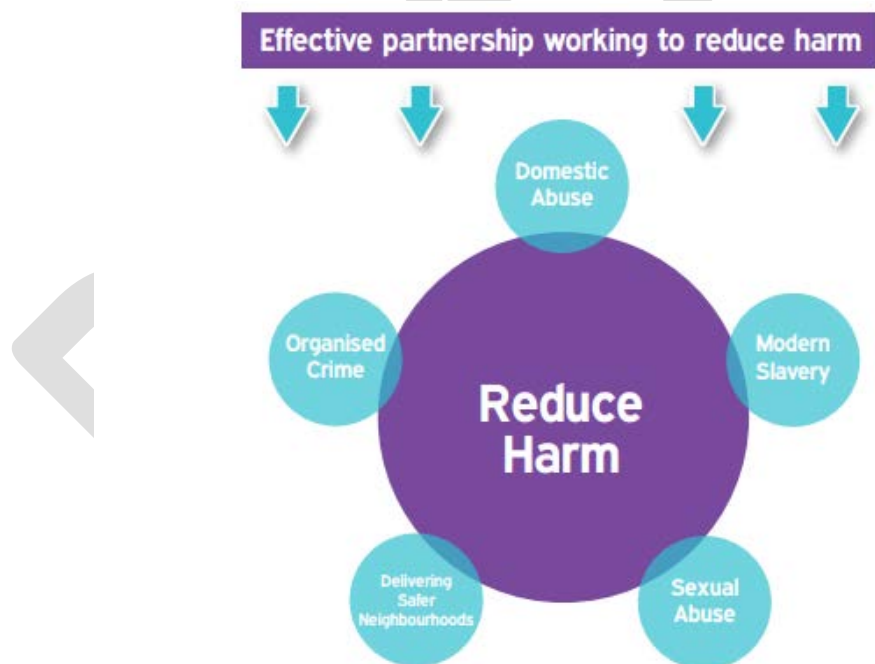
Key objectives and performance priorities are set out in the Police and Crime Plan 2017-2021. The priorities in the plan have been developed in response to the areas of greatest threat, risk and harm facing North Wales following an extensive consultation process.

The following priority areas were set within the Police and Crime Plan 2017-2021:

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

The Chief Constable's Delivery Plan sets out the specific actions North Wales Police will take in delivering these priorities. Of note is the importance of partnership working in tackling them.

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



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

The Chief Constable's 'plan on page' for 2019-2020 is outlined below:

**Policing Delivery - what we do**

**Prevent Crime**



**Protect Communities**



**Pursue Offenders**



**PCC Police and Crime Plan**

**Reducing Criminal Exploitation of vulnerable people**

- Domestic Abuse
- Organised Crime
- Modern Day Slavery
- Sexual Abuse (incl. CSE)
- Safer Neighbourhoods



**Our Focus - how we deliver**

**Our People**

- We will make staff wellbeing a priority for everyone
- We will engage with our teams
- We will develop workforce planning to get the right people and the right skills
- We will recruit and retain a diverse and representative workforce
- We will develop our leaders at all levels

**Problem solving**

- We will deliver our problem solving plans and embed a culture of problem solving at all levels
- We will embed an Adverse Childhood Experience (ACE) approach in operational policing
- We will develop partnership working to reduce demand and deliver better outcomes
- We will drive innovation and be proactive in our roles

**Digital**

- We will implement a digital programme to support operational policing
- We will improve accessibility for the public through digital public contact
- We will exploit digital technology to create a more efficient and effective service
- We will try new things and be at the forefront of digital innovation

**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.

Some of the things achieved are:

- The introduction of the Intercept Team, to target organised crime groups;
- Increased resources to deal with serious and organised crime;
- Increased resources to deal with domestic abuse;
- Increased resources to manage serious and violent offenders;
- Increased the functionality of the team dealing with child criminal exploitation;
- Increased and upgraded our Taser capability;
- Provided funding for early intervention, to help children deal with adverse experiences;
- Recruited additional Officers to resource the growth above and the initial 20 allocated as part of phase 1 of Operation Uplift (the government's announcement to increase police officer numbers by 20,000 in the next three years). A further 42 additional Officers will have been recruited by June 2020.

There has been significant demand placed on the police service in 2019-2020 along with increased activity and threats in crimes of terrorism, sexual exploitation and cyber-crime. During the last quarter of 2019-2020 the Force had to re-align its priorities to deal with the COVID-19 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 eight years coupled with continued uncertainty over government funding. The Police and Crime Commissioner continues to implement the budget strategy to deliver the required savings over the period and as part of this has identified and delivered £2.8m of

savings during 2019-2020. As part of the strategy, the level of reserves and provisions currently held is considered prudent and the general reserve of £5.189 million is slightly over 3% of the net revenue expenditure for the 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.

Examples of Corporate Risks identified, tracked or monitored by the Joint framework during 2019-2020 included: Adequate financial resources being available to deliver service plans; potential impacts of EU exit and the impact of Covid-19 on service delivery.

### **FINANCIAL PERFORMANCE**

#### **2019-2020 Budget**

The Police and Crime Commissioner operated with a Net Revenue Budget of £154.264m for 2019-2020 which was formally set at a meeting of the Police and Crime Panel on 28 January 2019 and equated to a 5.32% increase to the base revenue budget consisting of:

- Increase in precepts of 8.42%;
- Increase in Government funding of 2.10%;

These increases provided for a context of higher than normal inflationary costs of £5.223m (including additional pension employer costs of £2.088m) and additional growth of £2.614m. Savings of £2.832m were also delivered during the year which allowed £2.793m to be re-invested in service provision.

#### **2019-2020 Net Revenue Outturn & Net Transfer to Reserves**

Actual net operating expenditure for 2019-2020 outturned at £152.743m resulting in a net transfer to Group revenue reserves of £1.521m which is within 1% of the Net Revenue Budget of £154.264m. This transfer to reserves is split as per the below:

	<b>£m</b>
Earmarked Reserves	0.724
General Reserves	<u>0.797</u>
<b>Net Transfer to Group Reserves</b>	<b><u>1.521</u></b>

The overall net movement in Earmarked reserves is summarised below:

	£m	£m
<b>Earmarked Reserves at 31 March 2019</b>		<b>19.250</b>
Capital reserve from revenue	1.743	
Planned transfer to earmarked reserves	0.441	
<b>Revenue Transactions</b>		<b>2.184</b>
Capital Reserve	(0.801)	
Management of Change	(0.659)	
<b>Capital Transactions</b>		<b>(1.460)</b>
<b>Net Movement</b>		<b>0.724</b>
<b>Earmarked Reserves at 31 March 2020</b>		<b>19.974</b>



Further context for the Earmarked reserve net movement of £0.724m was:

- £2.184m related to revenue transactions in 2019-2020 with £0.441m being a planned and committed net movement to earmarked reserves and a further contribution of £1.743m to the Capital Reserve being made from revenue under spends in the year;
- £1.460m related to planned contributions from earmarked reserves to fund capital expenditure being applied offsetting the majority of the figure above. Of this total, £0.801m was funded from the Capital Reserve and £0.659m from the Management of Change.

The increase to the General Reserve of £0.797m represents a reimbursement of additional amounts charged in 2018-2019 relating to treatment of the Secondary Rate Staff Pension Contribution.

### Analysis of Outturn v Total Budgeted Operational Expenditure

Operating expenditure for the year increased by 3.8% on prior year to £152.743m (2019: £147.7m), however overall there was a £4.357m underspend variance to budgeted operating expenditure of £157.100m. This variance is further explained below.

There was a Revenue expenditure underspend of £2.281m on the budgeted operating expenditure of £157.100m:

	£m
Additional Income Received	1.737
Employee underspend	0.163
Premises underspend	0.226
Transport underspend	0.181
Inflation & General Contingency	0.420
Supplies & Services overspend	-0.495
Other net underspends	<u>0.049</u>
<b>Total revenue underspend</b>	<b><u>2.281</u></b>

Furthermore there was an underspend in relation to Capital Financing of £2.076m:

	£m
Capital Financing Vs Outturn	<u>2.076</u>
<b>Total Capital Financing variance</b>	<b><u>2.076</u></b>
<b>TOTAL VARIANCE</b>	<b>4.357</b>

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

ACTUAL 2018-2019 £m	REVENUE EXPENDITURE	BUDGET 2019-2020 £m	ACTUAL 2019-2020 £m	VARIANCE + (-) £m
125.640	EMPLOYEE COSTS	132.510	132.819	0.309
4.608	POLICE PENSIONS	3.305	2.833	-0.472
32.592	NON STAFF RUNNING COSTS	34.149	33.817	-0.332
2.844	CAPITAL FINANCING	2.998	2.998	0
0.970	CAPITAL FINANCING FROM RESERVES	3.536	1.460	-2.076
1.208	COMMUNITY SAFETY FUND	1.567	1.518	-0.049
2.534	PARTNERSHIPS	2.785	2.785	0
-23.177	INCOME	-23.750	-25.487	-1.737
<b>147.219</b>	<b>OPERATING EXPENDITURE</b>	<b>157.100</b>	<b>152.743</b>	<b>-4.357</b>
1.014	TRANSFERS TO/-FROM EARMARKED RESERVES (REV)	-0.097	2.184	2.281
-0.970	TRANSFERS TO/-FROM EARMARKED RESERVES (CAP)	-3.536	-1.460	2.076
-0.797	TRANSFER TO/-FROM GENERAL RESERVE	0.797	0.797	0
<b>146.466</b>	<b>NET EXPENDITURE</b>	<b>154.264</b>	<b>154.264</b>	<b>0</b>
<b>FINANCED BY:</b>				
40.025	POLICE GRANT	40.896	40.896	0
11.758	NATIONAL NON-DOMESTIC RATES	11.841	11.841	0
10.364	REVENUE SUPPORT GRANT	10.655	10.655	0
9.580	FLOOR GRANT	9.842	9.842	0
74.739	COUNCIL TAX	81.030	81.030	0
<b>146.466</b>	<b>TOTAL FINANCING</b>	<b>154.264</b>	<b>154.264</b>	<b>0</b>

### Further Analysis of Revenue Outturn – Underspend £2.281m

Primary reasons for the underspend outlined above were as follows:

#### Employee costs - Underspend £0.163m

The net variance consists of a number of items: an overspend of £0.838m in officer pay and overtime – largely related to the force being proactive in recruiting additional officers to meet the Operation Uplift target - is more than offset by underspends including staff pay, overtime and allowances (underspend £0.276m), training and other costs (underspend £0.253m) and Direct pension costs (underspend £0.472m).

#### Non Staff running costs

The main variances are analysed below:

- **Premises – Underspend £0.226m**

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

- **Transport – Underspend £0.181m**

The underspend was in line with the previous projections with the largest underspend arising from Car and Travel Allowances (£0.125m).

- **Supplies and Services – Overspend £0.495m**

The overspend was the net impact of a number of elements, the largest of these being £0.140m for IT and Communications.

- **Inflation and General Contingency – Underspend £0.420m**

This remained unspent at the end of the year in line with previous projections.

## Income - Additional income £1.737m

Significant items driving the variance include:

- **Secondment income - £0.481m** in excess of the budget.
- **Police led Prosecution income - £0.148m** in excess of the budget.
- **Tuition fee income - £0.097m** in excess of the budget.
- **Additional reimbursements - £0.340m** in excess of the budget relating to Regional Insourcing, Firearms Alliance and Go Safe.
- **Additional grant income - £0.242m** announced Q4 including Police Education Qualifications Framework implementation (PEQF); Additional Taser devices and Cyber investigation grant.

## Office of the Police & Crime Commissioner – Overspend £0.020m

Included above is the cost of the Office of the Police and Crime Commissioner. The revised budget for the year was £0.834m and the outturn was £0.854m. The overspend relates to the Youth Engagement Project (decision notice [DM.2019/11](#)).

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

## Further Analysis of Capital Financing

Key to its funding, the Capital Programme included planned financing of £3.536m from reserves compared to an actual amount applied in the year of £1.460m meaning that reserves were £2.076m higher than planned, as a result. Although this amount funds capital it has to be accounted for within the revenue account.

The revised capital programme itself for 2019-2020 was set in January 2020 as part of the Medium Term Financial Plan and agreed as part of the Capital Strategy. Capital expenditure estimates for the year amounted to £9.176 million and the actual expenditure for the year amounted to £6.374 million.

The table below summarises the capital expenditure and funding for 2019-2020:

CAPITAL EXPENDITURE	BUDGET 2019-2020 £m	ACTUAL 2019-2020 £m	VARIANCE + (-) £m
Building/Estates Works	1.371	1.079	-0.292
Equipment	0.300	0.259	-0.041
Vehicles	2.042	1.619	-0.423
IT and Communications	5.463	3.417	-2.046
<b>NET EXPENDITURE</b>	<b>9.176</b>	<b>6.374</b>	<b>-2.802</b>
<b>FUNDED BY:</b>			
Home Office Capital Grants	0.462	0.472	0.010
Revenue Contribution	2.269	2.271	0.002
Use of Reserves	3.536	1.460	-2.076
Capital Receipts	0.475	0.310	-0.165
Borrowing already funded in revenue	2.434	1.861	-0.573
<b>TOTAL CAPITAL FUNDING</b>	<b>9.176</b>	<b>6.374</b>	<b>-2.802</b>

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

**Building and Estates Work** - The new Eastern Divisional Headquarters and Custody at Llay became fully operational during 2018-2019 with the second part of the scheme, the Wrexham Town Centre facility becoming operational in July

2019. An under spend of £0.292m relates to the final cost of the Wrexham Project and delay in commencing the Pwllheli Police Station refurbishment due to IT delays for the temporary Police Station and subsequently COVID-19. The work was rescheduled to commence on 15 June 2020 with COVID Health and Safety regulations in place on site.

**Vehicles and Equipment** - The Vehicle replacement programme progressed well in 2019-2020, and additional Vehicles were provided for growth posts, such as the Intercept Team. There was a delay in delivering 22 vehicles at the end of March due to COVID, these have now been delivered to the Commissioning Centre and accounts for the £0.423m of the under spend in 2020-2021.

**IT and Communications** – A substantial cross cutting Digital and IT upgrade Programme was commenced in 2019-2020. 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 reflects the complexity and 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 Forces direct control. Work on the programme has continued in 2020-21 with the programme remaining a key strand of delivering its response to Covid-19 and its wider strategy.

Some of the projects are nationally driven which can result in delays beyond the Force’s direct control.

- The largest element of the 2019-2020 IT programme was the provision of Officers with 2 in 1 lap-tops 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 into 2020-2021.
- Additional and upgraded replacement personal issue Body Worn Video cameras were purchased and deployed in 2019-2020.
- The largest single project under spend was on the National Enablement Programme (NEP). The NEP is designed to provide policing with the tools and capabilities needed for the future (including such tools 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 delays, in part, stem from the complexity of implementing this at a national level with work continuing in 2020-2021.
- The overall Digital programme was reviewed during Quarter 4 to ensure that its Strategic fit; overarching governance and programme priorities continued to match up to the organisation’s needs. A number of smaller projects were put on hold or delayed pending the implementation of the larger projects which remain a critical work stream for the wider organisation moving into 2020-2021. The smaller projects will be reviewed again during 2020-2021 to further assess requirements.
- During the COVID lockdown period a moratorium on ICT Changes was put in place on non COVID related IT developments.

#### **RECONCILIATION OF FUNDING AVAILABLE & GAAP**

The sections above 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.

To aid understanding when reviewing the Statement of Accounts information to follow, a table below shows a reconciliation between the two accounting methods referred to above with specific Notes to the Accounts providing further information if required.

As table above	£m	£m	£m	£m	£m	£m
Narrative Report	Actual	Adjustments to Revenue	Adjustments between Revenue & Capital	Re-alignment of Investment income & exp.	Group	Comprehensive Income and Expenditure Statement
<b>Operating Expenditure</b>	<b>152.743</b>	29.090*	-6.100#	<b>-0.926</b>	<b>174.807</b>	<b>Net Cost of Services</b>
		0.380	-0.355	0	<b>0.025</b>	Other Operating Exp (Note 9)
		46.193	0	0.926	<b>47.119</b>	Financing & Investment inc & exp (Note 10)
		-20.371	0	0	<b>-20.371</b>	Home Office Grant payable towards the cost of retirement benefit (CIES & Note 34)
<b>Financed by: Police Grant, NNDR, RSG, Council Tax</b>	<b>-154.264</b>	-0.472	0	0	<b>-154.736</b>	Taxation and Non-specific grant income (Note 11)
<b>Net Expenditure</b>	<b>-1.521</b>	<b>54.820</b>	<b>-6.455</b>	0	<b>46.844</b>	<b>Surplus (-)/Deficit (+) on Provision of Service</b>
		<b>48.365</b>				
<b>Movement in Reserves</b>	<b>1.521</b>					

\* includes £6.354m charges for depreciation and impairment of non-current assets, £0.833m holiday pay and £21.903m pension costs adjustments

# includes -£2.369m statutory provision for repayment of debt and -£3.731m capital expenditure financed from revenue balances

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.

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

## **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 2019-2020	Balance at 31 March 2019	Re state 31 March 2019	Transfers Out 2019-2020	Transfers In 2019-2020	Total Movement	Balance at 31 March 2020
	£m	£m	£m	£m	£m	£m
General Reserve	4.392	0	0	0.797	0.797	5.189
<b>Earmarked Reserves</b>						
Capital Reserve	2.060	0	-0.801	1.743	0.942	3.002
Pensions ill health reserve	0.915	0	0	0.200	0.200	1.115
PFI Reserve	4.333	-1.200	0	0.044	-1.156	3.177
Major Incident Reserve	2.435	0	0	0	0	2.435
Insurance Reserve	1.173	0	0	0	0	1.173
Estates Security and Maintenance	1.033	1.200	-0.131	0.177	1.246	2.279

<b>Movement in Reserves 2019-2020 (continued)</b>	<b>Balance at 31 March 2019</b>	<b>Re state 31 March 2019</b>	<b>Transfers Out 2019- 2020</b>	<b>Transfers In 2019- 2020</b>	<b>Total Movement</b>	<b>Balance at 31 March 2020</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Partnerships Balances Reserve	0.653	0	0	0.021	0.021	0.674
Management of Change Reserve	5.949	0	-0.659	0	-0.659	5.290
Training Reserve	0	0	0	0.100	0.100	0.100
Commissioners Community Safety Fund	0.461	0	0	0.049	0.049	0.510
Legal Reserve (OPCC)	0.056	0	0	0	0	0.056
Office of the Police & Crime Commissioner Reserve	0.182	0	-0.019	0	-0.019	0.163
<b>Total Earmarked Reserves</b>	<b>19.250</b>	<b>0</b>	<b>-1.610</b>	<b>2.334</b>	<b>0.724</b>	<b>19.974</b>
<b>Total Revenue Reserves</b>	<b>23.642</b>	<b>0</b>	<b>-1.610</b>	<b>3.131</b>	<b>1.521</b>	<b>25.163</b>
<b>Capital Receipts Reserve</b>	<b>0.009</b>	<b>0</b>	<b>-0.310</b>	<b>0.355</b>	<b>0.045</b>	<b>0.054</b>
<b>Total all reserves</b>	<b>23.651</b>	<b>0</b>	<b>-1.920</b>	<b>3.486</b>	<b>1.566</b>	<b>25.217</b>

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 make improve efficiency and effectiveness and meet new demands.

Challenges still exist for the Police Service given the level of imposed cuts over the last eight years coupled with continued uncertainty over government funding. The Police and Crime Commissioner continues to implement the budget strategy to deliver the required savings over the period and as part of this identified and delivered £2.8m savings during 2019-2020.

As part of the strategy, the level of reserves and provisions currently held is considered prudent and the general reserve of £5.189 million is slightly over 3% of the net revenue expenditure for the year which is within the acceptable range of 3% to 5% as defined in the Medium Term Financial Plan.

Key elements in 2019-2020 to comment on in relation to Reserves and other long term funding are listed below:

#### **Capital Reserve – Transfer in of £1.743m**

It is anticipated that there will be requirements for additional investment in the Force's Command and Control system in the near future; this is the primary reason to earmark the additional amount in the Capital Reserve. Transfers to reserves are summarised within note 8 to these accounts.

#### **Major Incident Reserve – Covid-19 Allocation of £0.8m in 2020-2021**

While the Covid-19 pandemic had a limited impact during 2019-2020, with the lockdown beginning only one week before the end of the financial year, it is anticipated that there will be an impact on income and expenditure during 2020-2021 as a result of this. Almost one third of the overall workforce continues to work from home, visiting police premises only occasionally if necessary. Police officers are being issued with internet-enabled devices, and are able to do more of their work away from our buildings. The Police and Crime Commissioner has published his [Covid-19 Response Plan](#) and many of the actions from this feature within the Annual Governance Statement, which can be found towards the end of the Statement of Accounts.

An initial allocation of £0.8m additional funding has been made from the Major Incident Reserve for 2020-2021 to fund COVID costs, the majority of this related to Personal Protective Equipment (PPE). There was a moratorium on leave and training in the first quarter of 2020-2021, this enabled additional resources to be available to deal with COVID issues.

Recruitment of Police Officers continued with social distancing practices using technology being used. The Force was able to purchase additional PPE through existing and new suppliers, operating within the governance arrangements put in place. Support staff working from home were able to apply the same controls as they would in the office by use of technology.

Cash flow and liquidity was maintained by securing a short term loan based on projected cash flow, and keeping a higher balance within the current account. The initial allocation of £0.8m will be reviewed during the year, the nature of the COVID incident means that there are additional costs but also reduced or delayed costs in some areas. A COVID Recovery Board has been set up to manage on going and future risks and to take advantage of any working practices that will provide efficiencies going forward.

### 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 £1.738 billion as at 31 March 2020. The Police Officer Pensions Schemes are unfunded and the amount shown in the reserve of -£1.684 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 -£0.054 billion reflects the estimated deficit in the fund as at the end of March 2020. 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
	01/04/2019 £'000		31/03/2020 £'000
<b>USABLE CAPITAL RESERVES</b>			
Capital Receipts Reserve	9	45	54
<b>UNUSABLE CAPITAL RESERVES</b>			
Revaluation Reserve	19,823	1,626	21,449
Capital Adjustment Account	19,342	650	19,992

During the year the Police and Crime Commissioner reviewed asset valuations of 10 properties within the portfolio.

### Provisions

PROVISIONS	OPENING BALANCE	MOVEMENT	CLOSING BALANCE
	£'000		£'000
INSURANCE FUND	872	-34	838

## 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 2018-2019 and 2019-2020 financial years:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I
2018-2019	172.08	200.76	229.44	258.12	315.48	372.84	430.20	516.24	602.28
2019-2020	185.40	216.30	247.20	278.10	339.90	401.70	463.50	556.20	648.90

## Borrowing:

During the year the Police and Crime Commissioner took out £10 million long term loans to finance capital expenditure but also used internal funds to manage cash flows. Short term borrowing was required during the financial year due to the reduction in reserves and the uneven profile of pension grant receipts. The total of loans outstanding at the end of the financial year was £14.875 million, £5.000 million of which related to new short term loans (2018-2019 £16.657 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-19, 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 policing plan and priorities to the financial strategy and can be found on the Police and Crime Commissioner's [Website](#).

The Police and Crime Commissioner 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 to meet forthcoming challenges and ultimately protect front line services. Having a sustainable financial platform is vitally important for future service delivery.

The 2020-2021 Budget was set by the Police and Crime Commissioner and approved by the Police and Crime Panel in January 2020 at £163.705 million. This represented a 4.5% Council Tax increase and an overall net increase of 6.12% compared to the 2019-2020 budget of £154.264 million. The increase includes an allocation of 62 additional Police Officers from phase 1 of the Governments' Operation Uplift which will increase officers numbers by 20,000 nationally. Significant investments have been made in protective and investigative capabilities targeting serious and organised crime and exploitation of vulnerable individuals and in digital development which will lead to improved productivity and efficiencies in the future.

The results of the June 2016 European Union (EU) referendum where the UK has elected to leave the EU has had and continues to have a political impact across the country. Article 50 was subsequently triggered on 29 March 2017 with the intention of leaving the European Union on the 29 March 2019. This did not transpire resulting in further uncertainty with regard to the United Kingdom's exit from the European Union. The UK formally left the EU on 31 January 2020. It is uncertain at this time what long term impact this may have upon the police service and the funding of the service. Detailed planning around the short term operational impact has been managed locally and nationally and will be continually reviewed as the transition period end date on 31 December 2020 approaches.



During the last quarter of 2019-2020 the Coronavirus pandemic spread internationally resulting in the UK going into lockdown on 23 March 2020. The impact on the 2019-2020 accounts was limited although the publishing timelines were adjusted to reflect the disruption to normal business. Additional disclosures or revaluations are included where appropriate and were key considerations with regard to Pension and Asset valuations in particular. The costs of policing relating to the pandemic is being monitored and managed within the 2020-2021 budgets. It is uncertain at this time what medium or long term impact the pandemic will have operationally or financially. However, the Force has set up a Recovery Group to manage any issues and to ensure implications are incorporated to the planning cycle wherever possible.

## **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 (for example the change in the post employment benefits) - 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.

In 2013 the Police and Crime Commissioner transferred the helicopter to the National Policing Air Service (NPAS). This is a mandatory national contract for delivery of a Police Air Service throughout the whole of the UK. The Police and Crime Commissioner continues to work with Cheshire Constabulary delivering an Armed Policing Alliance and Police Dog Section to enhance operational performance whilst continuing to deliver efficiencies and savings necessary to meet the government funding reductions in the service.

## **EVENTS AFTER THE REPORTING PERIOD**

At the time that the Statement of Accounts were submitted to the Police and Crime Commissioner on the 5 October 2020, 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 17).**  
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 18).  
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 20).  
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 21).  
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 22).  
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 23).  
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 24 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 its financial affairs and to secure that one of his officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Chief Finance Officer.
- \* to manage his affairs to secure economic, efficient and effective use of resources and safeguard his assets.
- \* approve the group statement of accounts.

I approve this Statement of Accounts for the year ended 31 March 2020.

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

Date:

### **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 2019-2020 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 2020.

The audit certificate appears on pages 93 to 94.

**Kate Jackson (Chief Finance Officer)**

Date:

### 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
<b>Net Cost of Services before intra group transfer</b>	<b>172,188</b>	<b>2,619</b>	<b>174,807</b>	<b>-16,653</b>	<b>254</b>	<b>-16,399</b>	<b>188,841</b>	<b>2,365</b>	<b>191,206</b>
Intra Group Transfer	0	0	0	188,841	0	188,841	-188,841	0	-188,841
<b>Net Cost of Services</b>	<b>172,188</b>	<b>2,619</b>	<b>174,807</b>	<b>172,188</b>	<b>254</b>	<b>172,442</b>	<b>0</b>	<b>2,365</b>	<b>2,365</b>
Other Income and Expenditure	-173,709	45,746	-127,963	-173,709	-447	-174,156	0	46,193	46,193
<b>SURPLUS(-)/DEFICIT(+) ON PROVISION OF SERVICES</b>	<b>-1,521</b>	<b>48,365</b>	<b>46,844</b>	<b>-1,521</b>	<b>-193</b>	<b>-1,714</b>	<b>0</b>	<b>48,558</b>	<b>48,558</b>
Opening General Fund Balance *	-23,642								
Add surplus(-)/deficit(+) on General Fund balance in year	-1,521								
<b>CLOSING GENERAL FUND BALANCE *</b>	<b>-25,163</b>								

\* Usable Revenue Reserves

### Group Expenditure and Funding Analysis 2018-2019

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Police and Crime Commissioner (i.e. government grants and council tax) for the year has been used in providing services in comparison with those resources consumed or earned by Police and Crime 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.

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

\* Usable Revenue Reserves

## Group 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.

2018-2019				2019-2020		
GROUP	PCC	CC		GROUP	PCC	CC
£000	£000	£000		£000	£000	£000
54,361	0	54,361	Police Officers	56,276	0	56,276
38,044	482	37,562	Support Staff	39,243	491	38,752
126,859	67	126,792	Pensions	57,279	70	57,209
1,616	-1	1,617	Allowances	1,328	0	1,328
1,095	6	1,089	Indirect Employees Expenses	1,430	5	1,425
6,036	4	6,032	Premises	6,333	3	6,330
2,777	21	2,756	Transport Expenses	2,810	19	2,791
18,355	172	18,183	Supplies and Services	19,146	212	18,934
9,319	0	9,319	Third Party Payments	10,517	0	10,517
210	78	132	Support Services	206	58	148
16,975	16,975	0	Depreciation, amortisation and impairment	6,354	6,354	0
0	2,463	-2,463	PCC expenditure on grants and initiatives	0	3,337	-3,337
-254	0	-254	Uncompensated absences accrual	833	0	833
<b>275,393</b>	<b>20,267</b>	<b>255,126</b>	<b>Gross Operating Expenditure</b>	<b>201,755</b>	<b>10,549</b>	<b>191,206</b>
-24,210	-24,210	0	Income	-26,948	-26,948	0
<b>251,183</b>	<b>-3,943</b>	<b>255,126</b>	<b>COST OF SERVICES</b>	<b>174,807</b>	<b>-16,399</b>	<b>191,206</b>
0	188,110	-188,110	Commissioning Cost (intra group transfer)	0	188,841	-188,841
<b>251,183</b>	<b>184,167</b>	<b>67,016</b>	<b>NET COST OF SERVICES</b>	<b>174,807</b>	<b>172,442</b>	<b>2,365</b>
2,417	2,417	0	Other Operating Expenditure (Note 9)	25	25	0
44,448	968	43,480	Financing & investment income and expenditure (Note 10)	47,119	926	46,193
-26,404	-26,404	0	Home Office Grant Payable towards the cost of retirement benefit	-20,371	-20,371	0
0	0	0	Surplus/Deficit on discontinued operations	0	0	0
-146,928	-146,928	0	Taxation & Non specific grant income (Note 11)	-154,736	-154,736	0
<b>124,716</b>	<b>14,220</b>	<b>110,496</b>	<b>SURPLUS(-)/DEFICIT(+) ON PROVISION OF SERVICES</b>	<b>46,844</b>	<b>-1,714</b>	<b>48,558</b>
-344	-344	0	(Surplus) or deficit on revaluation of PPE	-2,128	-2,128	0
0	0	0	(Surplus) or deficit on revaluation of available for sale financial assets	0	0	0
61,911	0	61,911	Actuarial (gains) / losses on pension assets / liabilities	-188,625	0	-188,625
<b>61,567</b>	<b>-344</b>	<b>61,911</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>-190,753</b>	<b>-2,128</b>	<b>-188,625</b>
<b>186,283</b>	<b>13,876</b>	<b>172,407</b>	<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>	<b>-143,909</b>	<b>-3,842</b>	<b>-140,067</b>

### Group Movement in Reserves Statement

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

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Police and Crime Commissioner Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018</b>	<b>24,395</b>	<b>1,487</b>	<b>0</b>	<b>25,882</b>	<b>-1,660,174</b>	<b>-1,634,292</b>
<u>Movement in reserves during 2018-2019</u>						
Total Comprehensive Expenditure and Income	-124,716	0	0	-124,716	-61,567	-186,283
Adjustments between accounting basis & funding basis under regulations (Note 7)	123,963	-1,478	0	122,485	-122,485	0
Net increase (+)/decrease (-) in 2018-2019	-753	-1,478	0	-2,231	-184,052	-186,283
<b>Balance at 31 March 2019 carried forward</b>	<b>23,642</b>	<b>9</b>	<b>0</b>	<b>23,651</b>	<b>-1,844,226</b>	<b>-1,820,575</b>
<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
<b>Balance at 31 March 2020 carried forward</b>	<b>25,163</b>	<b>54</b>	<b>0</b>	<b>25,217</b>	<b>-1,701,883</b>	<b>-1,676,666</b>

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

## Group Balance Sheet

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

Chief Constable	Police & Crime Commissioner	Group		Chief Constable	Police & Crime Commissioner	Group
2018-2019				2019-2020		
£000	£000	£000		£000	£000	£000
0	57,966	57,966	Land & Properties	0	58,174	58,174
0	9,877	9,877	Vehicles, Plant, Furniture and Equipment	0	11,698	11,698
0	260	260	Non Operational Assets: Land & Buildings	0	0	0
1,878,923	0	0	Long-term Debtors to PCC (note 34)	1,738,023	0	0
<b>1,878,923</b>	<b>68,103</b>	<b>68,103</b>	<b>Long Term Assets (note 12)</b>	<b>1,738,023</b>	<b>69,872</b>	<b>69,872</b>
0	3,507	3,507	Short Term Investments (note 36)	0	0	0
685	0	685	Inventories (note 13)	634	0	634
834	11,896	12,730	Short Term Debtors (note 14)	894	12,577	13,471
7,836	0	0	Intra Group Transfer	6,791	0	0
0	14,042	14,042	Cash and Cash Equivalents (note 15)	0	15,514	15,514
0	1,963	1,963	Assets Held for Sale (note 16)	0	1,963	1,963
<b>9,355</b>	<b>31,408</b>	<b>32,927</b>	<b>Current Assets</b>	<b>8,319</b>	<b>30,054</b>	<b>31,582</b>
0	-16,682	-16,682	Short Term Borrowing (note 36)	0	-5,658	-5,658
-12,304	-2,163	-14,467	Short Term Creditors and Deferred Income (note 17)	-12,092	-2,341	-14,433
0	0	0	Short Term Finance Lease (note 31)	0	-810	-810
-1,519	-6,317	0	Intra Group Transfer	-1,528	-5,263	0
0	-79	-79	Provisions (note 18)	0	-190	-190
<b>-13,823</b>	<b>-25,241</b>	<b>-31,228</b>	<b>Current Liabilities</b>	<b>-13,620</b>	<b>-14,262</b>	<b>-21,091</b>
0	-793	-793	Provisions (note 18)	0	-648	-648
0	-1,878,923	0	Long Term Creditor	0	-1,738,023	0
0	0	0	Long Term Borrowing (note 36)	0	-9,255	-9,255
0	-10,661	-10,661	Long Term Finance Lease (note 31)	0	-9,103	-9,103
-1,878,923	0	0	Other long term liabilities (note 34)	-1,738,023	0	0
0	0	-1,878,923	Liability Related to Defined Pension Scheme (note 34)	0	0	-1,738,023
<b>-1,878,923</b>	<b>-1,890,377</b>	<b>-1,890,377</b>	<b>Long Term Liabilities</b>	<b>-1,738,023</b>	<b>-1,757,029</b>	<b>-1,757,029</b>
<b>-4,468</b>	<b>-1,816,107</b>	<b>-1,820,575</b>	<b>Net Assets</b>	<b>-5,301</b>	<b>-1,671,365</b>	<b>-1,676,666</b>
			<b>Financed By:</b>			
0	23,651	23,651	Usable Reserves (notes 7 & 8)	0	25,217	25,217
-4,468	-1,839,758	-1,844,226	Unusable Reserves (note 20)	-5,301	-1,696,582	-1,701,883
<b>-4,468</b>	<b>--1,816,107</b>	<b>-1,820,575</b>	<b>Total Reserves</b>	<b>-5,301</b>	<b>-1,671,365</b>	<b>-1,676,666</b>



### Group Cash Flow Statement

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

2018-2019 £000		2019- 2020 £000
124,716	Net surplus (-) or deficit (+) on the provision of services	46,844
-127,821	Adjust net surplus (-) or deficit (+) on the provision of services for non-cash movements (Note 21)	-53,701
686	Adjust for items included in the net surplus (-) or deficit (+) on the provision of services that are investing and financing activities	827
-2,419	Net cash flows from Operating Activities (Note 21)	-6,030
10,786	Investing activities (Note 22)	2,041
-4,670	Financing Activities (Note 23)	2,517
<b>3,697</b>	<b>Net increase (-) or decrease (+) in cash and cash equivalents</b>	<b>-1,472</b>
17,739	Cash and cash equivalents at the beginning of the reporting period (note 15)	14,042
<b>14,042</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 15)</b>	<b>15,514</b>

## Notes to the Group Statement of Accounts

### 1. Restatement of previous years Statements

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

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

The Code requires the Police and Crime Commissioner to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The following changes will be required from 1 April 2021:

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

### 3. Critical Judgements in applying Accounting Policies

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

There 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 and therefore annual cycles of priority resource planning will take place.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Police and Crime Commissioner 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 2020 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 2020 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.

2019-2020	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to Revenue Resources:</b>				
Pensions costs (transferred to (or from) the pensions reserve)	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
<b>Total Adjustments to Revenue Resources</b>	<b>54,820</b>	<b>0</b>	<b>0</b>	<b>-54,820</b>
<b>Adjustments between Revenue and Capital Resources:</b>				
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
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-6,455</b>	<b>355</b>	<b>0</b>	<b>6,100</b>
<b>Adjustments to Capital Resources:</b>				
Application of capital grants to finance capital	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	-310	0	310
Cash payments in relation to deferred capital receipts	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>-310</b>	<b>0</b>	<b>310</b>
<b>Total Adjustments</b>	<b>48,365</b>	<b>45</b>	<b>0</b>	<b>-48,410</b>

2018-2019	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to Revenue Resources:</b>				
Pensions costs (transferred to (or from) the pensions reserve)	110,750	0	0	-110,750
Charges for depreciation and impairment of non-current assets	16,975	0	0	-16,975
Revaluation losses on Property, plant and equipment	0	0	0	0
Capital grants and contributions applied	-462	0	0	462
Holiday Pay (transferred to the accumulated absences account)	-254	0	0	254
Financial Instruments (transferred to the FIAA)	0	0	0	0
Reversal of entries included in the SDPS in relation to capital expenditure (charged to the CAA).	2,641	0	0	-2,641
<b>Total Adjustments to Revenue Resources</b>	<b>129,650</b>	<b>0</b>	<b>0</b>	<b>-129,650</b>

2018-2019 (Continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments between Revenue and Capital Resources:</b>				
Transfer of Non-Current Asset sale proceeds from revenue to the capital receipts reserve	-224	224	0	0
Statutory provision for repayment of debt	-2,143	0	0	2,143
Capital expenditure financed from revenue balances	-3,320	0	0	3,320
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-5,687</b>	<b>224</b>	<b>0</b>	<b>5,463</b>
<b>Adjustments to Capital Resources:</b>				
Application of capital grants to finance capital	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	-1,702	0	1,702
Cash payments in relation to deferred capital receipts	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>-1,702</b>	<b>0</b>	<b>1,702</b>
<b>Total Adjustments</b>	<b>123,963</b>	<b>-1,478</b>	<b>0</b>	<b>-122,485</b>

## 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 2019-2020. The net movement in 2019-2020 was £0.724m increase.

Reserve:	Balance at 31 March 2018 £000	Transfers Out 2018- 2019 £000	Transfers In 2018- 2019 £000	Balance at 31 March 2019 £000	Transfers Out 2019- 2020 £000	Transfers In 2019- 2020 £000	Balance at 31 March 2020 £000
Capital Reserve	2,341	-970	689	2,060	-801	1,743	3,002
Pensions ill health reserve	915	0	0	915	0	200	1,115
PFI Reserve	4,212	0	121	4,333	-1,200	44	3,177
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	1,237	-204	0	1,033	-131	1,377	2,279
Partnerships Balances Reserve	552	0	101	653	0	21	674
Management of Change Reserve	5,881	0	68	5,949	-659	0	5,290
Training Reserve	0	0	0	0	0	100	100
Commissioners Community Safety Fund	241	-39	259	461	0	49	510
Legal Reserve (OPCC)	51	0	5	56	0	0	56
Office of the Police & Crime Commissioner Reserve	168	0	14	182	-19	0	163
	<b>19,206</b>	<b>-1,213</b>	<b>1,257</b>	<b>19,250</b>	<b>-2,810</b>	<b>3,534</b>	<b>19,974</b>

## 9. Other Operating Expenditure

	2019-2020 £000	2018-2019 £000
Gains (-)/losses(+) on the disposal of non-current assets	25	-56
Gains (-)/losses(+) on the derecognition of non-current assets <sup>1</sup>	0	2,473
	<b>25</b>	<b>2,417</b>

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

## 10. Financing and Investment Income and Expenditure

	2019-2020 £000	2018-2019 £000
Interest payable and similar charges	1,055	1,083
Pension interest cost and expected return on pensions assets	46,193	43,480
Interest receivable and similar income	-129	-115
	<b>47,119</b>	<b>44,448</b>

## 11. Taxation and Non Specific Grant Incomes

	2019-2020 £000	2018-2019 £000
<b>Council Tax Income:</b>		
Denbighshire County Council	-11,098	-10,210
Wrexham County Borough Council	-14,856	-13,753
Isle of Anglesey County Council	-8,780	-7,943
Gwynedd Council	-14,441	-13,443
Conwy County Borough Council	-13,968	-12,913
Flintshire County Council	-17,887	-16,477
Non Domestic Rates Income	-11,841	-11,758
Non-ringfenced government grants	-61,393	-59,969
Capital Grants and contributions	-472	-462
	<b>-154,736</b>	<b>-146,928</b>

## 12. Property, Plant and Equipment

<b>Movements in 2019-2020</b>	<b>Land &amp; Building Inc. PFI</b>	<b>Masts &amp; Sites</b>	<b>Plant &amp; Equipment</b>	<b>Vehicles</b>	<b>Total Operational Assets</b>	<b>Police Houses (Non Operational)</b>	<b>Assets under construction</b>	<b>Total Non Operational</b>	<b>Total Non Current Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Cost or Valuation</u></b>									
At 1 April 2019	<b>76,353</b>	<b>105</b>	<b>49,663</b>	<b>11,599</b>	<b>137,720</b>	<b>294</b>	<b>1,707</b>	<b>2,001</b>	<b>139,721</b>
Additions	466	0	3,651	1,671	<b>5,788</b>	0	586	<b>586</b>	<b>6,374</b>
Revaluation Increases (+)/decreases (-) recognised in the Revaluation Reserve	1,208	0	0	0	<b>1,208</b>	0	0	<b>0</b>	<b>1,208</b>
Revaluation Increases (+)/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	<b>0</b>	0	0	<b>0</b>	<b>0</b>
Derecognition - disposals	-122	0	0	-989	<b>-1,111</b>	-294	0	<b>-294</b>	<b>-1,405</b>
Derecognition - other	0	-5	-31,687	-2,072	<b>-31,764</b>	0	0	<b>0</b>	<b>-33,764</b>
Other movements in cost or valuation	2,193	0	0	0	<b>2,193</b>	0	-2,193	<b>-2,193</b>	<b>0</b>
Assets reclassified (to)/from held for sale	0	0	0	0	<b>0</b>	0	0	<b>0</b>	<b>0</b>
<b>At 31 March 2020</b>	<b>80,098</b>	<b>100</b>	<b>21,627</b>	<b>10,209</b>	<b>112,034</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>112,134</b>
<b><u>Accumulated Depreciation and Impairment</u></b>									
At 1 April 2019	<b>-20,094</b>	<b>-105</b>	<b>-42,999</b>	<b>-8,386</b>	<b>-71,584</b>	<b>-34</b>	<b>0</b>	<b>-34</b>	<b>-71,618</b>
Depreciation Charge	-1,005	0	-2,281	-1,214	<b>-4,500</b>	-8	0	<b>-8</b>	<b>-4,508</b>
Depreciation written out to the Revaluation Reserve	921	0	0	0	<b>921</b>	0	0	<b>0</b>	<b>921</b>
Depreciation written out to Surplus/Deficit on the Provision of Services	0	0	0	0	<b>0</b>	0	0	<b>0</b>	<b>0</b>
Impairment losses (-)/reversals (+) recognised in the Revaluation Reserve	0	0	0	0	<b>0</b>	0	0	<b>0</b>	<b>0</b>
Impairment losses (-)/reversals (+) recognised in the Surplus/Deficit in the Provision of Services #	-1,846	0	0	0	<b>-1,846</b>	0	0	<b>0</b>	<b>-1,846</b>
Derecognition - disposals	0	0	0	983	<b>983</b>	42	0	<b>42</b>	<b>1,025</b>
Derecognition - other	0	5	31,687	2,072	<b>33,764</b>	0	0	<b>0</b>	<b>33,764</b>
<b>At 31 March 2020</b>	<b>-22,024</b>	<b>-100</b>	<b>-13,593</b>	<b>-6,545</b>	<b>-42,262</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-42,262</b>
<b><u>Net Book Value</u></b>									
<b>At 31 March 2020</b>	<b>58,074</b>	<b>0</b>	<b>8,034</b>	<b>3,664</b>	<b>69,772</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>69,872</b>
<b>At 31 March 2019</b>	<b>56,259</b>	<b>0</b>	<b>6,664</b>	<b>3,213</b>	<b>66,136</b>	<b>260</b>	<b>1,707</b>	<b>1,967</b>	<b>68,103</b>

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

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

## 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 2020, the Police and Crime Commissioner was contractually committed to capital works on Land and Buildings which amounted to £0.697 million, and related to the refurbishment of Pwllheli Police Station. There are also some contractual commitments on capital IT projects, the main one being the National Enabling Programme (NEP). However as this is a combination of individual contracts and framework agreements, it is not possible to provide a commitment value.



## 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 non-operational Police Houses were revalued in 2015-2016, the last two of which were sold in 2019-2020.

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

The valuation was undertaken by an independent valuer, Mr G.S.C. Harbord MA MRICS IRRV (Hons) of WilksHead&Eve Chartered Surveyors. The valuers made the following commentary in their 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.'

## 13. Inventories

	HQ Stores		Other Stores		Total
	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020
	£000	£000	£000	£000	£000
<b>Balance held at start of year</b>	<b>217</b>	<b>229</b>	<b>468</b>	<b>577</b>	<b>685</b>
Purchases	520	462	336	221	<b>856</b>
Recognised as an expense in the year	-474	-474	-433	-330	<b>-907</b>
Written off balances	0	0	0	0	<b>0</b>
<b>Balance held at year end</b>	<b>263</b>	<b>217</b>	<b>371</b>	<b>468</b>	<b>634</b>

## 14. Debtors and Payments in Advance

	2019-2020	2018-2019
	£000	£000
<b>Amounts falling due in one year -</b>		
Trade Receivables	5,000	4,411
Prepayments	894	834
Other receivable amounts	7,577	7,485
	<b>13,471</b>	<b>12,730</b>

## 15. Cash and Cash Equivalents

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

	2019-2020	2018-2019
	£000	£000
Bank Current Accounts	8,445	-21
Cash held by the Police and Crime Commissioner	40	40
Short Term Deposits with Banks /Building Societies	7,029	14,023
	<b>15,514</b>	<b>14,042</b>

## 16. Assets Held for Sale

The assets which are held for sale by the Police and Crime Commissioner are surplus police properties. The balance relates to the sale of the former DHQ and Police Station site in Wrexham, the sale of which was expected to be completed in 2019-20. The sale has been delayed but is expected to be completed in early 2020-21.

	Current		Non-Current	
	2019-2020	2018-2019	2019-2020	2018-2019
	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	<b>1,963</b>	<b>0</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale:				
Property, Plant and Equipment	0	1,256	0	0
Revaluation gains	0	707	0	0
Assets sold	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>1,963</b>	<b>1,963</b>	<b>0</b>	<b>0</b>

## 17. Creditors and Deferred Income

	2019-2020	2018-2019
	£'000	£'000
<b>Amounts falling due in one year -</b>		
Trade payables	4,448	5,087
Other payables	8,703	9,380
<b>Short Term Creditors</b>	<b>13,151</b>	<b>14,467</b>
Deferred Income	1,282	0
	<b>14,433</b>	<b>14,467</b>

## 18. Provisions

The Police and Crime Commissioner has made provision in the accounts for two purposes. The first is for insurance claims. The Force has external insurance in respect of public and employer's risk. The Insurance Fund provides for payments that may be due in the next or following years on the basis of known claims at the 31 March 2020.

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 and £150,000 for incidents between 1 April 2018 to 31 March 2020.

The second purpose is other provisions:

#### Other Provisions

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

	<b>Injury and Damage Compensation Claims £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2019</b>	<b>568</b>	<b>304</b>	<b>872</b>
Additional Provisions made in 2019-2020	294	5	299
Amounts Used in 2019-2020	-99	0	-99
Unused Amounts Reversed in 2019-2020	-225	-9	-234
<b>Balance at 31 March 2020</b>	<b>538</b>	<b>300</b>	<b>838</b>

Within the total of £0.838 million, £0.190 million relates to short term provisions and £0.648 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

	<b>2019-2020 £000</b>	<b>2018-2019 £000</b>
Revaluation Reserve	21,449	19,823
Capital Adjustment Account	19,992	19,342
Pensions Reserve	-1,738,023	-1,878,923
Accumulated Absences Account	-5,301	-4,468
<b>Total Unusable Reserves</b>	<b>-1,701,883</b>	<b>-1,844,226</b>

#### Revaluation Reserve

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

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

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

	2019-2020 £000	2018-2019 £000
<b>Balance at 1 April</b>	<b>19,823</b>	<b>21,433</b>
Upward revaluation of assets	2,644	2,684
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-516	-2,340
	21,951	21,777
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	-226	-307
Accumulated gains on assets sold or scrapped	-293	-1,545
Amount written off to the Capital Adjustment Account	17	-102
<b>Balance at 31 March</b>	<b>21,449</b>	<b>19,823</b>

### Capital Adjustment Account

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

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

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

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

	2019-2020 £000	2018-2019 £000
<b>Balance at 1 April</b>	<b>19,342</b>	<b>29,377</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation and impairment of non-current assets	-6,354	-16,975
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	-380	-2,641
	-6,734	-19,616
Adjusting amount written out of the Revaluation Reserve	502	1,954
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	310	1,702
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	472	462

<b>(Continued)</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>£000</b>	<b>£000</b>
Capital Expenditure charged in year to the General Fund	3,731	3,320
Statutory provision for the financing of capital investment charged against the General Fund balances	2,369	2,143
	7,384	9,581
<b>Balance at 31 March</b>	<b>19,992</b>	<b>19,342</b>

### Financial Instruments Adjustment Account

The Police and Crime Commissioner has no financial instruments.

### Pensions Reserve

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

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>-1,878,923</b>	<b>-1,706,262</b>
Remeasurements of the net defined benefit liability(-)/asset (+)	188,625	-61,911
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	-73,267	-134,217
Employer's pension contributions and direct payments to pensioners payable in the year	25,542	23,467
<b>Balance at 31 March</b>	<b>-1,738,023</b>	<b>-1,878,923</b>

### Deferred Capital Receipts Reserve

The Police and Crime Commissioner has no deferred capital receipts.

## Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2020. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2019-2020 £'000	2018-2019 £'000
<b>Balance at 1 April</b>	<b>-4,468</b>	<b>-4,722</b>
Settlement or cancellation of accrual made at the end of the preceding year	0	254
Amounts accrued at the end of the current year	-833	0
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	0
<b>Balance at 31 March</b>	<b>-5,301</b>	<b>-4,468</b>

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

### Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2019-2020 £000	2018-2019 £000
Interest received	-109	-92
Interest paid	1,011	1,058
<b>Total</b>	<b>902</b>	<b>966</b>

<b>Adjustments on the Provision of Services for Non cash movements:</b>	2019-2020 £000	2018-2019 £000
Depreciation, impairments and downward valuations	-6,354	-16,975
Net increase (-)/decrease (+) in revenue creditors	34	1,628
Net increase (+)/decrease(-) in revenue debtors	741	933
Net increase (+)/decrease(-) in inventories	-51	-121
Pension liability	-47,725	-110,750
Contributions to(-)/from (+) provisions	34	105
Carrying amount of non-current assets sold (PPE, Inv. Prop, Intangibles)	-380	-2,641
<b>Total Non-Cash Movement</b>	<b>-53,701</b>	<b>-127,821</b>

Adjustments on the Provision of Services for items that are investing and financing activities:	2019-2020	2018-2019
	£000	£000
Capital Grants credited to surplus(-)/deficit (+) on provision of services	472	462
Proceeds on sale of PPE and investment and intangibles	355	224
<b>Total</b>	<b>827</b>	<b>686</b>
<b>Net Cash Flow from Operating Activities Total</b>	<b>-6,030</b>	<b>-2,419</b>

## 22. Cash Flow Statement - Investing Activities

	2019-2020	2018-2019
	£000	£000
Purchase of PPE, Investment Property and Intangible Assets	6,375	11,272
Proceeds from sale of PPE, Investment Property and Intangible Assets	-355	-224
Proceeds from short-term and long-term investments	-3,507	200
Capital Grants	-472	-462
<b>Net Cash Flows from Investing Activities</b>	<b>2,041</b>	<b>10,786</b>

## 23. Cash Flow Statement - Financing Activities

	2019-2020	2018-2019
	£000	£000
Cash receipts of short-term and long-term borrowing	-15,000	-6,017
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	748	690
Repayment of short-term and long-term borrowing	16,769	657
<b>Net Cash Flows from Financing Activities</b>	<b>2,517</b>	<b>-4,670</b>

## 24. Notes to the Expenditure and Funding Analysis

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
<b>Net Cost of Service</b>	<b>254</b>	<b>1,532</b>	<b>833</b>	<b>2,619</b>
Other income and expenditure from the Expenditure Funding Analysis	-447	46,193	0	45,746
<b>Difference between the General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement surplus/deficit on the provision of services</b>	<b>-193</b>	<b>47,725</b>	<b>833</b>	<b>48,365</b>

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

### 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 as 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 2019-2020 there were a total of 4 members. One member resigned during the year.

	2019-2020		2018-2019	
	£000	Number of Members	£000	Number of Members
Allowances	11	4	13	5
Expenses	0		1	
	<b>11</b>		<b>14</b>	

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

## 26. Officers' Remuneration

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2019-2020

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

Remuneration Bands	Number of Employees	Number of Employees
	2019-2020	2018-2019
£60,000 - £64,999	27	15
£65,000 - £69,999	9	8
£70,000 - £74,999	6	5
£75,000 - £79,999	4	4
£80,000 - £84,999	4	5
£85,000 - £89,999	2	3
£90,000 - £94,999	1	0
£95,000 - £99,999	1	1
£100,000 - £104,999	0	1

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	
	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020
	No.	No.	No.	No.	No.	No.	£000	£000
£ 0 - £20,000	0	0	4	7	4	7	16	20
£ 20,001 - £40,000	0	0	0	0	0	0	0	0
£ 40,001 - £60,000	0	0	0	0	0	0	0	0
£ 60,001 - £80,000	0	0	5	0	5	0	386	0
£ 80,001 and above	0	0	8	1	8	1	761	83

## 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.

	2019-2020	2018-2019
Chief Executive's pay	84,908	84,242
Median pay of the Police & Crime Commissioner's staff	34,254	34,433
Median pay ratio:	2.5	2.4
Chief Constable's pay	176,454	171,647
Median pay of the Chief Constable's staff	33,409	32,881
Median pay ratio:	5.3	5.2

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 £179,770. 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:

	2019-2020			2018-2019		
	Group	PCC	CC	Group	PCC	CC
	£000	£000	£000	£000	£000	£000
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor	86	43	43	86	43	43
<b>Total</b>	<b>86</b>	<b>43</b>	<b>43</b>	<b>86</b>	<b>43</b>	<b>43</b>

The above represents payments made within the financial year 2019-2020. The agreed strategy fee for the audit year November 2019 to October 2020 was £83,866 for 2019-2020.

## 28. Grant Income

The Police and Crime Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019-2020.

	2019-2020 £000	2018-2019 £000
<b>Credited to Taxation and Non-specific Grant Income</b>		
Home Office Capital Grant	472	462
Home Office Police Grant and Floor Grant	50,738	49,605
Revenue Support Grant	10,655	10,364
Share of Non domestic Rates Grant	11,841	11,758
<b>Total</b>	<b>73,706</b>	<b>72,189</b>

	2019-2020 £000	2018-2019 £000
<b>Credited to Services</b>		
CRB Criminal Records	657	613
Speed Reduction	1,005	1,024
Community Support Officers Welsh Government	3,384	3,384
School Liaison Programme	391	413
Ace Funding	247	260
PFI Grant	1,298	1,350
Cyber Grant	124	106
Proceeds of Crime Acts	241	133
Security Grants	2,313	2,262
EU Police Resilience Grant	0	102
Drug Intervention Programme (DIP)	478	478
Victims Commissioning/Services	1,223	1,228
Officer Uplift Grant	297	0
Pension Grant	1,582	0
Other Grants	234	197
<b>Within cost of services in Comprehensive Income &amp; Expenditure Statement</b>	<b>13,474</b>	<b>11,550</b>

## 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.

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.

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

The Chief Constable is a trustee of PACT (North Wales Police and Community Trust). The Force allocates funding from income received via the Police Property Fund Account in support of PACT projects whose objectives are to raise the profile of community safety, significantly minimise the fear of crime and thus enhance the quality of life throughout North Wales. For 2019-2020 this equated to £31,700 donated from the fund to PACT contributing towards meeting the costs of the Fund administration of £44,676.

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

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

## 30. Capital Expenditure and Capital Financing

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

	2019-2020 £000	2018-2019 £000
<b>Opening Capital Financing Requirement</b>	<b>30,903</b>	<b>27,257</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	6,374	11,273
Intangible Assets	0	0
Revenue Expenditure funded from Capital under Statute	0	0
<b>Sources of Finance</b>		
Capital Receipts	-310	-1,702
Government Grants and other contributions	-472	-462
Sums set aside from revenue	-1,460	-970
Direct revenue contributions	-2,271	-2,350
MRP Principal	-2,369	-2,143
<b>Closing Capital Financing Requirement</b>	<b>30,395</b>	<b>30,903</b>

## Explanation of Movements in year

	2019-2020 £000	2018-2019 £000
Increase (+)/decrease (-) in underlying need to borrow (unsupported by government financial assistance)	240	4,336
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	-748	-690
<b>Increase (+)/decrease(-) in Capital Financing Requirement</b>	<b>-508</b>	<b>3,646</b>

### 31. Leases

#### Finance Lease including Private Finance Initiative (PFI)

The PFI contract was signed in September 2002. The contract provides a serviced facility comprising a Divisional Headquarters, Police Station, Custody Block and a Scientific Support and Major Incident block in the St Asaph Business Park. The facility became operational in March 2004. The contract lasts for 25 years, and there are options available 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 £26.594 million (2018-2019 £32.670 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
<b>Gross Value as at 31 of March 2019</b>	<b>18,454</b>
Cumulative Depreciation to 31.3.2019	-1,999
Depreciation 2019-2020	-335
Total Depreciation to 31.3.2020	-2,334
<b>Net Book Value as at 31 of March 2020</b>	<b>16,120</b>

#### Value of Liability

PFI	£000
Value as at 31 of March 2019	10,661
Capital Repayment	-748
<b>Net Value as at 31 of March 2020</b>	<b>9,913</b>

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

PFI	£000
Amount due within 1 year	2,877
Due within 2 to 5 years	11,698
Due within 6 to 10 years	12,019
<b>Total</b>	<b>26,594</b>

## Operating Leases

There are no un-discharged obligations at 31 of March 2020 in respect of operating leases.

## 32. Impairment Losses

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

## 33. Termination Benefits

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

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

and terminated the contracts of a number of employees in 2019-2020 incurring costs of £0.103 million (2018-2019 £1.163 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 95 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 have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included 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. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

The Police Minister has indicated that remedy period will not end before 2022. The Treasury are consulting on proposals to implement a remedy in the coming months to be followed by primary legislation and scheme regulation.

Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries have estimated the potential increase in scheme liabilities for the Police and Crime Commissioner to be approximately 4.4% or £75.59m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-2019 accounts. In July 2020, the UK Government published proposals for consultation on a remedy to address the McCloud issue. In 2019-2020, having reviewed the consultation on the remedy at a force level the actuaries have 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 police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have 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.

The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants is due in April 2020 and the identity and banding of claims proposed by claimants is due in June for non-pecuniary claims and September for pecuniary claims. As at 31st March 2020, it is not possible to 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.

The judgement is expected to have a wide ranging impact on other public sector groups, but the extent of the impact will depend on the nature of the transition arrangements put in place. For the purposes of the 2018-2019 pension accounting report no additional liability was recognised (as the long-term salary increase assumption adopted by the Gwynedd Pension Fund was set equal to CPI, which meant that both final salary and CARE benefits were assumed to revalue in line with CPI). However for the purposes of the 31 March 2020 IAS19 balance sheet figures, an estimated adjustment to the liabilities for McCloud has been captured from the 2019 valuation data, and has been recorded separately as a Past Service Cost in the 2019/2020 Profit and Loss statement.

The following transactions have been made in the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Police Pension Scheme		Total
	2019-2020 £000	2018-2019 £000	2019-2020 £000	2018-2019 £000	2019-2020 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>					
<i>Cost of Services:</i>					
<i>Service Cost comprising:</i>					
Current Service Cost	-15,445	-12,918	-39,900	-28,440	-55,345
Unfunded Benefits Contributions	120	117	0	0	120
Past Service Gains (-)/Losses (+)	-280	0	8,760	-75,590	8,480
Transfers In	0	0	-700	-310	-700
Police Pension top-up grant receivable	0	0	20,371	26,404	20,371
<i>Financing and investment income and expenditure</i>					
Net interest expense	-2,173	-1,700	-44,020	-41,780	-46,193
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>-17,778</b>	<b>-14,501</b>	<b>-55,489</b>	<b>-119,716</b>	<b>-73,267</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>					
<i>Remeasurement of the net defined benefit liability comprising:</i>					
Return on plan assets (excluding the amount included in the net interest expense)	-21,744	10,645	0	0	-21,744
Actuarial gains(+) and losses (-) arising on changes in demographic assumptions	10,437	0	53,470	0	63,907
Actuarial gains (+) and losses (-) arising on changes in financial assumptions	34,187	-27,574	55,000	-49,980	89,187
Other experience gains (+) and losses (-)	21,185	-52	36,090	5,050	57,275
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Account</b>	<b>26,287</b>	<b>-31,482</b>	<b>89,071</b>	<b>-164,646</b>	<b>115,358</b>

	Local Government Pension Scheme		Police Pension Scheme		Total
	2019-2020 £000	2018-2019 £000	2019-2020 £000	2018-2019 £000	2019-2020 £000
<b>Movement in Reserves Statement</b>					
Reversal of net charges made to the Surplus or Deficit for the Provision of post-employment benefits in accordance with the code	-17,778	-14,501	-55,489	-119,716	-73,267
<i>Actual amount charged against the General Fund balance for pensions in the year:</i>					
Employer's contributions payable to scheme	5,473	5,337			5,473
Less: Prepayment adjustment *	0	1,594			0
Adjusted Employer's contributions	5,473	6,931			5,473
Retirement benefits payable to pensioners			20,069	16,536	20,069

\* a prepayment of £1.594m for lump sum payments due in 2018-2019 and 2019-2020, which was shown in the Balance Sheet as a prepayment as at 31 March 2018, and was reversed as at 31 March 2019.

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

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

	Local Government Pension Scheme		Police Pension Scheme		Total
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Present value of the defined benefit obligation	251,505	296,328	1,684,330	1,793,470	1,935,835
Fair value of plan assets	-197,812	-210,875	0	0	-197,812
Sub-total	53,693	85,453	1,684,330	1,793,470	1,738,023
Other movement in the liability (+)/asset (-) (if applicable)	0	0	0	0	0
<b>Net Liability arising from the defined benefit obligation</b>	<b>53,693</b>	<b>85,453</b>	<b>1,684,330</b>	<b>1,793,470</b>	<b>1,738,023</b>

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

	Local Government Pension Scheme	
	31 March 2020 £000	31 March 2019 £000
Opening fair value of the scheme assets	210,875	189,541
Interest income	5,114	5,209
Remeasurement gain (+)/loss (-):		
- the return on plan assets, excluding the amount included in the net interest expense	-21,744	10,645
Contribution from employers	5,473	6,931
Contributions from employees	2,246	2,159
Benefits paid	-4,152	-3,610
<b>Closing fair value of the scheme assets</b>	<b>197,812</b>	<b>210,875</b>

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Scheme	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Opening balance at 1 April	296,328	250,443	1,793,470	1,645,360
Current service cost	15,445	12,918	39,900	28,440
Interest cost	7,287	6,909	44,020	41,780
Contributions from scheme participants	2,246	2,159	7,150	7,020
Remeasurement gains (-) and losses (+):				
- Actuarial gains/losses arising from changes in demographic assumptions	-10,437	0	-53,470	0
- Actuarial gains/losses arising from changes in financial assumptions	-34,187	27,574	-55,000	49,980
- Other experience gains/losses	-21,185	52	-36,090	-5,050
Past service costs	280	0	-8,760	75,590
Transfers In	0	0	700	310
Benefits paid	-4,152	-3,610	-47,590	-49,960
Liabilities extinguished on settlements (where applicable)	-120	-117	0	0
<b>Closing balance at the 31 March</b>	<b>251,505</b>	<b>296,328</b>	<b>1,684,330</b>	<b>1,793,470</b>

## Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme 2019-2020			Local Government Pension Scheme 2018-2019		
	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	980	0	980	5,424	0	5,424
<b>Sub-total</b>	980	0	980	5,424	0	5,424
Equity Securities:						
<i>By industry type:</i>						
Consumer	0	0	0	5,248	0	5,248
Manufacturing	0	0	0	6,313	0	6,313
Financial Institutions	0	0	0	2,461	0	2,461
Health and Care	0	0	0	13,483	0	13,483
Information technology	0	0	0	3,689	0	3,689
Other	0	0	0	7,160	0	7,160
<b>Sub-total</b>	0	0	0	38,354	0	38,354
Debt Securities:						
Other	0	0	0	0	30,641	30,641
<b>Sub-total</b>	0	0	0	0	30,641	30,641
Property:						
<i>By type:</i>						
UK Property	0	19,497	19,497	6,706	12,576	19,282
Overseas Property	0	23	23	0	112	112
<b>Sub-total</b>	0	19,520	19,520	6,706	12,688	19,394

(Continued)	Local Government Pension Scheme 2019-2020			Local Government Pension Scheme 2018-2019		
	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
Private Equity:						
UK and overseas	0	11,499	<b>11,499</b>	0	11,448	<b>11,448</b>
<b>Sub-total</b>	0	11,499	<b>11,499</b>	0	11,448	<b>11,448</b>
Other Investment Funds and unit trusts:						
Equities	0	132,658	<b>132,658</b>	41,028	60,435	<b>101,463</b>
Infrastructure	0	4,549	<b>4,549</b>	0	4,151	<b>4,151</b>
Other	0	28,606	<b>28,606</b>	0	0	<b>0</b>
<b>Sub-total</b>	0	165,813	<b>165,813</b>	41,028	64,586	<b>105,614</b>
<b>Totals</b>	<b>980</b>	<b>196,832</b>	<b>197,812</b>	<b>91,512</b>	<b>119,363</b>	<b>210,875</b>

### Basis for estimating Assets and Liabilities

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

The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson and the Police Pension Scheme liabilities have been estimated by the Government Actuary's Department. These are both independent actuary organisations, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2019. The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Gwynedd Pension Fund include a statement that there is a material valuation uncertainty related to the UK property fund managed on behalf of the Gwynedd Pension Fund. The total value of this fund as at 31st March 2020 is £191m of which, £19.5m (10%) is attributable to the Police and Crime Commissioner for North Wales.

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.

2019-2020	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)	10,060	-10,060	50,000	-50,000
Rate of inflation (increase (+) or decrease (-) by 0.5%)	25,688	-25,688	130,000	-130,000
Rate of increase in salaries (increase (+) or decrease (-) by 0.5%)	4,470	-4,470	17,000	-17,000
Rate of increase in pensions (increase (+) or decrease (-) by 0.5%)	25,688	-25,688	130,000	-130,000
Rate for discounting scheme liabilities (increase (-) or decrease (+) by 0.5%)	-30,485	30,485	-163,000	163,000

## **Asset and Liability Matching (ALM) Strategy**

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

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

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Gwynedd Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation will be completed during 2019-2020 to be implemented from April 2020.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pensions Scheme in England and Wales and the other main existing public service schemes 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 £6.393 million contributions to the scheme in 2020-2021.

The weighted average duration of the defined benefit obligation for the Local Government Pension Scheme is 22.2 years, 2019-2020, (22.2 years 2018-2019). The weighted average for the Police Pension Scheme is 21.0 years, 2019-2020, (22.0 years 2018-2019).

## **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	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	9,255	0	5,620	16,657
- Accrued interest	0	0	38	25
<b>Total Borrowing *</b>	<b>9,255</b>	<b>0</b>	<b>5,658</b>	<b>16,682</b>
Loans at amortised cost:				
- Bank overdraft	0	0	0	0
<b>Total Cash Overdrawn</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities at amortised cost:				
- PFI arrangements	9,103	9,913	810	748
<b>Total Other Long-term Liabilities</b>	<b>9,103</b>	<b>9,913</b>	<b>810</b>	<b>748</b>
Liabilities at amortised cost:				
- Trade payables	0	0	14,433	14,467
<b>Included in Creditors</b>	<b>0</b>	<b>0</b>	<b>14,433</b>	<b>14,467</b>
<b>Total Financial Liabilities</b>	<b>18,358</b>	<b>9,913</b>	<b>20,901</b>	<b>31,897</b>

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

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

Financial Assets	Long Term		Short Term	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	£000	£000	£000	£000
<i>At amortised cost:</i>				
- Principal	0	0	0	3,507
- Accrued interest	0	0	0	0
- Loss allowance	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,507</b>
<i>At amortised cost:</i>				
- Principal	0	0	15,495	14,019
- Accrued interest	0	0	19	23
- Loss allowance	0	0	0	0
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>15,514</b>	<b>14,042</b>
<i>At amortised cost:</i>				
- Trade receivables	0	0	13,478	12,732
- Loss allowance	0	0	-7	-2
<b>Included in Debtors</b>	<b>0</b>	<b>0</b>	<b>13,471</b>	<b>12,730</b>
<b>Total Financial Assets</b>	<b>0</b>	<b>0</b>	<b>28,985</b>	<b>30,279</b>

### Offsetting Financial Assets and Liabilities

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

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



	31.3.2020			31.3.2019		
	Gross assets	(Liabilities) assets set	Net position on	Gross assets	(Liabilities) assets set	Net position on
	(liabilities)	off	balance sheet	(liabilities)	off	balance sheet
	£000	£000	£000	£000	£000	£000
Trade receivables	13,471	0	13,471	12,730	0	12,730
Bank accounts in credit	15,536	-22	15,514	17,578	-29	17,549
<b>Total financial assets</b>	<b>29,007</b>	<b>-22</b>	<b>28,985</b>	<b>30,308</b>	<b>-29</b>	<b>30,279</b>
Trade payables	-14,433	0	-14,433	-14,467	0	-14,467
Bank overdrafts	-14,935	22	-14,913	-16,711	29	-16,682
PFI arrangements	-9,913	0	-9,913	-10,661	0	-10,661
<b>Total financial liabilities</b>	<b>-39,281</b>	<b>22</b>	<b>-39,259</b>	<b>-41,839</b>	<b>29</b>	<b>-41,810</b>

### (c) Financial Instruments - Gains and Losses

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

	Financial Liabilities	Financial Assets		
	Amortised Cost £000	Amortised Cost £000	2019-2020 Total £000	2018-2019 Total £000
Interest expense	1,050	0	1,050	1,083
Impairment losses	5	0	5	0
Losses from changes in fair value	46,193	0	46,193	43,480
Fees paid	0	0	0	0
<b>Interest payable and similar charges</b>	<b>47,248</b>	<b>0</b>	<b>47,248</b>	<b>44,563</b>
Interest income	0	-129	-129	-115
<b>Interest and investment income</b>	<b>0</b>	<b>-129</b>	<b>-129</b>	<b>-115</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>47,248</b>	<b>-129</b>	<b>47,119</b>	<b>44,448</b>

### (d) Financial Instruments - Fair Values

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2020, using the following methods and assumptions:

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

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

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

	Fair Value Level	Balance Sheet 31.3.2020 £000	Fair Value 31.3.2020 £000	Balance Sheet 31.3.2019 £000	Fair Value 31.3.2019 £000
<b>Financial liabilities held at amortised cost:</b>					
Long-term loans from PWLB	2	9,875	9,523	657	668
Lease payables and PFI liabilities	2	9,913	8,729	10,661	9,676
<b>Total</b>		<b>19,788</b>	<b>18,252</b>	<b>11,318</b>	<b>10,344</b>
Liabilities for which fair value is not disclosed *		19,471		30,492	
<b>Total Financial Liabilities</b>		<b>39,259</b>		<b>41,810</b>	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		14,433		14,467	
Short-term borrowing		5,658		16,025	
Other short-term liabilities		810		0	
Long-term borrowing		9,255		657	
Other long-term liabilities		9,103		10,661	
<b>Total Financial Liabilities</b>		<b>39,259</b>		<b>41,810</b>	

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

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

	Fair Value Level	Balance Sheet 31.3.2020 £000	Fair Value 31.3.2020 £000	Balance Sheet 31.3.2019 £000	Fair Value 31.3.2019 £000
<b>Financial assets held at amortised cost:</b>					
Corporate Bond	1	0	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Assets for which fair value is not disclosed *		28,985		30,279	
<b>Total Financial Assets</b>		<b>28,985</b>		<b>30,279</b>	
<i>Recorded on balance sheet as:</i>					
Short-term debtors		13,471		12,730	
Short-term investments		0		3,507	
Cash and cash equivalents		15,514		14,042	
<b>Total Financial Assets</b>		<b>28,985</b>		<b>30,279</b>	

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

## e) Financial Instruments - Risks

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

In line with the Treasury Management Code, the Police and Crime Commissioner approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Police and Crime Commissioner also 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 *	31.3.2020		31.3.2019	
	Long-term	Short-term	Long-term	Short-term
	£000	£000	£000	£000
AAA	0	0	0	3,507
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	7,000	0	10,000
A+	0	10	0	4,000
A	0	0	0	0
A-	0	0	0	0
<b>Total Investments</b>	<b>0</b>	<b>7,010</b>	<b>0</b>	<b>17,507</b>

\* as per Standard & Poor's published long-term rating @ 31-3-2020

In addition to the above £8.467m was held in the current account to ensure sufficient liquidity during the COVID 19 lockdown period. 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.

	31.3.2020		31.3.2019	
	Trade receivables	Lease receivables	Trade receivables	Lease receivables
	£000	£000	£000	£000
Neither past due nor impaired	4,835	0	4,255	0
Past due < 3 months	82	0	88	0
Past due > 3 months	76	0	66	0
Individually impaired	7	0	2	0
<b>Total Receivables</b>	<b>5,000</b>	<b>0</b>	<b>4,411</b>	<b>0</b>

Loss allowances on trade receivables have been calculated by reference to the Police and Crime Commissioner's historic experience of default. Receivables are determined to be credit-impaired where they are 90 or more days past due. 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)	31.3.2020			31.3.2019		
	Liabilities	Assets	Net	Liabilities	Assets	Net
	£000	£000	£000	£000	£000	£000
Not over 1	-20,781	28,985	8,204	-31,897	30,279	-1,618
Over 1 but not over 2	-1,377	0	-1,377	-810	0	-810
Over 2 but not over 5	-4,600	0	-4,600	-2,859	0	-2,859
Over 5 but not over 10	-7,626	0	-7,626	-6,244	0	-6,244
Over 10 but not over 20	-4,875	0	-4,875	0	0	0
<b>Total</b>	<b>-39,259</b>	<b>28,985</b>	<b>-10,274</b>	<b>-41,810</b>	<b>30,279</b>	<b>-11,531</b>

### Market Risks: Interest Rate Risk

The Police and Crime Commissioner is exposed to risk in terms of its exposure to interest rate movements on 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 2020, 100% (2019: 100%) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and 0% (2019: 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 -

	<b>31.3.2020</b> <b>£000</b>	<b>31.3.2019</b> <b>£000</b>
Police Property Act Fund (Proceeds from confiscated property for distribution to charities)	1	18
Misuse of Drugs Fund (Seized monies from Drugs enquiries used to finance expenditure in combating drugs)	133	130
	<b>134</b>	<b>148</b>

### **39. Jointly Controlled Operations/Collaboration**

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

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

The following groups the arrangements into:

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

### Collaboration – Joint Operations

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 2019-2020 is £832k (£845k in 2018-2019) with the breakdown by function as follows:

2018-2019 Net Expenditure £'000	Functions	2019-2020		
		Expenditure £'000	Income £'000	Net Expenditure £'000
220	Regional Crime Unit	236	0	236
36	Prisoner Intelligence	71	-29	42
8	Regional Intelligence Unit	25	-14	11
172	Technical Surveillance Unit	189	-13	176
89	Protected Persons Service	-1	0	-1
162	Confidential Unit	178	-10	168
0	Regional Asset Recovery Team	52	-52	0
6	Operational Security Officer	13	-7	6
0	Cyber Crime	21	-21	0
0	GAIN	3	-3	0
107	Undercover Forensics	256	-144	112
0	ACE	12	-12	0
0	ECURFT	14	-14	0
0	Prevent	10	-10	0
0	Disruption	12	-12	0
44	Business Support	82	0	82
1	Other Titan Grants	46	-46	0
<b>845</b>	<b>Total</b>	<b>1,219</b>	<b>-387</b>	<b>832</b>

The following joint operations have Cheshire as lead force:

2018-2019 Net Expenditure £'000	Functions	2019-2020		
		Expenditure £'000	Income £'000	Net Expenditure £'000
73	Joint Underwater Search Unit	102	-29	73
46	Regional Firearms	66	-10	56
2,834	Armed Policing Alliance	3,182	-114	3,068
579	Dogs Alliance	661	-1	660
0	Armed Policing Alliance MET Training Contract	225	-225	0
10	ANPR	10	0	10
<b>3,542</b>	<b>Total</b>	<b>4,246</b>	<b>-379</b>	<b>3,867</b>

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

SHARE OF SERVICE COLLABORATION 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
<b>Total:</b>	<b>100.00%</b>	<b>11,866</b>	<b>559</b>
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
<b>Total:</b>	<b>100.00%</b>	<b>-11,866</b>	<b>-559</b>

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

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 2019-2020 were £282k (2018-2019 – £396k) and Police and Crime Commissioner for North Wales' contribution to these costs was £59k in 2019-2020 (2018-2019 – £88k). In December 2019 an Assistant Chief Constable from North Wales Police became the lead for the All Wales Collaboration Team with the costs of £41k incurred in 2019-2020 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 £0.457 million in 2019-2020 (£0.505 million in 2018-2019).

**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.

2018-2019 £000	Fund Account	2019-2020 £000
	<b>Contributions receivable</b>	
	From Employer:-	
12,616	- Normal	16,512
0	- Early retirements	0
1,111	- Capital Charge for Ill Health Retirement	156
7,018	Members Contributions	7,157
336	Transfer Values received	878
<b>21,081</b>	<b>Total Income</b>	<b>24,703</b>
	<b>Benefits Payable</b>	
35,837	Pensions	37,896
11,605	Commuted and lump sum retirement benefits	6,899
0	Lump Sum Death Benefits	237
	<b>Payments to and on account of leavers</b>	
10	Transfer out to other schemes	0
33	Refund of Contributions	42
<b>47,485</b>	<b>Total amounts Payable</b>	<b>45,074</b>
	Net Amount Payable for the year before transfer from the Police Fund	
26,404		20,371
-26,404	Additional Contribution from the Police Fund (by grant) <sup>1</sup>	-20,371
<b>0</b>	<b>Net amount payable/receivable for the year</b>	<b>0</b>
	<b>Net Asset Statement:</b>	
60	Contributions due from employer	60
21	Unpaid pension benefits	21
-81	Other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	-81
<b>0</b>	<b>Total Liabilities</b>	<b>0</b>

<sup>1</sup>2018-2019: the Home Office additional contribution is based on 21.3% employers contribution as per the actuarial Valuation. The above accounts are based on 24.2% employer's contribution as per the pension regulations  
2019-2020: The Home Office contribution and the accounts are as per the actuarial valuation of 31.0%

## **Group Statement of Accounting Policies**

### **1. General**

The Group Statement of Accounts summarises the Police and Crime Commissioner's transactions for the 2019-2020 financial year and the position at the year-end of 31 March 2020. 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 2019-2020, 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 deminimus 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 38 to the Accounts.

## 14. Leases

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

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

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

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

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

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

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

### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

## Operating Leases

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

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

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

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

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

### Impairment

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

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

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

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

### Depreciation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

### 19. **Reserves**

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

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

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

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

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

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

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

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

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

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

## 22. **VAT**

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

## 23. **Fair Value**

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



## Glossary of Terms

### **Accounting Policies**

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

### **Accrual and Pre payment**

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

### **Budget**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

### **Contingent Liabilities/Assets**

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

### **Creditors**

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

### **Debtors**

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

### **Depreciation**

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

### **Direct Revenue Funding of Capital**

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

### **Earmarked Reserves**

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

### **Fair Value**

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

### **Financial Instruments**

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

### **International Accounting Standard (IAS)**

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

### **International Financial Reporting Standards (IFRS)**

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

**Impairment**

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

**Liquid Resources**

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

**Minimum Revenue Provision**

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

**Net Debt**

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

**Non-Current Assets**

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

**Non-Domestic Rates (NDR)**

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

**Non-operational Assets**

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

**Operational Assets**

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

**Outturn**

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

**Private Finance Initiative (PFI)**

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

**Precept**

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

**Provision**

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

**Public Works Loan Board (PWLB)**

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

**Remuneration**

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

**Reserves**

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

**Revaluation**

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

**Revenue Expenditure**

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

**Revenue Support Grant**

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

**Slippage**

Delayed capital expenditure not incurred within the original time frame.

**Supported Borrowing**

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

**Unsupported Borrowing**

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

**Usable Capital Receipts**

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

## Annual Governance Statement 2019-2020

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 twice during 2019-2020; during this financial year a separate review of governance was undertaken, and the results of this review were taken into consideration in preparing this annual governance statement and the action plan with the work from the Governance review has continued to progress during 2020-2021.

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 has an ongoing remit tracking progress of the Governance review as it progresses 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 2019-2020:

- 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 Covid19 pandemic was described as a “Public Health Emergency of International Concern” on 31 January 2020. Restrictions aimed at reducing the spread of Covid19 were announced by the government on 23 March 2020 with the Coronavirus Act receiving Royal Assent on 25 March 2020. Given these events occurred relatively late in the Financial year, the impact on governance arrangements was limited for 2019-2020. The impact beyond this period are reflected where appropriate throughout this report.

1.7 However, Covid-19 did still impact 2019-2020 decision making through a Covid-19 Gold, Silver, Bronze response command structure within the Force being established and 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](#).

1.8 Since the end of the 2019-2020 financial year, Covid-19 has continued to have a significant bearing on the organisation’s working practices transforming them for both the OPCC 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 the year. To ensure clarity around Governance arrangements was retained during Covid-19 the PCC published a 2020-2021 Covid-19 response plan in May 2020 ensuring that clear accountability remained in place. More recently HMICFRS inspections exploring the effectiveness of decision making during Covid-19 has 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.

1.8 Further to the above, following the end of 2019-2020 the force entered a Recovery phase around Covid-19 with the Strategic Recovery Board, chaired by the DCC, being added to the Force’s Governance structure with the OPCC also having representation on that board. Reporting on progress was scheduled into the Joint Audit Committee work plan for July 2020.

## **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.

The governance framework has been in place throughout the year ended the 31 March 2020 and up to the approval of the Statement of Accounts. However, the areas of both Corporate Governance and Risk Management were subject to scrutiny and challenge by the Joint Audit Committee over the course of 2019-2020 as the approach in both areas was developed with further work planned for 2020-2021 and subsequently being progressed and monitored.

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

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

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

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

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

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

The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption policy and whistleblowing arrangements in place which manage effectively the risk of fraud and corruption. Processes for declaring interest and registers for gifts and hospitalities are maintained and updated as required. Both the Joint Audit Committee and the Police and Crime Panel discharged fully all the functions as identified in the relevant CIPFA publication for Audit Committees. The Joint Audit Committee's Terms of Reference may be found on the Police and Crime Commissioner's website.

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

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 OPCC to attend. Ethical dilemmas can be submitted anonymously by 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.

### 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 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.

We have an effective scrutiny function, supported by evidence & data analysis, to challenge decision makers constructively, including those who work in partnership with the Commissioner and Chief Constable. All key decisions taken include a financial impact, legal impact, equality impact and risk assessment with the Governance structures in place providing visibility around them. 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 all 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 with work continuing to progress in 2020-2021.

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

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

### 3.3. Defining Outcomes

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

The Police and Crime Commissioner sets the police and crime objectives and these are contained in the Police and Crime Plan. The Police and Crime Plan has been communicated to the public through the website and by various engagement activities and a brief summary of performance is included on the council tax leaflet sent to every household, either electronically or by post. A summary is given below, with 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. 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 – albeit remotely – 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 still robust – approach to strategic planning has been established by the Chief Constable and is currently being progressed in 2020-2021 being cognitive of a context including a Comprehensive Spending Review (expected to report in Nov20) and heightened levels of financial uncertainty.

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.

The Covid19 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 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 on an ongoing basis with ongoing reviews of the arrangements put in place taking place as part of the Recovery work stream.

### 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 ongoing 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.

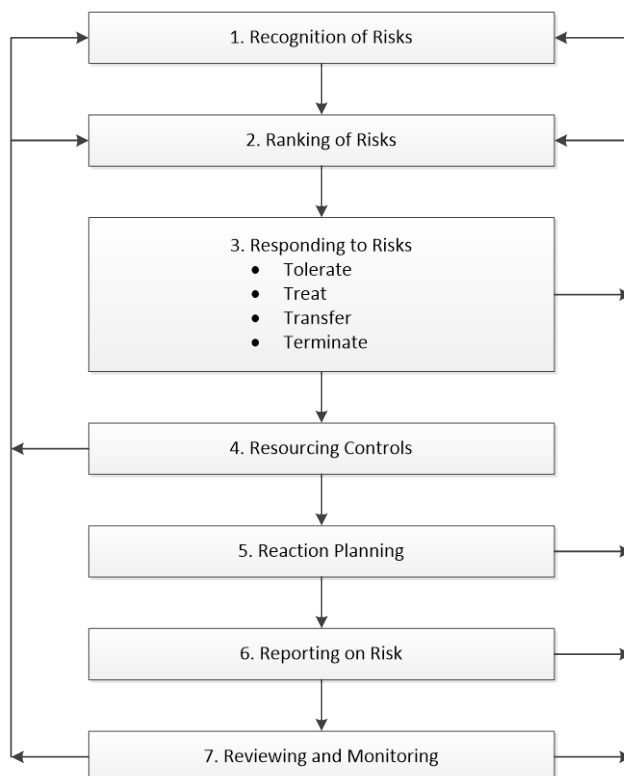
Our people are our key investment and we ensure that there are member and officer training and development programmes in place so that knowledge is kept up to date, including any professional development requirements. Our recruitment and succession planning processes are designed in order that we appoint the right people with the right skills into roles within the organisation.

Nationally set terms and conditions exist for officers and staff with agreed pay scales and job evaluation system and we have a performance management framework which the Commissioner and Chief Constable use to assess performance and address any improvements required. Additionally, there 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. 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.

Our plans, processes and policies are drawn up having due regard to the risks identified, and this 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 at the Joint Audit Committee. Members of the Joint Audit Committee are able to review all risks for transparency.

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) 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).

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

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

The Commissioner and Chief Constable have data protection and information security policies in place which are regularly tested and supported with a training programme for all staff. Our Internal Audit function and HMIC 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.

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 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 its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report and also by comments made by the external auditors, the Police and Crime Panel, Joint Audit Committee and other review agencies and inspectorates. The review of Governance in 2019-2020 has led to a number of recommendations, the implementation of which is ongoing.

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

4.3 As part of our governance framework and to ensure that we review our arrangements for effectiveness, we 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. During 2019-2020 governance overall was stable – despite the ongoing Governance review - although the Joint Governance Board was disestablished. However, it was reconstituted in March 2020 to ensure this annual governance statement could be

compiled accurately and in a timely manner. It was resolved at the March 2020 meeting to re-establish the Joint Governance Board, with revised terms of reference. The objectives of the Joint Governance Board are now:

- 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 OPCC 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 OPCC 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 OPCC and Force.
- To review any Client Briefing Notes issued by the Internal Auditor and consider their implications for the corporate governance arrangements of the OPCC 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 OPCC and Force where action or improvement is required.

4.4 Internal Audit carried out their annual service review of our key financial systems in 2019-2020 and provided positive reports during the year. The annual report concluded:

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

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

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

4.5 The Wales Audit Office annual audit letter for 2018-2019 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. Furthermore it identified its Operational Improvement Programme as an area of good practice.

## **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 2020-2021 plan can be seen in the Appendix below.

5.2. The action plan for 2019-2020 contained areas for improvement. These are detailed below with their progress and current status.

Recommendation	Action	Current Status - complete Y/N?
Force Delivery Plan	A Force Delivery Plan will be produced articulating the vision. The plan will be widely communicated and supported by detailed plans. The processes for management of change will be enhanced using accepted best practice methodologies and supported by a clear governance structure. The plan will be appropriately resourced to ensure the plans are realistic	Yes
Governance Review	An independent review of governance will be undertaken. A governance action plan will be produced and implemented.  The review will link in with a review of partnership arrangements that commenced in 2018-2019.	Yes  The action plan has been completed, but needs to be implemented.  Yes
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 yet to occur.  Yes - Risk Appetite has been agreed & documented.
Leadership	A staff survey will be completed, the results analysed and an action plan developed. Implementation of action plan will be delivered through workforce transformation programme.	Yes  Implementation of the action plan to be overseen by POD steering group

## 6. Conclusion

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

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

Signed:

**Arfon Jones**  
Police and Crime Commissioner

**Stephen Hughes**  
Chief Executive Officer to the Police and Crime Commissioner

**Kate Jackson**  
Chief Finance Officer to the Police and Crime Commissioner

## ANNUAL GOVERNANCE STATEMENT - PLAN

The review of governance has recognised that our governance arrangements are satisfactory and meet our needs. The delivery of our 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 2020-2021:

Issue	Actions
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.
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.
Risk Assurance Framework Development	Following the F&R 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.  The Risk assurance framework will be subsequently rolled out across the Force.
<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 <u>Covid-19 Response Plan</u></p>	<p>Ensure that the ongoing impact of Covid-19 on Governance arrangements are 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 process.</p> <p>Embed the Strategic Recovery Board</p>

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

### **Opinion**

I have audited the financial statements of the:

- 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 2020 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

give a true and fair view of the financial position of the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and North Wales Police Pension Fund as at 31 March 2020 and of their income and expenditure for the year then ended; and

have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

### **Basis for opinion**

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

### **Emphasis of Matter – effects of COVID-19 on the Police and Crime Commissioner for North Wales and the Police and Crime Commissioner for North Wales' Group's assets valuations**

I draw attention to Note 12 in the financial statements, which describes the material valuation uncertainty clause in the valuation report on the Police and Crime Commissioner for North Wales and the Police and Crime Commissioner for North Wales' Group's property arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

### **Emphasis of Matter – effects of COVID-19 on the Police and Crime Commissioner for North Wales and the Police and Crime Commissioner for North Wales' Group's property pension fund valuations**

I draw attention to Note 34 to the financial statements, which describes material valuation uncertainty clauses in the valuation report's on Pooled Property Funds held by the Gwynedd Pension Fund arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where: the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

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

the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; 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 Annual Governance Statement.

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

proper accounting records have not been kept;

the financial statements are not in agreement with the accounting records and returns; or

I have not received all the information and explanations I require for my audit.

## Certificate of completion of audit

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



## Responsibilities

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

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

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

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

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

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

Adrian Compton  
Auditor General for Wales  
7 October 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

## Summary Capital Expenditure and Funding 2019-2020

2018-2019 Actual £0	Description	2019-2020 Revised Budget £0	2019-2020 Actual £0
	<b><u>Building Works</u></b>		
2,468	Wrexham DHQ Facility	96	114
1,520	Wrexham Town Facility	619	485
2,806	Purchase of Joint Control Centre, St. Asaph	0	0
0	Sustainability Works	255	253
0	Retentions	25	0
0	Pwllheli Police Station Refurbishment	200	101
69	Rhuddlan/Prestatyn works	0	0
0	Western Esatates Area	40	0
19	Custody CCTV	33	27
0	Firearms Base works	103	99
<b>6,882</b>	<b>Total Building Works</b>	<b>1,371</b>	<b>1,079</b>
	<b><u>Vehicles and Other Equipment</u></b>		
1,691	Vehicle Purchase	2,071	1,760
130	Equipment	271	118
<b>1,821</b>	<b>Total Vehicles and Other Equipment</b>	<b>2,342</b>	<b>1,878</b>
	<b><u>Information Technology and Communication Equipment</u></b>		
672	Lap Tops and Desk Top Replacement	1,273	1,238
0	Lockers for charging and storage	200	0
122	EIS Replacement	0	0
132	DFU Server replacemnt	0	11
392	Airwave (replacement units)	13	0
970	Control Room Technology Replacement	531	406
96	Wrexham DHQ Airwave Booster	0	0
106	Mobile Data Devices	15	19
0	Mobile Responder App	200	114
0	National Enablement Programme	1,180	689
0	Connectivity Software	85	0
0	Wifi	250	94
0	Digital Workplace Audio Visual	200	74
0	Digital Intelligence & Investigation	18	0
0	Digital Evidence Management	125	0
0	Telephone Equipoment	250	0
0	Nexus Memory Upgrade	50	0
0	Backup upgrade	156	127
0	Local Area Network	80	0
0	Thin Clients	50	0
0	Risk Register	74	0
0	Command and Control Upgrade	100	42
0	Body Worn Video	535	533
0	GIS Upgrade	78	70
80	CHORUS Upgrade	0	0
<b>2,570</b>	<b>Total Information Technology and Communication</b>	<b>5,463</b>	<b>3,417</b>
<b>11,273</b>	<b>Total Capital Expenditure</b>	<b>9,176</b>	<b>6,374</b>

<b>2018-2019 Actual £000</b>	<b>Description</b>	<b>2019-2020 Revised Budget £000</b>	<b>2019-2020 Actual £000</b>
	<b>Funding of Capital Programme</b>		
462	Home Office General Capital Grants	462	472
2,350	Revenue Contribution	2,269	2,271
970	Earmarked Reserves	3,536	1,460
1,702	Capital Receipts	475	310
5,789	Borrowing funded in revenue	2,434	1,861
<b>11,273</b>	<b>Total Funding</b>	<b>9,176</b>	<b>6,374</b>

**NORTH WALES POLICE CHIEF CONSTABLE**

**STATEMENT OF ACCOUNTS**

**2019 – 2020**

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## **Narrative Report**

### **Chief Constable's Accounts – Introduction from Chief Constable, Carl Foulkes**

It remains a huge privilege to be the Chief Constable of North Wales Police and I write this introduction to our Annual Accounts Narrative Report knowing that one of my key duties is to ensure that the resources placed under my responsibility are used as efficiently and effectively as possible as we strive to deliver the best policing services that we can to the communities of North Wales.

North Wales itself remains an area of great beauty, diversity, culture and popularity, with a dynamic mix of residents, those who work here and visitors. As a police force, we play an important role in supporting and protecting all sections of the community.

With a population of circa 0.7m, the North Wales force area covers six geographic counties, 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.

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

If we are to deliver in our role of supporting and protecting all sections of our community to the levels that we aspire to, then we must ensure that we use our resources in the way that allows us to most effectively deliver on our strategy.

### **Chief Constable's Accounts – Narrative Report by the Director of Finance & Resources, Seb Phillips**

#### **INTRODUCTION**

This Narrative report aims to provide a commentary around how resources have been used by the organisation to achieve its desired outcomes and deliver on its strategy. 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 and Chief Constable 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.

With regard, to the review of financial performance in particular, there is a need to reference figures external to this report to deliver an overall analysis of the position. The Code of Practice on Local Government Accounting in the United Kingdom 2019-2020 (CIPFA/LASAAC) provides us with guidance on how we should prepare our accounts to comply with International Financial Reporting Standards and also in line with legislation.

While we must comply with these requirements in preparing our Statement of Accounts, for the purposes of effectively monitoring our income and expenditure, we measure our financial performance in the year by comparing our budget with our outturn (actual income and expenditure in the year) and ultimately the impact of this on usable reserves at Group level.

The review of financial performance in the section that follows analyses performance against those budgeted figures and also makes several references to figures that can be reconciled back to the Group (rather than Chief Constable) 2019-2020 Statement of accounts.

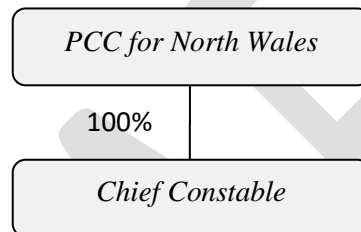
It is felt that preparing the narrative report in this way provides greater insight into the substance of the financial performance of the Force over FY2019-2020.

## **GOVERNANCE & RESPONSIBILITIES**

2019-2020 marks the eighth 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. 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 2019-2020 provides a picture of the financial position at 31 March 2020 and a summary of the income and expenditure in the year to 31 March 2020.

## **NORTH WALES STRATEGIC PRIORITIES**

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.

The following priority areas were set within the Police and Crime Plan 2017-2021:

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

The Chief Constable's Delivery Plan sets out the specific actions North Wales Police will take in delivering these priorities. Of note is the importance of partnership working in tackling them.

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



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

The Chief Constable's 'plan on page' for 2019-2020 is outlined below:

**Our Vision - what we aspire to**  
**Make North Wales the safest place in the UK**

**Plan on a Page**  
 2019

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**Policing Delivery - what we do**

**Prevent Crime**

**Protect Communities**

**Pursue Offenders**

**PCC Police and Crime Plan**

**Reducing Criminal Exploitation of vulnerable people**

- Domestic Abuse
- Organised Crime
- Modern Day Slavery
- Sexual Abuse (incl. CSE)
- Safer Neighbourhoods

---

**Our Focus - how we deliver**

**Our People**

- We will make staff wellbeing a priority for everyone
- We will engage with our teams
- We will develop workforce planning to get the right people and the right skills
- We will recruit and retain a diverse and representative workforce
- We will develop our leaders at all levels

**Problem solving**

- We will deliver our problem solving plans and embed a culture of problem solving at all levels
- We will embed an Adverse Childhood Experience (ACE) approach in operational policing
- We will develop partnership working to reduce demand and deliver better outcomes
- We will drive innovation and be proactive in our roles

**Digital**

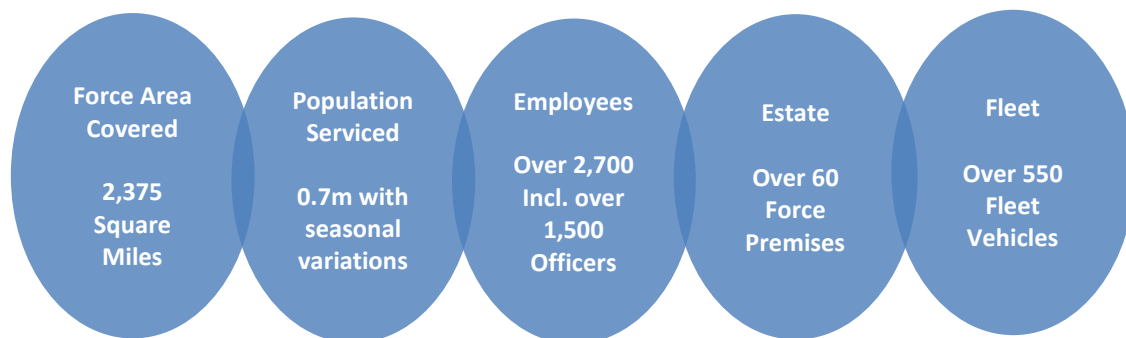
- We will implement a digital programme to support operational policing
- We will improve accessibility for the public through digital public contact
- We will exploit digital technology to create a more efficient and effective service
- We will try new things and be at the forefront of digital innovation

**OPERATIONAL PERFORMANCE**

During 2019-2020 North Wales Police continued to deliver an effective policing service to our communities during challenging times.

The schematic below provides a simple overview of some of the key facts and figures relating to the resources required to deliver an effective Police Service:





Notable operational achievements over the course of FY2019-2020 included:

- The introduction of the Force Intercept Team, to target organised crime groups.
- Increasing the resources allocated to deal with serious and organised crime; domestic abuse; and to manage serious and violent offenders.
- Increasing the functionality of the team dealing with child criminal exploitation.
- Enhancing and increasing the Force Taser capability;
- Providing funding for early intervention, to help children deal with adverse experiences;
- Recruiting additional Officers to resource the growth above and the initial 20 officers allocated to North Wales Police as part of phase 1 of Operation Uplift (the government's announcement to increase police officer numbers by 20,000 in the next three years). A further 42 additional Officers will have been recruited by June 2020.
- Overall there being no significant change in the overall crime victim satisfaction surveys over the last 12 months.
- Crime Survey in England & Wales Data (Dec2019) showing a continued strong confidence in the police.

Further important context to the performance above is that 2019-2020 also saw a significant demand being placed on the police service with increased activity and threats in the crime areas of terrorism, sexual exploitation and cyber-crime.

In addition, during the last quarter of 2019-2020 the Force had the need to re-align its priorities to deal with the COVID-19 policing requirements, while also continuing to protect 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 providing further detail regarding performance for the year which can be found [here](#).

### **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.

Examples of Corporate Risks identified, tracked or monitored by the Joint framework during 2019-20 included: Adequate financial resources being available to deliver service plans; potential impacts of EU exit and the impact of Covid-19 on service delivery.

### **FINANCIAL PERFORMANCE**

#### **2019-2020 Budget**

The Police and Crime Commissioner operated with a net revenue budget of £154.264m for 2019-2020 which was formally set at a meeting of the Police and Crime Panel on 28 January 2019 and equated to a 5.32% increase to the base revenue budget consisting of:

North Wales Police Chief Constable's Statement of Accounts 2019-2020

- Increase in precepts of 8.42%.
- Increase in Government funding of 2.10%;

These increases provided for a context of higher than normal inflationary costs of £5.223m (including additional pension employer costs of £2.088m) and additional growth of £2.614m. Savings of £2.832m were also delivered during the year which allowed £2.793m to be re-invested in service provision.

The Chief Constable is responsible for maintaining the Queen’s peace and enforcement of the law, has direction and control of the force’s officers and staff and is accountable to the Police and Crime Commissioner for the delivery of efficient and effective police services and the managements of resources.

During 2019-2020 the Police and Crime Commissioner delegated the expenditure budget to the Chief Constable. In total, gross expenditure of £188.841 million has been incurred on the policing service for 2019-2020.

### 2019-2020 Net Revenue Outturn & Net Transfer to Reserves

Actual net operating expenditure for 2019-2020 outturned at £152.743m resulting in a net transfer to Group revenue reserves of £1.521m which is within 1% of the Net Revenue Budget of £154.264m (Source: 2019-2020 Group Expenditure & Funding Analysis). This transfer to reserves is split as per the below:

	<b>£m</b>
Earmarked Reserves	0.724
General Reserves	<u>0.797</u>
<b>Net Transfer to Group Reserves</b>	<b><u>1.521</u></b>

The overall net movement in Earmarked reserves is summarised below:

	£m	£m
<b>Earmarked Reserves at 31 March 2019</b>		<b>19.250</b>
Capital reserve from revenue	1.743	
Planned transfer to earmarked reserves	0.441	
<b>Revenue Transactions</b>		<b>2.184</b>
Capital Reserve	-0.801	
Management of Change	-0.659	
<b>Capital Transactions</b>		<b>-1.460</b>
<b>Net Movement</b>		<b>0.724</b>
<b>Earmarked Reserves at 31 March 2020</b>		<b>19.974</b>

Source: 2019-2020 Group Statement of Accounts – Narrative report

Further context for the Earmarked reserve movement of £0.724m was:

- £2.184m related to revenue transactions in 2019-2020 with £0.441m being a planned and committed net movement to earmarked reserves and a further contribution of £1.743m to the Capital Reserve being made from revenue under spends in the year;
- £1.460m related to planned contributions from earmarked reserves to fund capital expenditure being applied offsetting the majority of the figure above. Of this total, £0.801m was funded from the Capital Reserve and £0.659m from the Management of Change.

The increase to the General Reserve of £0.797m represents a reimbursement of additional amounts charged in 2018-2019 relating to treatment of the Secondary Rate Staff Pension Contribution.

### 2019-2020 Analysis of Outturn Operational Expenditure

North Wales Police Chief Constable’s Statement of Accounts 2019-2020

Operating expenditure for the year increased by 3.8% on prior year to £152.743m (2019: £147.7m), however, overall there was a £4.357m underspend variance to budgeted operating expenditure of £157.100m. This variance is further explained below.

There was a Revenue expenditure underspend of £2.281m on the Budgeted Operating Expenditure of £157.1m:

	<b>£m</b>
Additional Income Received	1.737
Employee underspend	0.163
Premises underspend	0.226
Transport underspend	0.181
Inflation & General Contingency	0.420
Supplies & Services overspend	-0.495
Other net underspends	<u>0.049</u>
<b>Total revenue underspend</b>	<b><u>2.281</u></b>

Furthermore there was an underspend in relation to Capital Financing of £2.076m:

	<b>£m</b>
Capital Financing Vs Outturn	<u>2.076</u>
<b>Total Capital Financing variance</b>	<b><u>2.076</u></b>

**TOTAL VARIANCE** **4.357**

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

<b>ACTUAL</b>		<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE + (-)</b>
<b>2018-2019</b>	<b>REVENUE EXPENDITURE</b>	<b>2019-2020</b>	<b>2019-2020</b>	
<b>£m</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>
125.640	EMPLOYEE COSTS	132.510	132.819	0.309
4.608	POLICE PENSIONS	3.305	2.833	-0.472
32.592	NON STAFF RUNNING COSTS	34.149	33.817	-0.332
2.844	CAPITAL FINANCING	2.998	2.998	0
0.970	CAPITAL FINANCING FROM RESERVES	3.536	1.460	-2.076
1.208	COMMUNITY SAFETY FUND	1.567	1.518	-0.049
2.534	PARTNERSHIPS	2.785	2.785	0
-23.177	INCOME	-23.750	-25.487	-1.737
<b>147.219</b>	<b>OPERATING EXPENDITURE</b>	<b>157.100</b>	<b>152.743</b>	<b>-4.357</b>
1.014	TRANSFERS TO/-FROM EARMARKED RESERVES (REV)	-0.097	2.184	2.281
-0.970	TRANSFERS TO/-FROM EARMARKED RESERVES (CAP)	-3.536	-1.460	2.076
-0.797	TRANSFER TO/-FROM GENERAL RESERVE	0.797	0.797	0
<b>146.466</b>	<b>NET EXPENDITURE</b>	<b>154.264</b>	<b>154.264</b>	<b>0</b>
<b>FINANCED BY:</b>				
40.025	POLICE GRANT	40.896	40.896	0
11.758	NATIONAL NON-DOMESTIC RATES	11.841	11.841	0
10.364	REVENUE SUPPORT GRANT	10.655	10.655	0
9.580	FLOOR GRANT	9.842	9.842	0
74.739	COUNCIL TAX	81.030	81.030	0
<b>146.466</b>	<b>TOTAL FINANCING</b>	<b>154.264</b>	<b>154.264</b>	<b>0</b>

Source: 2019-2020 Group Statement of Accounts – Narrative Report

## Further Analysis of Revenue Outturn – Underspend £2.281m

Primary reasons for the underspends outlined above were as follows:

### Employee costs - Underspend 0.163m

The net variance consists of a number of items: an overspend of £0.838m in officer pay and overtime – largely related to the force being proactive in recruiting additional officers to meet the Operation Uplift target - is more than offset by underspends including staff pay, overtime and allowances (underspend £0.276m), training and other costs (underspend £0.253m) and Direct pension costs (underspend £0.472m).

### Non Staff running costs

The main variances are analysed below:

- **Premises – Underspend £0.226m**  
Llandygai specific works and other security works of £0.176m were delayed. As a result, instead of drawing £0.141m from the Estates Security and Maintenance Reserve, as planned, to fund these projects, the reserve was increased by £0.046m.
- **Transport – Underspend £0.181m**  
The underspend was in line with the previous projections with the largest underspend arising from Car and Travel Allowances (£0.125m).
- **Supplies and Services – Overspend £0.495m**  
The overspend was the net impact of a number of elements, the largest of these being £0.140m for IT and Communications.
- **Inflation and General Contingency – Underspend £0.420m**  
This remained unspent at the end of the year in line with previous projections.

### Income - Additional income £1.737m

Significant items driving the variance include:

- **Secondment income - £0.481m** in excess of the budget.
- **Police led Prosecution income - £0.148m** in excess of the budget.
- **Tuition fee income - £0.097m** in excess of the budget.
- **Additional reimbursements - £0.340m** in excess of the budget relating to Regional Insourcing, Firearms Alliance and Go Safe.
- **Additional grant income - £0.242m** announced Q4 including Police Education Qualifications Framework implementation (PEQF); Additional Taser devices and Cyber investigation grant.

## Further Analysis of Capital Financing

The Police Reform and Social Responsibility Act 2011 transferred all assets from the Police Authority to the Police and Crime Commissioner.

Key to its funding, the Capital Programme included planned financing of £3.536m from reserves compared to an actual amount applied in the year of £1.460m meaning that reserves were £2.076m higher than planned, as a result. Although this amount funds capital it has to be accounted for within the revenue account.

The revised capital programme itself for 2019-2020 was set in January 2020 as part of the Medium Term Financial Plan and agreed as part of the Capital Strategy. Capital expenditure estimates for the year amounted to £9.176 million and the actual expenditure for the year amounted to £6.374 million.

The table below summarises the capital expenditure and funding for 2019-2020:

CAPITAL EXPENDITURE	BUDGET	ACTUAL	VARIANCE
	2019-2020	2019-2020	+ (-)
	£m	£m	£m
Building/Estates Works	1.371	1.079	-0.292
Equipment	0.300	0.259	-0.041
Vehicles	2.042	1.619	-0.423
IT and Communications	5.463	3.417	-2.046
<b>NET EXPENDITURE</b>	<b>9.176</b>	<b>6.374</b>	<b>-2.802</b>
<b>FUNDED BY:</b>			
Home Office Capital Grants	0.462	0.472	0.010
Revenue Contribution	2.269	2.271	0.002
Use of Reserves	3.536	1.460	-2.076
Capital Receipts	0.475	0.310	-0.165
Borrowing already funded in revenue	2.434	1.861	-0.573
<b>TOTAL CAPITAL FUNDING</b>	<b>9.176</b>	<b>6.374</b>	<b>-2.802</b>

Source: 2019-2020 Group Statement of Accounts – Appendix A

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

**Building and Estates Work** - The new Eastern Divisional Headquarters and Custody at Llay became fully operational during 2018-2019 with the second part of the scheme, the Wrexham Town Centre facility becoming operational in July 2019. An under spend of £0.292m relates to the final cost of the Wrexham Project and delay in commencing the Pwllheli Police Station refurbishment due to IT delays for the temporary Police Station and subsequently COVID-19. The work was rescheduled to commence on 15 June 2020 with COVID Health and Safety regulations in place on site.

**Vehicles and Equipment** - The Vehicle replacement programme progressed well in 2019-2020, and additional Vehicles were provided for growth posts, such as the Intercept Team. There was a delay in delivering 22 vehicles at the end of March due to COVID, these have now been delivered to the Commissioning Centre and accounts for the £0.423m of the under spend in 2020-2021.

**IT and Communications** – A substantial cross cutting Digital and IT upgrade Programme was commenced in 2019-2020. 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 reflects the complexity and ambitious programme set at the beginning of the year, which includes inter-relationships between the individual schemes. Work on the programme has continued in 2020-2021 with the programme remaining a key strand of delivering its response to Covid-19 and its wider strategy.

Some of the projects are nationally driven which can result in delays beyond the Force’s direct control.

- The largest element of the 2019-2020 IT programme was the provision of Officers with 2 in 1 lap-tops 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 into 2020-2021.
- Additional and upgraded replacement personal issue Body Worn Video cameras were purchased and deployed in 2019-2020.
- The largest single project under spend was on the National Enablement Programme (NEP). The NEP is designed to provide policing with the tools and capabilities needed for the future (including such tools 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 delays, in part, stem from the complexity of implementing this at a national level with work continuing in 2020-2021.
- The overall Digital programme was reviewed during Quarter 4 to ensure that its Strategic fit; overarching governance and programme priorities continued to match up to the organisation’s needs. A number of smaller projects were put on hold or delayed pending the implementation of the larger projects which remain a critical

work stream for the wider organisation moving into 2020-2021. The smaller projects will be reviewed again during 2020-2021 to further assess requirements.

- During the COVID lockdown period a moratorium on ICT Changes was put in place on non COVID related IT developments.

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

### RECONCILIATION OF FUNDING AVAILABLE & GAAP

The sections above show 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.

To aid understanding when reviewing the Statement of Accounts information to follow, a table below shows a reconciliation between the two accounting methods referred to above with specific Notes to the Accounts providing further information if required. The reconciliation works back to the overall Group position as reflected in the Group statement of accounts.

As table above		£m	£m	£m	£m	£m	Page 19
Narrative Report	Actual	Adjustments to Revenue	Adjustments between Revenue & Capital	Re-alignment of Investment income & exp.	Group	Comprehensive Income and Expenditure Statement	
<b>Operating Expenditure</b>	<b>152.743</b>	29.090*	-6.100#	<b>-0.926</b>	<b>174.807</b>	<b>Net Cost of Services</b>	
		0.380	-0.355	0	<b>0.025</b>	Other Operating Exp (Note 9)	
		46.193	0	0.926	<b>47.119</b>	Financing & Investment inc & exp (Note 10)	
		-20.371	0	0	<b>-20.371</b>	Home Office Grant payable towards the cost of retirement benefit (CIES & Note 34)	
<b>Financed by: Police Grant, NNDR, RSG, Council Tax</b>	<b>-154.264</b>	-0.472	0	0	<b>-154.736</b>	Taxation and Non-specific grant income (Note 11)	
<b>Net Expenditure</b>	<b>-1.521</b>	<b>54.820</b>	<b>-6.455</b>	0	<b>46.844</b>	<b>Surplus (-)/Deficit (+) on Provision of Service</b>	
		<b>48.365</b>					
<b>Movement in Reserves</b>	<b>1.521</b>						

\* includes £6.354m charges for depreciation and impairment of non-current assets, £0.833m holiday pay and £21.903m pension costs adjustments

# includes -£2.369m statutory provision for repayment of debt and -£3.731m capital expenditure financed from revenue balances

Source: 2019-2020 Group Statement of Accounts – Narrative Report.

### RESERVES, PROVISIONS, SOURCES of INCOME & BORROWING:

#### Reserves

The movement in Group reserves are shown in the table below:

<b>Movement in Reserves 2019-20</b>	<b>Balance at 31 March 2019</b>	<b>Re state 31 March 2019</b>	<b>Transfers Out 2019-2020</b>	<b>Transfers In 2019-2020</b>	<b>Total Movement</b>	<b>Balance at 31 March 2020</b>
	£m	£m	£m	£m	£m	£m
<b>General Reserve</b>	<b>4.392</b>	<b>0</b>	<b>0</b>	<b>0.797</b>	<b>0.797</b>	<b>5.189</b>
<b>Earmarked Reserves</b>						
Capital Reserve	2.060	0	-0.801	1.743	0.942	3.002
Pensions ill health reserve	0.915	0	0	0.200	0.200	1.115
PFI Reserve	4.333	-1.200	0	0.044	-1.156	3.177
Major Incident Reserve	2.435	0	0	0	0	2.435
Insurance Reserve	1.173	0	0	0	0	1.173
Estates Security and Maintenance	1.033	1.200	-0.131	0.177	1.246	2.279
Partnerships Balances Reserve	0.653	0	0	0.021	0.021	0.674
Management of Change Reserve	5.949	0	-0.659	0	-0.659	5.290
Training Reserve	0	0	0	0.100	0.100	0.100
Commissioners Community Safety Fund	0.461	0	0	0.049	0.049	0.510
Legal Reserve (OPCC)	0.056	0	0	0	0	0.056
Office of the Police & Crime Commissioner Reserve	0.182	0	-0.019	0	-0.019	0.163
<b>Total Earmarked Reserves</b>	<b>19.250</b>	<b>0</b>	<b>-1.610</b>	<b>2.334</b>	<b>0.724</b>	<b>19.974</b>
<b>Total Revenue Reserves</b>	<b>23.642</b>	<b>0</b>	<b>-1.610</b>	<b>3.131</b>	<b>1.521</b>	<b>25.163</b>
<b>Capital Receipts Reserve</b>	<b>0.009</b>	<b>0</b>	<b>-0.310</b>	<b>0.355</b>	<b>0.045</b>	<b>0.054</b>
<b>Total all reserves</b>	<b>23.651</b>	<b>0</b>	<b>-1.920</b>	<b>3.486</b>	<b>1.566</b>	<b>25.217</b>

**Usable Reserves** – these are available for future expenditure (further details are in Note 7 and 8 of the Group statement of accounts)

**Source:** 2019-2020 Group Movement in Reserves Statement

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 make improve efficiency and effectiveness and meet new demands.

Reserves have been earmarked for Ill Health retirements which were agreed in April 2020 and for some Estates work that will be carried out in 2020-2021. Additional grants and income were agreed and received in the last quarter of the year and reimbursements for seconded officers also increased. The additional cost of policing COVID-19 in 2019-2020 was not significant; the majority of the costs will be incurred in 2020-2021.

#### **Capital Balances & Reserves:**

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

<b>CAPITAL BALANCES AND RESERVES</b>	<b>OPENING BALANCE 01/04/2019</b>	<b>MOVEMENT</b>	<b>CLOSING BALANCE 31/03/2020</b>
	£'000	£'000	£'000
<b>USABLE CAPITAL RESERVES</b>			
Capital Receipts Reserve	9	45	54
<b>UNUSABLE CAPITAL RESERVES</b>			

Revaluation Reserve	19,823	1,626	21,449
Capital Adjustment Account	19,342	650	19,992

**Source:** 2019-2020 Group Statement of Accounts – Notes 19 & 20

During the year the Police and Crime Commissioner reviewed asset valuations of 10 properties within the portfolio.

### Provisions:

PROVISIONS	OPENING BALANCE £'000	MOVEMENT £'000	CLOSING BALANCE £'000
INSURANCE FUND	872	-34	838

**Source:** 2019-2020 Group Statement of Accounts – Note 18

### Borrowing:

During the year the Police and Crime Commissioner took out £10 million long term loans to finance capital expenditure but also used internal funds to manage cash flows. Short term borrowing was required during the financial year due to the reduction in reserves and the uneven profile of pension grant receipts. The total of loans outstanding at the end of the financial year was £14.875 million, £5.000 million of which related to new short term loans (2018-2019 £16.657 million).

**Source:** 2019-2020 Group Statement of Accounts – Note 36

### 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-19 and an awaited outcome of a planned Comprehensive Spending Review 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 policing plan and priorities to the financial strategy and can be found on the Police and Crime Commissioner's Website.

The Police and Crime Commissioner 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 to meet forthcoming challenges and ultimately protect front line services. Having a sustainable financial platform is vitally important for future service delivery.

The 2020-2021 Budget was set by the Police and Crime Commissioner and approved by the Police and Crime Panel in January 2020 at £163.705 million. This represented a 4.5% Council Tax increase and an overall net increase of 6.12% compared to the 2019-2020 budget of £154.264 million. The increase includes an allocation of 62 additional Police Officers from phase 1 of the Governments' Operation Uplift which will increase officers numbers by 20,000 nationally.

Furthermore, significant investments have been made in protective and investigative capabilities targeting serious and organised crime and exploitation of vulnerable individuals and in digital development which will lead to improved productivity and efficiencies in the future.

The results of the June 2016 European Union (EU) referendum where the UK has elected to leave the EU has had and continues to have a political impact across the country. Article 50 was subsequently triggered on 29 March 2017 with the intention of leaving the European Union on the 29 March 2019. This did not transpire resulting in further uncertainty with regard to the United Kingdom's exit from the European Union. The UK formally left the EU on 31 January 2020. It is uncertain at this time what long term impact this may have upon the police service and the funding of the service. Detailed planning around the short term operational impact has been managed locally and nationally and will be continually reviewed as the transition period end date on 31 December 2020 approaches.



During the last quarter of 2019-2020 the Coronavirus pandemic spread internationally resulting in the UK going into lockdown on 23 March 2020. The impact on the 2019-2020 accounts was limited although the publishing timelines were adjusted to reflect the disruption to normal business. Additional disclosures or revaluations are included where appropriate and were key considerations with regard to Pension and Asset valuations in particular. The costs of policing relating to the pandemic is being monitored and managed within the 2020-2021 budgets. It is uncertain at this time what medium or long term impact the pandemic will have operationally or financially. However, the Force has set up a Recovery Group to manage any issues and to ensure implications are incorporated to the planning cycle wherever possible.

Challenges still exist for the Police Service due to the level of imposed cuts over the last eight years coupled with continued uncertainty over government funding. The Police and Crime Commissioner continues to implement the budget strategy to deliver the required savings over the period and as part of this has identified and delivered £2.8 million of savings during 2019-2020. As part of the strategy, the level of reserves and provisions currently held is considered prudent and the general reserve of £5.189 million is slightly over 3% of the net revenue expenditure for the year which is within the acceptable range of 3% to 5% as defined in the Medium Term Financial Plan.

The Chief Constable has a long term liability on the Balance Sheet arising from the treatment of International Accounting Standard 19 (IAS 19) Post-Employment Benefits. This relates to the Police Officers Pension Schemes and the Police Staff Local Government Pension Scheme liabilities. This amounts to -£1.738 billion as at 31 March 2020. Further details can be obtained from Note 17 in the accounts.

### **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 (for example the change in the post employment benefits) - these have had no material effect on the accounts and so has 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.

In 2013 the Police and Crime Commissioner transferred the helicopter to the National Policing Air Service (NPAS). This is a mandatory national contract for delivery of a Police Air Service throughout the whole of the UK. The Police and Crime Commissioner continues to work with Cheshire Constabulary delivering an Armed Policing Alliance and Police Dog Section to enhance operational performance whilst continuing to deliver efficiencies and savings necessary to meet the government funding reductions in the service.

### **EVENTS AFTER THE REPORTING PERIOD**

At the time that the Statement of Accounts were submitted to the Police and Crime Commissioner on the 5 October 2020, 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. *(To be updated at point of final sign off)*

## CHIEF CONSTABLE'S STATEMENT OF ACCOUNTS

The Act and other legislative documents specify that the Police and Crime Commissioner should hold the group reserves and account for income received. Therefore, the Chief Constable's Cash flow Statement and Movement of Reserves Statement will only contain the movements relating to the Accumulated Absence Account. Movements relating to all other reserves and cash flows are reported at Group level and contained within the Group Statement of Accounts.

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

- **Statement of Responsibilities** (Page 16).  
This sets out the responsibilities of the Chief Constable and the Chief Financial 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 17).  
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 18).  
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 Group raises taxation to cover expenditure in accordance with statutory requirements and uses this income to provide intra-group funding to the Chief Constable. The costs funded by taxation 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.
- **Movement in Reserves Statement** (Page 19).  
This summarises the movement in the year on the different reserves held by the Chief Constable analysed into usable reserves (those that can be applied to fund expenditure) and other (principally technical accounting) unusable reserves.
- **Balance Sheet** (Page 20).  
This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. The net assets of the Chief Constable (assets less liabilities), are matched by the reserves held by the Chief Constable. The Chief Constable holds only unusable reserves i.e. that are not able to be used to provide services.
- **Cash Flow Statement** (Page 21).  
This statement shows the changes in cash and cash equivalents during the year.
- **Notes to the Statements** (Pages 22 to 39).  
These are all the explanatory notes relating to the statements.
- **Police Pension Fund Account** (Page 40).  
This details the transactions relating to Police Pension income and expenditure.
- **Statement of Accounting Policies** (Page 41).  
This statement supports the accounts and details the specific principles, rules and practices applied by the Group in preparing and presenting the financial statements.

## **Statement of Responsibilities for the Statement of Accounts**

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

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

The Chief Constable is required:-

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

I approve this Statement of Accounts for the year ended 31 March 2020.

**Carl Foulkes Chief Constable for North Wales**

Date:

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

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

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

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

The Chief Financial Officer has also:

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

### **CHIEF FINANCIAL 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 2019-2020 and the Service Reporting Code of Practice.

I certify that this Statement of accounts give a true and fair view of the financial position of the Chief Constable at the reporting date and of its income and expenditure for the year ended 31 March 2020.

The audit certificate appears on pages 67 to 68.

**Seb Phillips (Director of Finance and Resources)**

Date:

North Wales Police Chief Constable's Statement of Accounts 2019-2020

### Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Chief Constable for the year has been used in providing services in comparison with those resources consumed or earned by the Chief Constable 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.

	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 3)	Net Expenditure in the Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between accounting and funding basis (Note 3)	Net Expenditure in the Comprehensive Income & Expenditure Statement
	2018-2019			2019-2020		
	£'000	£'000	£'000	£'000	£'000	£'000
Policing Services	188,110	67,016	255,126	188,841	2,365	191,206
<b>Net Cost of Services before intra group transfer</b>	<b>188,110</b>	<b>67,016</b>	<b>255,126</b>	<b>188,841</b>	<b>2,365</b>	<b>191,206</b>
Intra Group Transfer	-188,110	0	-188,110	-188,841	0	-188,841
<b>Net Cost of Services</b>	<b>0</b>	<b>67,016</b>	<b>67,016</b>	<b>0</b>	<b>2,365</b>	<b>2,365</b>
Other Income and Expenditure	0	43,480	43,480	0	46,193	46,193
<b>Surplus(-)/Deficit(+) on provision of services</b>	<b>0</b>	<b>110,496</b>	<b>110,496</b>	<b>0</b>	<b>48,558</b>	<b>48,558</b>

## Comprehensive Income and Expenditure Statement

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

<b>Gross Expenditure</b>		<b>Gross Expenditure</b>
<b>2018-2019</b>		<b>2019-2020</b>
<b>£000</b>		<b>£000</b>
54,361	Police Officers	56,276
37,562	Support Staff	38,752
126,792	Pensions	57,209
1,617	Allowances	1,328
1,089	Indirect Employees Expenses	1,425
6,032	Premises	6,330
2,756	Transport Expenses	2,791
18,183	Supplies and Services	18,934
9,319	Third Party Payments	10,517
132	Support Services	148
-2,463	PCC expenditure on grants and initiatives	-3,337
-254	Uncompensated absences accrual	833
<b>255,126</b>	<b>Cost of Services</b>	<b>191,206</b>
<b>-188,110</b>	Commissioning Costs (intra-group transfer)	-188,841
<b>67,016</b>	<b>Net Cost of Services</b>	<b>2,365</b>
43,480	Financing & investment income and expenditure	46,193
<b>110,496</b>	<b>Surplus (-)/Deficit (+) on Provision of Services</b>	<b>48,558</b>
61,911	Actuarial Gains (-)/Losses (+) on pensions assets/liabilities	-188,625
<b>61,911</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>-188,625</b>
172,407	Intra group transfer	-140,067
<b>0</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Chief Constable.

	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Chief Constable Reserves
	£000	£000	£000	£000
<b>Balance at 31 March 2018</b>	<b>0</b>	<b>0</b>	<b>-4,722</b>	<b>-4,722</b>
<u>Movement in reserves during 2018-2019</u>				
Total Comprehensive Expenditure and Income	-110,496	<b>-110,496</b>	<b>110,750</b>	<b>254</b>
Adjustments between accounting basis & funding basis under regulations (Note 4)	110,496	<b>110,496</b>	<b>-110,496</b>	<b>0</b>
Net increase (+)/decrease (-) in 2018-2019	<b>0</b>	<b>0</b>	<b>254</b>	<b>254</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>0</b>	<b>0</b>	<b>-4,468</b>	<b>-4,468</b>
<u>Movement in reserves during 2019-2020</u>				
Total Comprehensive Expenditure and Income	-48,558	<b>-48,558</b>	<b>47,725</b>	<b>-833</b>
Adjustments between accounting basis & funding basis under regulations (Note 4)	48,558	<b>48,558</b>	<b>-48,558</b>	<b>0</b>
Net increase (+)/decrease (-) in 2019-2020	<b>0</b>	<b>0</b>	<b>-833</b>	<b>-833</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>0</b>	<b>0</b>	<b>-5,301</b>	<b>-5,301</b>

## Balance Sheet

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

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
1,878,923	Long Term Debtor with the PCC (Note 17 - Pension)	1,738,023
1,878,923	<b>Long Term Assets</b>	1,738,023
685	Inventories (Note 10)	634
834	Prepayments (Note 11)	894
7,836	Intra Group Transfer (Note 1)	6,791
9,355	<b>Current Assets</b>	8,319
-12,304	Short Term Creditors (Note 12)	-12,092
-1,519	Intra group Transfer (Note 1)	-1,528
-13,823	<b>Current Liabilities</b>	-13,620
-1,878,923	Pension Liabilities (Note 17)	-1,738,023
-1,878,923	<b>Long Term Liabilities</b>	-1,738,023
<b>-4,468</b>	<b>Net Assets</b>	<b>-5,301</b>
-4,468	Accumulated Absence Account	-5,301
<b>-4,468</b>	<b>Total Unusable Reserves</b>	<b>-5,301</b>

### Cashflow Statement

This Cash Flow statement shows the changes in cash and cash equivalents during the reporting period. All cash and cash equivalents are held by the Police and Crime Commissioner and are shown within the Group Accounts.

2018-2019 £000		2019-2020 £000
110,496	Net surplus (-) or deficit (+) on the provision of services	48,558
-110,496	Adjust net surplus (-) or deficit (+) on the provision of services for non-cash movements	-48,558
0	Adjust for items included in the net surplus (-) or deficit (+) on the provision of services that are investing and financing activities	0
0	Net cash flows from Operating Activities	0
0	Investing activities	0
0	Financing activities	0
<b>0</b>	<b>Net increase (-) or decrease (+) in cash and cash equivalents</b>	<b>0</b>
0	Cash and cash equivalents at the beginning of the reporting period	0
<b>0</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>0</b>



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

### 1. Intra Group Transfer

The intra group transfer represents the short term amounts due relating to creditors, prepayments, inventories and adjustments between the accounting basis and funding basis received by the Chief Constable as at the 31 March 2020.

### 2. Restatement of the Comprehensive Income and Expenditure Statement

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

### 3. Notes to the Expenditure and Funding Analysis

<b>Adjustments between Funding and Accounting Basis 2019-2020</b>			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net change for the Pensions Adjustments  (Note 1)	Other Adjustments  (Note 2)	Total Adjustments
Chief Constable	1,532	833	2,365
<b>Net Cost of Service</b>	<b>1,532</b>	<b>833</b>	<b>2,365</b>
Other income and expenditure from the Expenditure Funding Analysis	46,193	0	<b>46,193</b>
<b>Difference between the General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement surplus/deficit on the provision of services</b>	<b>47,724</b>	<b>833</b>	<b>48,558</b>

<b>Adjustments between Funding and Accounting Basis 2018-2019</b>			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net change for the Pensions Adjustments  (Note 1)	Other Adjustments  (Note 2)	Total Adjustments
Chief Constable	67,270	-254	67,016
<b>Net Cost of Service</b>	<b>67,270</b>	<b>-254</b>	<b>67,016</b>
Other income and expenditure from the Expenditure Funding Analysis	43,480	0	43,480
<b>Difference between the General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement surplus/deficit on the provision of services</b>	<b>110,750</b>	<b>-254</b>	<b>110,496</b>

#### **Note 1: 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 2: 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 as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

### 4. 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 Chief Constable in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Chief Constable to meet future expenditure.

The majority of the adjustments relate to the accounts of the Commissioner. The exceptions are the adjustments in respect of the pensions Reserve and the Accumulated Absence account which are presented below.

2019-2020	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to Revenue Resources:</b>				
Pensions costs (transferred to (or from) the pensions reserve)	47,725	0	0	-47,725
Holiday Pay (transferred from the accumulated absences account)	833	0	0	-833
<b>Total Adjustments to Revenue Resources</b>	<b>48,558</b>	<b>0</b>	<b>0</b>	<b>-48,558</b>
<b>Total Adjustments</b>	<b>48,558</b>	<b>0</b>	<b>0</b>	<b>-48,558</b>

2018-2019	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to Revenue Resources:</b>				
Pensions costs (transferred to (or from) the pensions reserve)	110,750	0	0	-110,750
Holiday Pay (transferred to the accumulated absences account)	-254	0	0	254
<b>Total Adjustments to Revenue Resources</b>	<b>110,496</b>	<b>0</b>	<b>0</b>	<b>-110,496</b>
<b>Total Adjustments</b>	<b>110,496</b>	<b>0</b>	<b>0</b>	<b>-110,496</b>

## 5. 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 2021:

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

## 6. 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 meet 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 and therefore annual cycles of priority based resourcing will take place.

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

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

Items within the Group Balance Sheet as at 31 March 2020 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 17.

## 8. Material Items of Income and Expense

All applicable material items of income and expenditure have been set out on the face of the Comprehensive Income and Expenditure Statement.

## 9. 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 2020 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 10. Inventories

	HQ Stores		Other Stores		Total
	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020
	£000	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	<b>217</b>	<b>229</b>	<b>468</b>	<b>577</b>	<b>685</b>
Purchases	520	462	336	221	<b>856</b>
Recognised as an expense in the year	-474	-474	-433	-330	<b>-907</b>
Written off balances	0	0	0	0	<b>0</b>
<b>Balance outstanding at year end</b>	<b>263</b>	<b>217</b>	<b>371</b>	<b>468</b>	<b>634</b>

## 11. Prepayments

	2019-2020	2018-2019
	£000	£000
<b>Amounts falling due in one year -</b>		
Prepayments	894	834
	<b>894</b>	<b>834</b>

## 12. Creditors

	2019-2020	2018-2019
	£'000	£'000
<b>Amounts falling due in one year -</b>		
Trade payables	3,541	4,539
Other payables	8,551	7,765
	<b>12,092</b>	<b>12,304</b>

### 13. External Audit Costs

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

	2019-2020			2018-2019		
	Group	PCC	CC	Group	PCC	CC
	£000	£000	£000	£000	£000	£000
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor	86	43	43	86	43	43
<b>Total</b>	<b>86</b>	<b>43</b>	<b>43</b>	<b>86</b>	<b>43</b>	<b>43</b>

The above represents payments made within the financial year 2019-2020. The agreed strategy fee for the audit year November 2019 to October 2020 was £83,866 for 2019-2020.

### 14. 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). 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. The amounts for the Officers and Staff below have been fully charged within the Comprehensive Income and Expenditure Account.

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
Force Medical Officer - Dr. A. Lister	6	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 Force Medical Officer works the equivalent of 1 day per week. The full time equivalent salary is £179,770

<b>2018-2019</b>									
<b>Post Holder:</b>	<b>Notes:</b>	<b>Salary (including fees &amp; allowances)</b>	<b>Bonuses</b>	<b>Expense Allowance</b>	<b>Other Expenses</b>	<b>Benefits in kind</b>	<b>Total remuneration excluding pension contributions</b>	<b>Pension contributions</b>	<b>Total remuneration including pension contributions</b>
		£	£	£	£	£	£	£	£
Chief Constable - M Polin	1	72,042	0	119	0	1,742	73,903	0	73,903
Chief Constable - G Pritchard	2	37,924	0	0	0	1,014	38,938	8,960	47,898
Chief Constable - C Foulkes	3	59,570	0	27	8,996	1,399	69,992	14,416	84,408
Deputy Chief Constable	4	48,948	0	0	0	1,415	50,363	10,257	60,620
Deputy Chief Constable	5	83,523	0	-28	0	2,741	86,236	19,198	105,434
Assistant Chief Constable	6	34,845	0	18	0	1,198	36,061	8,178	44,239
Assistant Chief Constable	7	67,631	0	2,254	0	825	70,710	14,054	84,764
Director of Finance & Resources	8	36,741	0	697	0	586	38,024	5,759	43,783
Director of Finance & Resources	9	65,978	0	494	0	0	66,472	10,754	77,226
Force Medical Officer - Dr. A. Lister	10	35,692	0	0	0	0	35,692	5,818	41,510

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

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

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

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

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

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

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

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

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

Note 10: The Force Medical Officer works the equivalent of 1 day per week. The full time equivalent salary is £177,184

## 2019-2020

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

<b>Remuneration Bands</b>	<b>Number of Employees 2019-2020</b>	<b>Number of Employees 2018-2019</b>
£60,000 - £64,999	27	15
£65,000 - £69,999	9	8
£70,000 - £74,999	6	5
£75,000 - £79,999	4	4
£80,000 - £84,999	4	5
£85,000 - £89,999	2	3
£90,000 - £94,999	1	0
£95,000 - £99,999	1	1
£100,000 - £104,999	0	1

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	
	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020
	No.	No.	No.	No.	No.	No.	£000	£000
£ 0 - £20,000	0	0	4	7	4	7	16	20
£ 20,001 - £40,000	0	0	0	0	0	0	0	0
£ 40,001 - £60,000	0	0	0	0	0	0	0	0
£ 60,001 - £80,000	0	0	5	0	5	0	386	0
£ 80,001 and above	0	0	8	1	8	1	761	83

### Median Pay Ratio

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

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 £179,770. We have not used the Force Medical Officers full time equivalent costs for this ratio as they are not the highest ranking officer.

	2019-2020	2018-2019
Chief Constable's pay	176,454	171,647
Median pay of the Chief Constable's staff	33,469	32,881
Median pay ratio:	5.3	5.2

### 15. 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.

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.

The Chief Constable is a trustee of PACT (North Wales Police and Community Trust). The Force allocates funding from income received via the Police Property Fund Account in support of PACT projects whose objectives are to raise the profile of community safety, significantly minimise the fear of crime and thus enhance the quality of life throughout North Wales. For 2019-2020 this equated to £31,700 donated from the fund to PACT contributing towards meeting the costs of the Fund administration of £44,676.

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

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

## 16. Termination Benefits

The Chief Constable 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 2019-2020 incurring costs of £0.103 million (2018-2019 £1.163 million) as disclosed in note 14.

## 17. 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 95 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 have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included 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. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March.

The Police Minister has indicated that remedy period will not end before 2022. The Treasury are consulting on proposals to implement a remedy in the coming months to be followed by primary legislation and scheme regulation.

Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries have estimated the potential increase in scheme liabilities for the Police and Crime Commissioner to be approximately 4.4% or £75.59m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018-2019 accounts. In July 2020, the UK Government published proposals for consultation on a remedy to address the McCloud issue. In 2019-2020, having reviewed the consultation on the remedy at a force level the actuaries have 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 police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have 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.

The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants is due in April 2020 and the identity and banding of claims proposed by claimants is due in June for non-pecuniary claims and September for pecuniary claims. As at 31st March 2020, it is not possible to 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.

The judgement is expected to have a wide ranging impact on other public sector groups, but the extent of the impact will depend on the nature of the transition arrangements put in place. For the purposes of the 2018-2019 pension accounting report no additional liability was recognised (as the long-term salary increase assumption adopted by the Gwynedd Pension Fund was set equal to CPI, which meant that both final salary and CARE benefits were assumed to revalue in line with CPI). However for the purposes of the 31 March 2020 IAS19 balance sheet figures, an estimated adjustment to the liabilities for McCloud has been captured from the 2019 valuation data, and has been recorded separately as a Past Service Cost in the 2019/2020 Profit and Loss statement.

The following transactions have been made in the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Police Pension Scheme		Total
	2019-2020 £000	2018-2019 £000	2019-2020 £000	2018-2019 £000	2019-2020 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>					
<i>Cost of Services:</i>					
<i>Service Cost comprising:</i>					
Current Service Cost	-15,445	-12,918	-39,900	-28,440	-55,345
Unfunded Benefits Contributions	120	117	0	0	120
Past Service Gains (-)/Losses (+)	-280	0	8,760	-75,590	8,480
Transfers In	0	0	-700	-310	-700
Police Pension top-up grant receivable	0	0	20,371	26,404	20,371
<i>Financing and investment income and expenditure</i>					
Net interest expense	-2,173	-1,700	-44,020	-41,780	-46,193
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>-17,778</b>	<b>-14,501</b>	<b>-55,489</b>	<b>-119,716</b>	<b>-73,267</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>					
<i>Remeasurement of the net defined benefit liability comprising:</i>					
Return on plan assets (excluding the amount included in the net interest expense)	-21,744	10,645	0	0	-21,744
Actuarial gains(+) and losses (-) arising on changes in demographic assumptions	10,437	0	53,470	0	63,907
Actuarial gains (+) and losses (-) arising on changes in financial assumptions	34,187	-27,574	55,000	-49,980	89,187
Other experience gains (+) and losses (-)	21,185	-52	36,090	5,050	57,275
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Account</b>	<b>26,287</b>	<b>-31,482</b>	<b>89,071</b>	<b>-164,646</b>	<b>115,358</b>

	Local Government Pension Scheme		Police Pension Scheme		Total
	2019-2020 £000	2018-2019 £000	2019-2020 £000	2018-2019 £000	2019-2020 £000
<b>Movement in Reserves Statement</b>					
Reversal of net charges made to the Surplus or Deficit for the Provision of post-employment benefits in accordance with the code	-17,778	-14,501	-55,489	-119,716	-73,267
<i>Actual amount charged against the General Fund balance for pensions in the year:</i>					
Employer's contributions payable to scheme	5,473	5,337			5,473
Less: Prepayment adjustment *	0	1,594			0
Adjusted Employer's contributions	5,473	6,931			5,473
Retirement benefits payable to pensioners			20,069	16,536	20,069

\* a prepayment of £1.594m for lump sum payments due in 2018-2019 and 2019-2020, which was shown in the Balance Sheet as a prepayment as at 31 March 2018, and was reversed as at 31 March 2019.

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

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

	Local Government Pension Scheme		Police Pension Scheme		Total
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Present value of the defined benefit obligation	251,505	296,328	1,684,330	1,793,470	1,935,835
Fair value of plan assets	-197,812	-210,875	0	0	-197,812
Sub-total	53,693	85,453	1,684,330	1,793,470	1,738,023
Other movement in the liability (+)/asset (-) (if applicable)	0	0	0	0	0
<b>Net Liability arising from the defined benefit obligation</b>	<b>53,693</b>	<b>85,453</b>	<b>1,684,330</b>	<b>1,793,470</b>	<b>1,738,023</b>

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

	Local Government Pension Scheme	
	31 March 2020 £000	31 March 2019 £000
Opening fair value of the scheme assets	210,875	189,541
Interest income	5,114	5,209
Remeasurement gain (+)/loss (-):		
- the return on plan assets, excluding the amount included in the net interest expense	-21,744	10,645
Contribution from employers	5,473	6,931
Contributions from employees	2,246	2,159
Benefits paid	-4,152	-3,610
<b>Closing fair value of the scheme assets</b>	<b>197,812</b>	<b>210,875</b>

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Scheme	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Opening balance at 1 April	296,328	250,443	1,793,470	1,645,360
Current service cost	15,445	12,918	39,900	28,440
Interest cost	7,287	6,909	44,020	41,780
Contributions from scheme participants	2,246	2,159	7,150	7,020
Remeasurement gains (-) and losses (+):				
- Actuarial gains/losses arising from changes in demographic assumptions	-10,437	0	-53,470	0
- Actuarial gains/losses arising from changes in financial assumptions	-34,187	27,574	-55,000	49,980
- Other experience gains/losses	-21,185	52	-36,090	-5,050
Past service costs	280	0	-8,760	75,590
Transfers In	0	0	700	310
Benefits paid	-4,152	-3,610	-47,590	-49,960
Liabilities extinguished on settlements (where applicable)	-120	-117	0	0
<b>Closing balance at the 31 March</b>	<b>251,505</b>	<b>296,328</b>	<b>1,684,330</b>	<b>1,793,470</b>

### Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme 2019-2020			Local Government Pension Scheme 2018-2019		
	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	980	0	980	5,424	0	5,424
<b>Sub-total</b>	<b>980</b>	<b>0</b>	<b>980</b>	<b>5,424</b>	<b>0</b>	<b>5,424</b>
Equity Securities:						
<i>By industry type:</i>						
Consumer	0	0	0	5,248	0	5,248
Manufacturing	0	0	0	6,313	0	6,313
Financial Institutions	0	0	0	2,461	0	2,461
Health and Care	0	0	0	13,483	0	13,483
Information technology	0	0	0	3,689	0	3,689
Other	0	0	0	7,160	0	7,160
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38,354</b>	<b>0</b>	<b>38,354</b>
Debt Securities:						
Other	0	0	0	0	30,641	30,641
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,641</b>	<b>30,641</b>
Property:						
<i>By type:</i>						
UK Property	0	19,497	19,497	6,706	12,576	19,282
Overseas Property	0	23	23	0	112	112
<b>Sub-total</b>	<b>0</b>	<b>19,520</b>	<b>19,520</b>	<b>6,706</b>	<b>12,688</b>	<b>19,394</b>

(Continued)	Local Government Pension Scheme 2019-2020			Local Government Pension Scheme 2018-2019		
	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
Private Equity: UK and overseas	0	11,499	<b>11,499</b>	0	11,448	<b>11,448</b>
<b>Sub-total</b>	0	11,499	<b>11,499</b>	0	11,448	<b>11,448</b>
Other Investment Funds and unit trusts:						
Equities	0	132,658	<b>132,658</b>	41,028	60,435	<b>101,463</b>
Infrastructure	0	4,549	<b>4,549</b>	0	4,151	<b>4,151</b>
Other	0	28,606	<b>28,606</b>	0	0	<b>0</b>
<b>Sub-total</b>	0	165,813	<b>165,813</b>	41,028	64,586	<b>105,614</b>
<b>Totals</b>	<b>980</b>	<b>196,832</b>	<b>197,812</b>	<b>91,512</b>	<b>119,363</b>	<b>210,875</b>

### Basis for estimating Assets and Liabilities

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

The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson and the Police Pension Scheme liabilities have been estimated by the Government Actuary's Department. These are both independent actuary organisations, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2019. The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Gwynedd Pension Fund include a statement that there is a material valuation uncertainty related to the UK property fund managed on behalf of the Gwynedd Pension Fund. The total value of this fund as at 31st March 2020 is £191m of which, £19.5m (10%) is attributable to the Police and Crime Commissioner for North Wales.

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.

2019-2020	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)	10,060	-10,060	50,000	-50,000
Rate of inflation (increase (+) or decrease (-) by 0.5%)	25,688	-25,688	130,000	-130,000
Rate of increase in salaries (increase (+) or decrease (-) by 0.5%)	4,470	-4,470	17,000	-17,000
Rate of increase in pensions (increase (+) or decrease (-) by 0.5%)	25,688	-25,688	130,000	-130,000
Rate for discounting scheme liabilities (increase (-) or decrease (+) by 0.5%)	-30,485	30,485	-163,000	163,000

## Asset and Liability Matching (ALM) Strategy

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

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

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Gwynedd Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation will be completed during 2019-2020 to be implemented from April 2020.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pensions Scheme in England and Wales and the other main existing public service schemes 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 £6.393 million contributions to the scheme in 2020-2021.

The weighted average duration of the defined benefit obligation for the Local Government Pension Scheme is 22.2 years, 2019-2020, (22.2 years 2018-2019). The weighted average for the Police Pension Scheme is 21.0 years, 2019-2020, (22.0 years 2018-2019).

## 18. Members' Allowances

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

As at the end of March 2019-20 there were a total of 4 members. One member resigned within the year.

	2019-2020		2018-2019	
	£000	Number of Members	£000	Number of Members
Allowances	11	4	13	5
Expenses	0		1	
	<b>11</b>		<b>14</b>	

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

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

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

## 20. Partnership Schemes

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

## 21. 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**

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 2019-2020 is £832k (£845k in 2018-2019) with the breakdown by function as follows:

2018-2019 Net Expenditure £'000	Functions	2019-2020		
		Expenditure £'000	Income £'000	Net Expenditure £'000
220	Regional Crime Unit	236	0	236
36	Prisoner Intelligence	71	-29	42
8	Regional Intelligence Unit	25	-14	11
172	Technical Surveillance Unit	189	-13	176
89	Protected Persons Service	-1	0	-1
162	Confidential Unit	178	-10	168
	Regional Asset Recovery Team	52	-52	0
6	Operational Security Officer	13	-7	6
0	Cyber Crime	21	-21	0
0	GAIN	3	-3	0
107	Undercover Forensics	256	-144	112
0	ACE	12	-12	0
0	ECURFT	14	-14	0
0	Prevent	10	-10	0
0	Disruption	12	-12	0
44	Business Support	82	0	82
1	Other Titan Grants	46	-46	0
<b>845</b>	<b>Total</b>	<b>1,219</b>	<b>-387</b>	<b>832</b>

The following joint operations have Cheshire as lead force:

2018-2019 Net Expenditure £'000	Functions	2019-2020		
		Expenditure £'000	Income £'000	Net Expenditure £'000
73	Joint Underwater Search Unit	102	-29	73
46	Regional Firearms	66	-10	56
2,834	Armed Policing Alliance	3,182	-114	3,068
579	Dogs Alliance	661	-1	660
0	Armed Policing Alliance MET Training Contract	225	-225	0
10	ANPR	10	0	10
<b>3,542</b>	<b>Total</b>	<b>4,246</b>	<b>-379</b>	<b>3,867</b>

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



SHARE OF SERVICE COLLABORATION 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
<b>Total:</b>	<b>100.00%</b>	<b>11,866</b>	<b>559</b>

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
<b>Total:</b>	<b>100.00%</b>	<b>-11,866</b>	<b>-559</b>

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

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

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 2019-20 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 2019-2020 were £282k (2018-2019 – £396k) and Police and Crime Commissioner for North Wales' contribution to these costs was £59k in 2019-2020 (2018-2019 – £88k). In December 2019 an Assistant Chief Constable from North Wales Police became the lead for the All Wales Collaboration Team with the costs of £41k incurred in 2019-2020 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 £0.457 million in 2019-2020 (£0.505 million in 2018-2019).

### **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.

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### Police Pension Fund Account

Police Officer Pensions are paid separately from the main revenue account. Employer and Employee contributions and other Pensions income are paid into the Police Pension Fund account and all the Police Pensions expenditure is paid out of the account. The Police Pension Scheme is an unfunded scheme and as such has no investment assets. Each individual Police and Crime Commissioner is required by legislation to operate a Pension Fund and the amounts to be paid into and out of the Pension Fund are specified by regulation. The Police Pension Fund Regulations 2007 provide that any deficit on the account is transferred to the main Police and Crime Commissioner accounts to balance the fund to nil. This deficit is reimbursed by the Home Office and is accounted for within the main Police and Crime Commissioner accounts. Similarly, any surplus arising from the expenditure being less than the income is required to be repaid to the Home Office by the Police and Crime Commissioner. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department. Long term pension obligations are detailed within note 17 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 Accounting Policies as set out on pages 41 to 55. Administration of the Pension Fund is carried out through a third party contract agreement.

2018-2019 £000	Fund Account	2019-2020 £000
	<b>Contributions receivable</b>	
	From Employer:-	
12,616	- Normal <sup>1</sup>	16,512
0	- Early retirements	0
1,111	- Capital Charge for Ill Health Retirement	156
7,018	Members Contributions	7,157
336	Transfer Values received	878
<b>21,081</b>	<b>Total Income</b>	<b>24,703</b>
	<b>Benefits Payable</b>	
35,837	Pensions	37,896
11,605	Commuted and lump sum retirement benefits	6,899
0	Lump Sum Death Benefits	237
	<b>Payments to and on account of leavers</b>	
10	Transfer out to other schemes	0
33	Refund of Contributions	42
<b>47,485</b>	<b>Total amounts Payable</b>	<b>45,074</b>
26,404	Net Amount Payable for the year before transfer from the Police Fund	20,371
-26,404	Additional Contribution from the Police Fund	-20,371
<b>0</b>	<b>Net amount payable/receivable for the year</b>	<b>0</b>
	<b>Net Asset Statement:</b>	
60	Contributions due from employer	60
21	Unpaid pension benefits	21
-81	Other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	-81
<b>0</b>	<b>Total Liabilities</b>	<b>0</b>

<sup>1</sup>2018-19: the Home Office additional contribution is based on 21.3% employers contribution as per the actuarial Valuation. The above accounts are based on 24.2% employer's contribution as per the pension regulations  
2019-20: The Home Office contribution and the accounts are as per the actuarial valuation of 31.0%

## Statement of Accounting Policies

### 1. General

The Statement of Accounts summarises the Chief Constable's transactions for the 2019-2020 financial year and the position at the year-end of 31 March 2020. The Chief Constable 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 2016-2017, 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 Statement of Accounts which presents a 'true and fair' view of the financial position, financial performance and cash flows of the Chief Constable, including group financial statements. **These policies, principles and practices are applied in the same way to the Chief Constable's accounts as they are to the Group accounts and have been written at the Group level. Not all the Accounting Policies will be relevant to the Chief Constable, but they are included in order to have a full set of Accounting Policies within the Group.**

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 38 to the Accounts.

## 14. Leases

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

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

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

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

#### Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by the liability for the obligation to

pay the lessor. Initial direct costs to the Police and Crime Commissioner are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

#### Operating Leases

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

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

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

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

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

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

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

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

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

### Impairment

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

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

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

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

### Depreciation

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

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

- (i) Remaining life of component is between 0 and 10 years and value of component is over £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 £1,000k
- (iv) Remaining life of component is between 20 and 30 years and value of component is over £1,250k
- (v) Remaining life of component is between 30 and 40 years and value of component is over £1,500k
- (vi) Remaining life of component is between 40 and 50 years and value of component is over £2,000k
- (vii) Remaining life of component is between 50 and 60 years and value of component is over £4,000k

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

### 19. **Reserves**

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

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure in the Comprehensive Income

and Expenditure Statement in the year. Where the Police and Crime Commissioner has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses the amounts charged so that there is no impact on the level of revenue expenditure.

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

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

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

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

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

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

## 22. **VAT**

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

## 23. **Fair Value**

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

## Annual Governance Statement 2019-2020

### 1. Introduction and Background

1.1. The Police and Crime Commissioner and the Chief Constable have joint governance arrangements. Therefore, many of the controls are common to both corporations sole. The Police and Crime Commissioner and Chief Constable have a Joint Governance Board to ensure that they fulfil their corporate governance responsibilities. The Board is chaired by the Police and Crime Commissioner's Chief Finance Officer and attended by senior officers of both Police and Crime Commissioner and Chief Constable. The 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 twice during 2019-2020; during this financial year a separate review of governance was undertaken, and the results of this review were taken into consideration in preparing this annual governance statement and the action plan with the work from the Governance review has continued to progress during 2020-2021.

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 has an ongoing remit tracking progress of the Governance review as it progresses 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 2019-2020:

- 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 Covid19 pandemic was described as a “Public Health Emergency of International Concern” on 31 January 2020. Restrictions aimed at reducing the spread of Covid19 were announced by the government on 23 March 2020 with the Coronavirus Act receiving Royal Assent on 25 March 2020. Given these events occurred relatively late in the Financial year, the impact on governance arrangements was limited for 2019-2020. The impact beyond this period are reflected where appropriate throughout this report.

1.7 However, Covid-19 did still impact 2019-20 decision making through a Covid-19 Gold, Silver, Bronze response command structure within the Force being established and 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.

1.8 Since the end of the 2019-20 financial year, Covid-19 has continued to have a significant bearing on the organisation’s working practices transforming them for both the OPCC 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 the year. To ensure clarity around Governance arrangements was retained during Covid-19 the PCC published a 2020/21 Covid-19 response plan in May 2020 ensuring that clear accountability remained in place. More recently HMICFRS inspections exploring the effectiveness of decision making during Covid-19 has 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.

1.8 Further to the above, following the end of 2019-20 the force entered a Recovery phase around Covid-19 with the Strategic Recovery Board, chaired by the DCC, being added to the Force’s Governance structure with the OPCC also having representation on that board. Reporting on progress was scheduled into the Joint Audit Committee work plan for July 2020.

## **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.

The governance framework has been in place throughout the year ended the 31 March 2020 and up to the approval of the Statement of Accounts. However, the areas of both Corporate Governance and Risk Management were subject to scrutiny and challenge by the Joint Audit Committee over the course of 2019-2020 as the approach in both areas was developed with further work planned for 2020-2021 and subsequently being progressed and monitored.

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

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

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

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

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

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

The Police and Crime Commissioner and Chief Constable have an Anti-Fraud and Corruption policy and whistleblowing arrangements in place which manage effectively the risk of fraud and corruption. Processes for declaring interest and registers for gifts and hospitalities are maintained and updated as required. Both the Joint Audit Committee and the Police and Crime Panel discharged fully all the functions as identified in the relevant CIPFA publication for Audit Committees. The Joint Audit Committee's Terms of Reference may be found on the Police and Crime Commissioner's website.

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

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 OPCC to attend. Ethical dilemmas can be submitted anonymously by 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.

### 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 transparency award for three consecutive years and secured this for a fourth year in August 2020. The 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.

We have an effective scrutiny function, supported by evidence & data analysis, to challenge decision makers constructively, including those who work in partnership with the Commissioner and Chief Constable. All key decisions taken include a financial impact, legal impact, equality impact and risk assessment with the Governance structures in place providing visibility around them. 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 all 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 with work continuing to progress in 2020-2021.

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

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

### 3.3. Defining Outcomes

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

The Police and Crime Commissioner sets the police and crime objectives and these are contained in the Police and Crime Plan. The Police and Crime Plan has been communicated to the public through the website and by various engagement activities and a brief summary of performance is included on the council tax leaflet sent to every household, either electronically or by post. A summary is given below with Commissioner' 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. 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 – albeit remotely – 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 still robust – approach to strategic planning has been established by the Chief Constable and is currently being progressed in 2020-2021 being cognitive of a context including a Comprehensive Spending Review (expected to report in Nov20) and heightened levels of financial uncertainty.

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.

The Covid19 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 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 on an ongoing basis with ongoing reviews of the arrangements put in place taking place as part of the Recovery work stream.

### **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 ongoing 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.

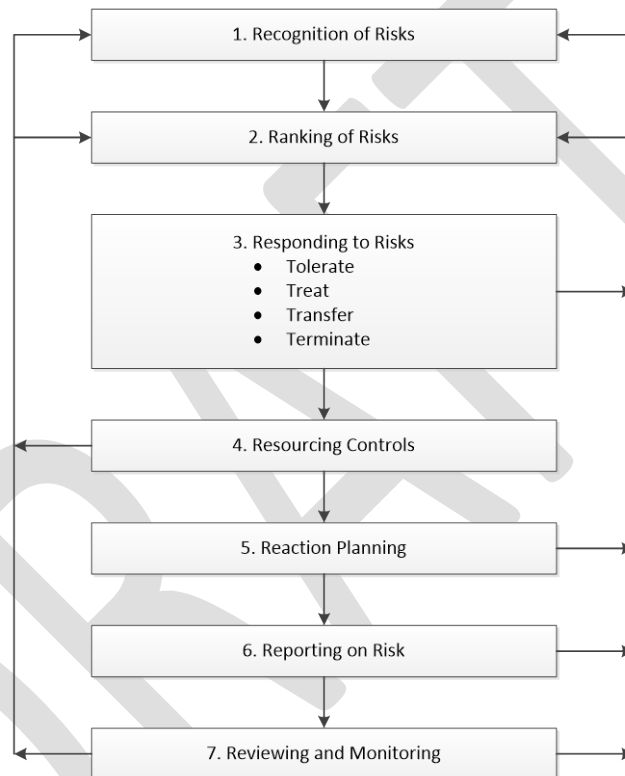


Nationally set terms and conditions exist for officers and staff with agreed pay scales and job evaluation system and we have a performance management framework which the Commissioner and Chief Constable use to assess performance and address any improvements required. Additionally, there is an annual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

Our plans, processes and policies are drawn up having due regard to the risks identified, and this 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 at the Joint Audit Committee. Members of the Joint Audit Committee are able to review all risks for transparency.

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) 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).

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

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

The Commissioner and Chief Constable have data protection and information security policies in place which are regularly tested and supported with a training programme for all staff. Our Internal Audit function and HMIC 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.

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 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 its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report and also by comments made by the external auditors, the Police and Crime Panel, Joint Audit Committee and other review agencies and inspectorates. The review of Governance in 2019-20 has led to a number of recommendations, the implementation of which is ongoing.

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

4.3 As part of our governance framework and to ensure that we review our arrangements for effectiveness, we 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. During 2019-2020 governance overall was stable – despite the ongoing Governance review - although the Joint Governance Board was disestablished. However, it was reconstituted in March 2020 to ensure this annual governance statement could be

compiled accurately and in a timely manner. It was resolved at the March 2020 meeting to re-establish the Joint Governance Board, with revised terms of reference. The objectives of the Joint Governance Board are now:

- 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 OPCC 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 OPCC 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 OPCC and Force.
- To review any Client Briefing Notes issued by the Internal Auditor and consider their implications for the corporate governance arrangements of the OPCC 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 OPCC and Force where action or improvement is required.

4.4 Internal Audit carried out their annual service review of our key financial systems in 2019-2020 and provided positive reports during the year. The annual report concluded:

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

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

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

4.5 The Wales Audit Office annual audit letter for 2018-2019 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. Furthermore it identified its Operational Improvement Programme as an area of good practice.

## **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 2020-2021 plan can be seen in the Appendix below.

5.2. The action plan for 2019-2020 contained areas for improvement. These are detailed below with their progress and current status.

Recommendation	Action	Current Status - complete Y/N?
Force Delivery Plan	A Force Delivery Plan will be produced articulating the vision. The plan will be widely communicated and supported by detailed plans. The processes for management of change will be enhanced using accepted best practice methodologies and supported by a clear governance structure. The plan will be appropriately resourced to ensure the plans are realistic	Yes
Governance Review	An independent review of governance will be undertaken. A governance action plan will be produced and implemented.  The review will link in with a review of partnership arrangements that commenced in 2018/2019.	Yes  The action plan has been completed, but needs to be implemented.  Yes
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 yet to occur.  Yes - Risk Appetite has been agreed & documented.
Leadership	A staff survey will be completed, the results analysed and an action plan developed. Implementation of action plan will be delivered through workforce transformation programme.	Yes - Implementation of the action plan to be overseen by POD steering group

## 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:

**Carl Foulkes**  
Chief Constable

**Seb Phillips**  
Director of Finance & Resources of the Chief Constable

## 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 2020-2021:

Issue	Actions
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.
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.
Risk Assurance Framework Development	<p>Following the F&amp;R pilot in 2019-2020 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 <a href="#">Covid-19 Response Plan</a></p>	<p>Ensure that the ongoing impact of Covid-19 on Governance arrangements are 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 process.</p> <p>Embed the Strategic Recovery Board</p>

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

**to the Chief Constable for North Wales**

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

**Opinion**

I have audited the financial statements of the:

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

for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for North Wales Police and North Wales Police Pension Fund as at 31 March 2020 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

**Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Chief Constable for North Wales Police and 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.

**Emphasis of Matter – effects of COVID-19 on the Chief Constable for North Wales Police's property pension fund valuations**

I draw attention to Note 17 to the financial statements, which describes material valuation uncertainty clauses in the valuation report's on Pooled Property Funds held by the Gwynedd Pension Fund arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

**Conclusions relating to going concern**

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Chief Constable for North Wales Police and North

Wales Police Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Report on other requirements**

### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; 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 Chief Constable for North Wales Police and 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 Annual Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## **Certificate of completion of audit**

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

## **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, 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 Chief Constable for North Wales Police and North Wales Police Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

Adrian Compton  
Auditor General for Wales  
7 October 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ



# Audit of Accounts Report – Police & Crime Commissioner for North Wales and the Chief Constable for North Wales Police

Audit year: 2019-20

Date issued: September 2020

Document reference: 2058A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with Kate Jackson, Chief Finance Officer of the Police and Crime Commissioner's office and Seb Phillips, the Director of Finance and Resources for the Chief Constable.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £2.374m for this year's audit of the Police and Crime Commissioner, the Police and Crime Commissioner Group and the Chief Constable's financial statements.
- 5 We set materiality at £901k for the North Wales Police Pension Fund.
- 6 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Officers remuneration £1,000
  - Relates parties £20,000
- 7 We have now substantially completed this year's audit.
- 8 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. We have previously notified you of a potential threat to auditor independence and objectivity arising from a one of my staff being married to and one related to serving police officers, and confirm that the planned safeguards set out in our Audit Plan have operated as intended.

## Impact of COVID-19 on this year's audit

- 9 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 10 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

## Exhibit 1 – impact of COVID-19 on this year’s audit

<b>Timetable</b>	<ul style="list-style-type: none"><li>• Officers provided us with good-quality draft accounts on 1 June 2020 as planned. This is in line with last year and complies with regulatory deadlines.</li><li>• We expect your audit report to be signed by 7 October 2020.</li></ul>
<b>Electronic signatures</b>	Given current social distancing requirements, it may be difficult for signing and certification of the accounts in hard copy this year. We may need to use electronic signatures for this purpose and will accept electronic signatures from the Police and Crime Commissioner and the Chief Constable. We will liaise with management to ensure relevant arrangements are in place.
<b>Conducting the audit approach and obtaining audit evidence</b>	Due to social distancing measures, Audit Wales staff are currently working remotely from home. As a result, we adopted new ways of working: <ul style="list-style-type: none"><li>• worked closely with the finance team to facilitate prompt response to our audit queries and requests;</li><li>• held weekly meetings with the Head of Finance (Assistant Director) and his team throughout the audit to discuss progress and emerging issues; and</li><li>• held regular catch ups with the Chief Finance Officer of the Police and Crime Commissioner’s office and the Director of Finance and Resources for the Chief Constable.</li></ul>

- 11 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 12 We intend to issue unqualified audit opinions on this year’s accounts once you have provided us with Letters of Representation based on those set out in **Appendix 1** and **Appendix 2**.
- 13 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 14 Our proposed audit reports are set out in **Appendix 3** and **Appendix 4**.
- 15 The audit report for the Police and Crime Commissioner includes 2 Emphasis of Matters which draw attention to uncertainties arising from circumstances caused by the COVID-19 pandemic:

- Note 12 'Property, Plant and Equipment' which describes an estimation uncertainty at the end of the reporting period, that potentially has a significant risk of resulting in a material adjustment to the carrying amounts of land and buildings (this is a widespread issue); and
  - Note 34 'Defined Benefits Pension Scheme' which describes material valuation uncertainty clauses in the valuation reports on Pooled Property Funds held by the Gwynedd Pension Fund (this is a widespread issue).
- 16 The audit report for the Chief Constable for North Wales Police also includes the Emphasis of Matter on the valuation uncertainty of pooled property funds within Gwynedd Pension Fund:
- Note 17 'Defined Benefits Pension Scheme' which describes material valuation uncertainty clauses in the valuation reports on Pooled Property Funds held by the Gwynedd Pension Fund (this is a widespread issue).
- 17 My opinions are not modified in respect of these matters.
- 18 The Letters of Representation contain certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.

## Significant issues arising from the audit

### Uncorrected misstatements

- 19 We set out below the misstatement we identified in the accounts, which has been discussed with management but remain uncorrected. We request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons in writing for not correcting them.
- Treatment of Wrexham Town police station lease. The lease for this police station is currently accounted for as an operating lease within the accounts. Our review of the lease has identified that it should be treated as a finance lease. If this was corrected, it would reduce the overall asset value in the financial statements by £351,000, with an additional finance lease liability recognised and associated entries to the revaluation reserve and capital adjustment account.  
  
Discussions with the finance team has confirmed that the lease will be reviewed during 2020-21 as part of the implementation of IFRS 16 leases. All leases will be assessed, and amendments made where applicable to ensure appropriate classification in line with the requirements of the IFRS.
  - Note 36(e) - Financial instruments maturity analysis. The amount disclosed for liabilities maturing not more than one year is understated by £120,000. This a disclosure note only and does not impact on the financial position at 31 March 2020.

## Corrected misstatements

20 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 5**.

## Other Significant Issues arising from the audit

21 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year as shown in **Exhibit 2**:

### Exhibit 2 – significant issues arising from the audit

<b>Treatment of IT assets</b>	<p>Our review of Note 12 'Property Plant and Equipment' identified some IT assets classified as tangible assets which we believe should be classified as intangible assets.</p> <p>Our testing also identified some of these IT assets may not have been fully operational at the year end and so should have been classified as assets under construction.</p> <p>This does not impact on the overall valuation of 'Long Term Assets' within the balance sheet at 31 March 2020.</p>	<p>We have agreed with management they will undertake a review of all IT assets during 2020-21 to identify any intangible assets.</p> <p>They will also put into place procedures to identify assets under construction.</p>
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# Appendix 1

## Final Letter of Representation: Police and Crime Commissioner

Police and Crime Commissioner for North Wales

Glan Y Don,  
Abergele Road,  
Colwyn Bay,  
LL29 8AW

Auditor General for Wales

Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

5 October 2020

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.



## Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects 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 involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **Representations by the Police and Crime Commissioner for North Wales**

I acknowledge that the representations made by management, above, have been discussed with me.

I acknowledge my responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. I approved the financial statements on 5 October 2020.

I confirm that I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that it has been communicated to you. I confirm that, as far as I am aware, there is no relevant audit information of which you are unaware.

Signed by:

K Jackson  
Chief Financial Officer to the Police  
and Crime Commissioner for North  
Wales

5 October 2020

Signed by:

Arfon Jones  
Police and Crime Commissioner for North  
Wales

5 October 2020

# Appendix 2

## Final Letter of Representation: Chief Constable

Chief Constable for North Wales  
Glan Y Don,  
Abergele Road,  
Colwyn Bay,  
LL29 8AW

Auditor General for Wales  
Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

5 October 2020

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of the Chief Constable for North Wales Police and the North Wales Police Pension Fund for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Chief Constable, North Wales Police and the North Wales Police Pension Fund and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements in the financial statements.

## **Representations by the Chief Constable for North Wales Police**

I acknowledge that the representations made by management, above, have been discussed with me.

I acknowledge my responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. I approved the financial statements on 5 October 2020.

I confirm that I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that it has been communicated to you. I confirm that, as far as I am aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

S Phillips

Director of Finance and Resources to  
the Chief Constable, North Wales  
Police

5 October 2020

Carl Foulkes

Chief Constable, North Wales Police

5 October 2020

# Appendix 3

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

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of the:

- 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 2020 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and North Wales Police Pension Fund as at 31 March 2020 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section

of my report. I am independent of the Police and Crime Commissioner for North Wales, the Police and Crime Commissioner for North Wales' Group and the North Wales Police Pension Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter – effects of COVID-19 on the Police and Crime Commissioner for North Wales and the Police and Crime Commissioner for North Wales' Group's assets valuations**

I draw attention to Note 12 in the financial statements, which describes the material valuation uncertainty clause in the valuation report on the Police and Crime Commissioner for North Wales and the Police and Crime Commissioner for North Wales' Group's property arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

### **Emphasis of Matter – effects of COVID-19 on the Police and Crime Commissioner for North Wales and the Police and Crime Commissioner for North Wales' Group's property pension fund valuations**

I draw attention to Note 34 to the financial statements, which describes material valuation uncertainty clauses in the valuation report's on Pooled Property Funds held by the Gwynedd Pension Fund arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

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

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

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

### **Other information**

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; 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 Annual Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## Certificate of completion of audit



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

## **Responsibilities**

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

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

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

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

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

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

Adrian Compton  
Auditor General for Wales  
7 October 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 4

## Proposed independent auditor's report of the Auditor General for Wales to the Chief Constable for North Wales Police

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of the:

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

for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for North Wales Police and North Wales Police Pension Fund as at 31 March 2020 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Chief Constable for North Wales Police and 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.

## **Emphasis of Matter – effects of COVID-19 on the Chief Constable for North Wales Police’s property pension fund valuations**

I draw attention to Note 17 to the financial statements, which describes material valuation uncertainty clauses in the valuation report’s on Pooled Property Funds held by the Gwynedd Pension Fund arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

## **Conclusions relating to going concern**

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

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

## **Other information**

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Report on other requirements**

### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and

the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; 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 Chief Constable for North Wales Police and 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 Annual Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

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

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

### **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, 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 Chief Constable for North Wales Police and North Wales Police Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

Adrian Compton  
Auditor General for Wales  
7 October 2020

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# Appendix 5

## Summary of Corrections Made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£19,879,000	<p><b><u>Group accounts</u></b> <b>Comprehensive Income and Expenditure Account – Pensions</b> was amended from £77,158,000 to £57,279,000</p> <p>The adjustment also impacted upon 'Actuarial (gains)/losses on pension assets/liabilities in the Comprehensive Income and Expenditure Account the 'Liability relates to defined pension scheme' and 'the Pensions Reserve' on the Balance sheet by corresponding amounts.</p> <p>Appropriate corresponding adjustments were also reflected in:</p> <ul style="list-style-type: none"><li>• Expenditure and Funding Analysis and associated notes</li><li>• Movement in Reserves Statement and associated notes</li><li>• Cash Flow Statement and associated notes</li><li>• Note 10 'Financing and Investment</li></ul>	<p>To account for the estimated impact of the McCloud remedy on the pension fund valuations at 31 March 2020.</p>

Value of correction	Nature of correction	Reason for correction
	<p>Income and Expenditure'</p> <ul style="list-style-type: none"> <li>Note 34 'Defined Benefits Pensions Schemes'</li> </ul> <p>There are corresponding adjustments in the accounts of the Chief Constable.</p> <p>The adjustments have no overall impact on the in-year financial position of the Group or the Chief Constable.</p>	
<p>£26,024,000 self-contained to Note 23</p>	<p><b>Note 23 Cashflow statement - financing activities</b></p> <p>'Cash receipts of short term and long term borrowing' amended from £11,024,000 to £(15,000,00) and 'Repayment of short term and long term borrowing' amended from £(9,255,000) to £16,769,000.</p>	<p>To correct amounts disclosed in the note.</p>
<p>£921,000 self-contained to Note 12.</p>	<p><b>Note 12 Property, Plant and Equipment</b></p> <p>'Land and Buildings: Cost or Valuation – Revaluation increases/decreases recognised in the revaluation reserve' amended from £2,129,000 to £1,208,000 and 'Land and Buildings: Accumulated Depreciation and Impairment –</p>	<p>To correctly disclose that accumulated depreciation has been removed for revalued assets.</p>

Value of correction	Nature of correction	Reason for correction
	Depreciation written out to the revaluation reserve' amended from £0 to £921,000.	
£2,229,000 self-contained to Note 12	<b>Note 12 Property, Plant and Equipment</b> 'Plant and Equipment: Cost or Valuation – Derecognition – other' amended from £(29,458,000) to £(31,687,000) and 'Plant and Equipment: Derecognition – other' amended from £29,458,000 to £31,687,000.	To ensure that Note 12 agrees to the fixed asset register.
£810,000	<b>Balance sheet</b> £810,000 was reclassified from 'Long Term Finance lease' long term to 'Short Term Finance lease'.	To correctly classify PFI payments due within 12 months on the balance sheet.
£1,282,000 self-contained to Note 17	<b>Note 17 Short Term Creditors</b> 'Other payables' amended from £9,985,000 to £8,703,000 and 'Deferred income' amended from £0 to £1,282,000.	To correctly disclose funding received but not yet utilised.

There have also been a number of minor amendments and disclosure updates as a result of our work.







Audit Wales

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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



**Joint Audit Committee**

**Meeting Date: 5 October 2020**

<b>Title:</b>	<b>Statement of Accounts 2019-20</b>
<b>Author:</b>	<b>Chief Constables' and Police and Crime Commissioners' Chief Finance Officers</b>
<b>Purpose of the report:</b>	Confirm review of Annual Financial Statements and the external auditor's report relating to the Statements
<b>The report is provided to JAC for: (tick one)</b>	<input checked="" type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"><li>• Final draft of Statements have been produced</li><li>• Wales Audit giving an unqualified opinion</li><li>• Amendments and non-amendments considered and agreed.</li></ul>
<b>Recommendations:</b>	<b>In accordance with its Terms of Reference, the Joint Audit Committee has reviewed the Annual Financial Statements for the year ended 31 March 2020 of the Police and Crime Commissioner and Chief Constable and has considered the external auditor's reports thereon. The Joint Audit Committee confirms that there are no unresolved matters arising that require to be reported to the Police and Crime Commissioner and Chief Constable, prior to their approval of the respective Annual Financial Statements.</b>
<b>Risk register impact:</b>	None
<b>Assurance implications:</b>	This report gives assurance that the accounts have been recorded and prepared according to the relevant standards and regulations.
<b>Equality Impact:</b>	N/A
<b>Information exempt from disclosure:</b>	None



**JOINT AUDIT COMMITTEE**  
**05 October 2020**  
**Statement of Accounts 2019-20**  
**Report by the Chief Constables' and Police and Crime Commissioners' Chief Finance Officers**



## **1. Background**

- 1.1 The Police Reform and Social Responsibility Act 2011 established the Police and Crime Commissioner and the Chief Constable as corporations sole from 22 November 2012. In practice this means that the two corporations sole are required to produce their own single Statement of Accounts in accordance with the Code of Practice on Local Accounting (the Code) and relevant International Financial Reporting Standards (IFRS). In addition the Police and Crime Commissioner is also required to produce a set of Group Accounts.
- 1.2 The Statements have been produced in accordance with the Code, relevant legislation and the guidance available. Two documents have been produced, namely:
  - The North Wales Police and Crime Commissioner Group and Single Entity Accounts 2019-2020. These include the Group accounts and also the Police and Crime Commissioner's single entity accounts.
  - The North Wales Police Chief Constable's Accounts 2019-2020. These contain the Chief Constable's single entity accounts and also the Police Pension Account 2019-2020.
- 1.3 Copies of both documents are attached at the end of the report.

## **2. Process for completing the 2019-20 Statement of Accounts**

- 2.1 The Accounts and Audit (Wales) Amendment 2018 requires the responsible financial officer to sign and date the statement of accounts and certify that it presents a true and fair view of the financial position of the body at the end of the financial year by no later than 31 May of that year. The responsible financial officer is then required to re certify the statement before it is approved and published with the relevant auditor's certificate, opinion or report in order to publish the statement by the 31 July of that year.
- 2.2 The revised timetable introduced by the amendment above brought the initial date and the final date forward, reducing the overall timescale by 2 months. The 2018-2019 accounts were the first year where these dates applied, and the benefits of being able to move on to other work earlier in the year were significant.
- 2.3 The time table, content and processes adopted for 2019-2020 were all affected by the COVID pandemic. The draft statements were produced and certified by the responsible officers by the end of May 2020, however due to a delay in auditing the Health Service accounts Audit Wales were unable to commence their audit work in time to meet the 31 July deadline.

- 2.4 Following discussion with Audit Wales and the Joint Audit Committee members, a revised timetable was set with 5 October being the set date to approve the accounts. This followed guidance provided by the Welsh Government outlining that this was acceptable provided that the required notices were made and that the draft accounts were published as draft by the end of July. Both of these requirements were met, as well as moving the date set for the local government electors to be able to question the Auditor General to 1 September with the accounts being available for inspection for 20 days prior to this date.
- 2.5 Processes were amended during the Covid lockdown period and subsequently to reflect that Finance staff and Auditors were performing their duties from home in the vast majority of instances, making use of remote working and on line meetings and data sharing where necessary to ensure effective communication took place.
- 2.6 A number of COVID related and Non Covid related issues have emerged since the original draft accounts were produced at the end of May 2020 resulting in some change to the content and presentation of the accounts. However none of these have changed the overall movement in useable reserves, which is in essence the 'bottom line', from the original draft figures that were reported to the Police and Crime Commissioner and the Chief Constable during May 2020 in the outturn report.
- 2.7 Feedback from JAC members regarding the 2019-20 Statement of Accounts have also been a feature of their production with an emphasis from the JAC finance lead on developing the levels to which the accounts are accessible and understandable, with significant efforts being made by the finance team as a result. Whilst the desire for a similar emphasis had also been expressed in earlier years, the shortened deadlines introduced by the 2018 amendment resulted in a primary focus on meeting those deadlines, limiting the progress made in other areas. The extended deadlines for 2019-20 introduced as a result of Covid have provided an opportunity to develop the Narrative reports and Annual Governance Statements in particular, taking account of Joint Audit Committee feedback at various junctures (which included the need to review good practice adopted in other policing organisations).
- 2.8 Due to the technical nature of the accounts and the statutory override to normal accounting requirements within local government accounting, enhancing their user-friendliness remains challenging. However, the intention would be to continue to develop this aspect of the Statement of Accounts in 2020-21 and beyond without compromising on their delivery to the appropriate deadlines.
- 2.9 The following outlines some of the key events feeding into the production of the revised statements
- 01.06.2020: Revised Local Government Pension Scheme figures were reflected based on actual values rather than estimated investment values
  - 08.06.2020: Technical Briefing delivered to JAC members with feedback mainly focussed on the Narrative report and the Annual Governance Statement.
  - 22.06.2020: CIPFA Seminar for All Wales JAC members clarifying reporting requirements relating to the COVID pandemic.

- 30.07.2020: Audit Committee held including an update on the accounts. Further feedback on the Narrative and AGS was received along with the minuted action for a further draft set of accounts to be issued to Audit Committee members and a meeting scheduled to review the same.
- 27.08.2020: Following clarification from Wales Audit it was confirmed that the Police and Support Staff Pension liability would need to be recalculated following the Government's announcement of a consultation to the remedy of the McCloud age discrimination case.
- 10.09.2020: Revised draft set of accounts issued to JAC Chair and Finance lead reflecting feedback to date and all adjusted misstatements agreed with Audit Wales at that point.
- 15.09.2020: Second technical briefing with JAC Chair and Finance lead held with further feedback received on Narrative report, Statement of Accounts and AGS.
- 23.09.2020: Revised draft accounts issued to JAC Chair and Finance lead (now reflecting all adjusted misstatements agreed with Audit Wales including McCloud amendments). Draft ISA260 and associated draft reports were also issued to JAC Chair and Finance lead at this point.

### **3. Content of the Statements**

3.1 Both Statements contain a Narrative Report that covers requirements as per the Code. These are not repeated in this report but the key headings – having been developed in conjunction with Audit Committee member feedback and a review of good practice in other Policing organisation's - include:

- Introduction
- Governance and Responsibilities
- Strategic Priorities
- Operational Performance 2019-20
- Financial Performance 2019-20
- Reconciliation of Funding to GAAP
- Reserves Provisions and Sources of Funding
- Future outlook
- Accounting policies
- Collaboration with other bodies
- Events after the reporting period
- Explanation of the prime statements

3.2 The Statements of Accounts in Local Government are highly technical documents. The combination of the accounting requirements, together with the Statutory and Regulatory overrides (to ensure that the way the accounts are prepared does not cause additional costs to the public) results in a complicated set of Statements. The added requirements of two single entities and a set of Group accounts further adds to this complexity.

3.3 The approach taken in North Wales, following discussions with CIPFA's Police Finance Network, the other Welsh Forces and the Wales Audit Office reflects the reality of the arrangements. The result of this is that the cost of Policing is shown in the Chief

Constable's Comprehensive Income and Expenditure Account. The format of this statement changed in 2016-2017 (2017-18 being the second year of the new format) as it is required by the Code to be prepared in accordance with management reporting i.e. based on subjective analysis.

- 3.4 The Expenditure and Funding Analysis (EFA) shows the annual expenditure and how it is funded to illustrate the end of year position and overall impact upon the use of usable reserves for the year.
- 3.5 The other prime statements follow on from the EFA. The Chief Constable now has a limited Balance Sheet, Movement in Reserves and Cash flow statement from the introduction of the Expenditure and Funding Analysis. These contain the unusable reserves in relation to the net Pension asset/liability and the Accumulated Absence Account. The notes to the Statements then follow from what is included in the prime statements.

#### 4. **Summary of changes to the final draft and Management response to Wales Audit Report**

4.1 The Auditor General intends to give an unqualified opinion on both Statements of Accounts. Two uncorrected misstatement and one significant issue have been reported as well as 2 Emphasis of Matters due to the COVID pandemic. These are detailed in the Wales Audit report and are shown below along with the NWP response.

##### 4.2 Uncorrected misstatements

###### Treatment of Wrexham Town Police Station

- **Uncorrected misstatement** - *Treatment of Wrexham Town police station lease. The lease for this police station is currently accounted for as an operating lease within the accounts. Wales Audit are of the opinion that this should be treated as a Finance Lease.*

**Response** - The lease will be reviewed during 2020-21 as part of the implementation of IFRS 16 - Leases as a new requirement. All leases will be assessed, and amendments made where applicable to ensure appropriate classification in line with the requirements of the IFRS. Any amendments will not affect the 'bottom line'.

###### Analysis of Financial Instruments maturity analysis

- **Uncorrected Misstatement** - Note 36(e) - Financial instruments maturity analysis. The amount disclosed for liabilities maturing not more than one year is understated by £120,000. This a disclosure note only and does not impact on the financial position at 31 March 2020.

**Response** – This is an analysis between short and long term liabilities where interest due in the next financial year has been included in the long term liabilities. This is noted for the 2020-21 accounts and the future interest due will be split between long and short term liabilities.

#### 4.3 Significant issue

- **Significant issue** – *Wales Audit review of Note 12 'Property Plant and Equipment' identified some IT assets classified as tangible assets which we believe should be classified as intangible assets. Wales Audit testing also identified some of these IT assets may not have been fully operational at the year end and so should have been classified as assets under construction. This does not impact on the overall valuation of 'Long Term Assets' within the balance sheet at 31 March 2020.*

**Response** – New IT and Equipment assets will be reviewed to assess whether any elements should be classed as intangible as part of the 2020-21 accounts closure process. These assets will also be assessed in terms of being operationally available or as assets under construction (this assessment is already conducted for building works)

#### 4.4 Emphasis of Matter

*These draw attention to uncertainties arising from circumstances caused by the COVID-19 pandemic within the following notes:*

- *Note 12 'Property, Plant and Equipment' which describes an estimation uncertainty at the end of the reporting period, that potentially has a significant risk of resulting in a material adjustment to the carrying amounts of land and buildings (this is a widespread issue); and*
- *Note 34 'Defined Benefits Pension Scheme' which describes material valuation uncertainty clauses in the valuation reports on Pooled Property Funds held by the Gwynedd Pension Fund (this is a widespread issue).*

Response – A disclosure has been made in both notes highlighting these issues as stated by the independent valuer and the pension actuary.

#### 4.5 Corrected misstatements

These are detailed in Appendix 5 of the auditor's report.

- The largest amendment was to account for the estimated impact of the McCloud remedy on the pension fund valuations at 31 March 2020 following the announcement of the consultation by the Government in August 2020. The amount is £19.9m but does not affect usable reserves.
- The other 5 amendments listed relate to correction or further clarification of details within specific notes and lines on the balance sheet.

None of these amendments or the other minor amendments made change the movement in usable reserves as reported to management and included in the first draft of the accounts in May 2020.



## 5. Recommendations

- For members of the audit committee to note the contents of this report in accordance with the duties of the committee established in the terms of reference, specifically to review the annual statements of accounts and annual governance statements.

### And to resolve:

**In accordance with its Terms of Reference, the Joint Audit Committee has reviewed the Annual Financial Statements for the year ended 31 March 2020 of the Police and Crime Commissioner and Chief Constable and has considered the external auditor's reports thereon. The Joint Audit Committee confirms that there are no unresolved matters arising that require to be reported to the Police and Crime Commissioner and Chief Constable, prior to their approval of the respective Annual Financial Statements.**

## 6. IMPLICATIONS

6.1	Equality	The Chief constable and Police and Crime Commissioner operate with regard to the principles established within the Joint Equality Plan
6.2	Financial	The aim of this report is to present to the committee the statement of accounts of both corporations sole
6.3	Legal	The statements of accounts meet the required standards, as outlined within the report
6.4	Community	The statements of accounts are published on the Commissioners website. A public notice has been issued under Sections 29, 30 and 31 of the Public Audit (Wales) Act 2004, stating that from 3 August to 28 August 2020 members of the public may inspect and make copies of the accounts and from 1 September ask questions of the appointed Auditor
6.5	Risk	Risk management procedures are in place and have been considered separately by the committee as part of the overall governance arrangements. Financial risks are contained within the statement of accounts
6.6	Police and Crime Plan	The Police and Crime Plan is considered at the start of the financial planning cycle to ensure that delivery of the plan is achievable within a sustainable budget



**Joint Audit Committee**

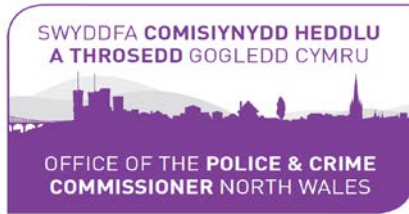
**Meeting Date:**

<b>Title:</b>	Strategic Planning Unit (HMIC)
<b>Author:</b>	T/CI Andrew Griffiths
<b>Purpose of the report:</b>	Information Update
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<p><b><u>HMICFRS</u></b></p> <p>HMIC activity within forces is starting to increase. NWP will be subject to a thematic rape inspection week commencing 26<sup>th</sup> October. It is a joint inspection with CPS and 7 inspectors will be in force for 5 days. They will conduct several focus groups interviewing strategic lead, operational lead, front line officers and specialist investigators. Finding suitable socially distanced accommodation for them to complete their inspection has proved challenging. NWP HMIC team are currently compiling the documents required for the inspection. The bi-annual data request (for IPA inspection) has been submitted and we have also had a further documentation request to provide in relation to our response to Covid 19. HMIC staff are starting to return to their normal roles and will soon be in a position to check our progress in relation to AFIs and recommendations. Date for actual return TBC, however, NWP are satisfied with the internal progress and we have nothing to report by exception. When HMIC return to their inspection activity we are confident that they will sign off some of the recommendations and AFIs. In the areas where we are not requesting sign off we are satisfied with the progress being made.</p>
<b>Recommendations:</b>	N/A
<b>Risk register impact:</b>	N/A
<b>Assurance implications:</b>	N/A
<b>Equality Impact:</b>	N/A
<b>Information exempt from disclosure:</b>	



**Joint Audit Committee**  
**Meeting Date: 5<sup>th</sup> October 2020**

<b>Title:</b>	Internal Control Report
<b>Author:</b>	Anne Matthews, Finance & Budget Officer Seb Phillips, Director of Finance & Resources
<b>Purpose of the report:</b>	To provide the Joint Audit Committee with an overview of Internal Control activity within the Force
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	The report summarises key Internal control activity regarding: <ul style="list-style-type: none"><li>• Recommendation status from previous TIAA Audits</li><li>• Management response regarding Client Briefing Notes (CBNs) and Fraud Alerts</li><li>• TIAA audits issued in the period</li><li>• CBNs issued in the period</li><li>• Update on 2020/21 audit plan</li></ul>
<b>Recommendations:</b>	None
<b>Risk Register Impact:</b>	TIAA control findings, Client Briefing Notes and Fraud Alerts have been considered for reflection on the Force Risk Register.
<b>Assurance Implications:</b>	This report is directly relevant to Internal Control Activity providing Assurance in North Wales Police.
<b>Equality Impact:</b>	None
<b>Information Exempt from Disclosure:</b>	N/A – All content in Open Session



**HEDDLU  
GOGLEDD CYMRU  
NORTH WALES  
POLICE**

## JOINT AUDIT COMMITTEE

### INTERNAL CONTROL REPORT – 5<sup>th</sup> October 2020

#### REPORT OF THE NORTH WALES POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE

##### 1. INTRODUCTION

The purpose of this report is to provide an update on the Internal Control Activity undertaken since the last Joint Audit Committee and is based on information received and recorded by 8<sup>th</sup> September 2020.

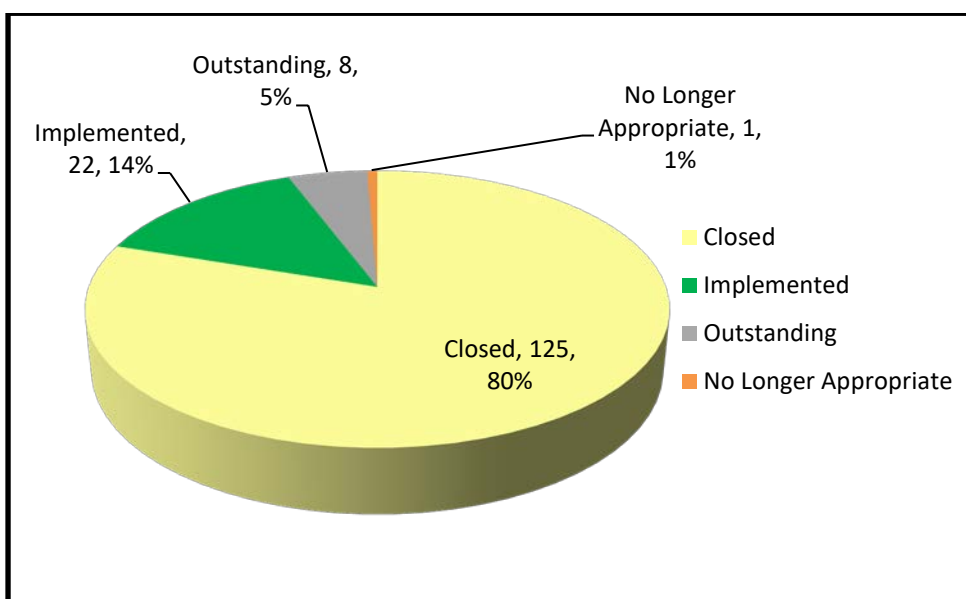
It is anticipated that further activity may have been undertaken by the JAC July meeting itself, which will be verbally updated on exception at the meeting.

The report should be read in conjunction with the TIAA papers submitted to JAC for the meeting and specifically summarises key Internal control activity regarding:

- Recommendation status from previous TIAA Audits
- Management response regarding Client Briefing Notes (CBNs) and Fraud Alerts
- TIAA audits issued in the period
- CBNs and Fraud Alerts issued in the period
- The current status of the 2020-21 Internal Audit Plan

##### 2. RECOMMENDATION STATUS OF TIAA AUDITS

The position on 2020/2021 Internal Audit recommendations as at 8<sup>th</sup> September 2020 is outlined below:



Movement since the last JAC meeting:

7 implemented recommendations have been closed.

3 outstanding recommendations have been implemented and closed.

2 outstanding recommendations have been implemented.

ID	Service	Job	Year	Risk Area	Comment
224737	ICT Audit	ICT Security – Cyber Security PO No FN23725	2017	Operational Risk	Implemented on 08/03/2019 and closed by TIAA on 29/07/2020
236525	Internal Audit	Central Command Unit	2019	Compliance Risk	Implemented on 13/06/2019 and closed by TIAA on 29/07/2020
236526	Internal Audit	Central Command Unit	2019	Compliance Risk	Implemented on 10/07/2019 and closed by TIAA on 29/07/2020
236527	Internal Audit	Central Command Unit	2019	Compliance Risk	Implemented on 14/05/2019 and closed by TIAA on 29/07/2020
242133	Internal Audit	Collaborative - Estate Management Delivery	2019	Compliance Risk	Implemented on 16/01/2020 and closed by TIAA on 29/07/2020
242134	Internal Audit	Collaborative - Estate Management Delivery	2019	Compliance Risk	Implemented on 22/01/2020 and closed by TIAA on 29/07/2020
242135	Internal Audit	Collaborative - Estate Management Delivery	2019	Compliance Risk	Implemented on 16/01/2020 and closed by TIAA on 29/07/2020
242413	Internal Audit	Collaborative Review - Payroll	2019	Compliance Risk	Implemented on 29/07/2020 and closed by TIAA on 29/07/2020
243897	Internal Audit	ICT Change Management	2019	Directed Risk	Implemented on 24/07/2020 and closed by TIAA on 29/07/2020
243898	Internal Audit	ICT Change Management	2019	Directed Risk	Implemented on 24/07/2020 and closed by TIAA on 29/07/2020
244460	Internal Audit	Governance - Corporate Communications	2019	Directed Risk	Implemented on 11/08/2020, evidence sent to TIAA 02/09/2020
244115	Internal Audit	Risk Management - Board Assurance	2019	Operational Risk	Implemented on 04/09/2020, a plan is now in place.

Analysis of the 22 implemented recommendations as at 8<sup>th</sup> September 2020 is outlined below:

Status Summary - Implemented	Category	No
Implemented on or before original due date	Cat 1	16
Implemented on or before 1st revised due date	Cat 2	0
Implemented on or before 2nd revised due date	Cat 3	0
Implemented on or before 3rd revised due date	Cat 4	1
Implemented on or before 4th revised due date	Cat 5	0
Implemented on or before 5th revised due date	Cat 6	1
Implemented after original and/or revised due date	Cat 7	4
		<b>22</b>

Analysis of the 8 outstanding recommendations as at 8<sup>th</sup> September 2020 is also outlined below:

Status Summary - Outstanding Recommendations	Category	No
No of Recommendations - still on original due date	Cat 1	5
No of Recommendations - 1st revised due date	Cat 2	1
No of Recommendations - 2nd revised due date	Cat 3	0
No of Recommendations - 3rd revised due date	Cat 4	1
No of Recommendations - 4th revised due date	Cat 5	1
No of Recommendations - 5th revised due date	Cat 6	0
No of Recommendations - Overdue	Cat 7	0
		<b>8</b>

The latest position and update regarding the 8 outstanding recommendations is included in Appendix 1.

### 3. MANAGEMENT RESPONSE REGARDING CLIENT BRIEFING NOTES (CBNs) & FRAUD ALERTS

CBNs and Fraud Alerts are now being reported and monitored via the F&R SMT with the Joint Governance Board providing further oversight.

CBNs dating back to September 2019 have been compiled on a single schedule and are shared with JAC members periodically; Since April 2020 TIAA have also issued Fraud Alerts.

The current status on CBNs and Fraud Alerts is shown below:

Type	No rec'd	Action Required	Open Actions
CBNs - 19016 to 20021	22	2	2
Fraud Alerts	8	0	0

### 4. TIAA AUDITS & REPORTS ISSUED IN THE PERIOD




The following reports have been issued by TIAA since the July 2020 JAC meeting.

Audit	Type	Planned Quarter	Days	Revised Quarter	Current Status	Assurance Level	Comments
Treasury Management	Assurance	Q3	4	Q2	Final report issued	Substantial	No recommendations made
Collaborative Vetting of Contractors	Compliance	Q1	3	Q2	Final report issued	Substantial	No recommendations made


Both reports been shared in full with the JAC members.

## 5. CBNs AND FRAUD ALERTS ISSUED IN THE PERIOD

3 CBNs have been issued since the last JAC meeting and have been circulated for action.

Date Issued	CBN Ref	Subject	Status
02/09/2020	CBN-20021	All Risk of Redacted information being Un-redacted	
13/08/2020	CBN-20019	ICO Online Self-Assessment Toolkit for FOIs	
01/07/2020	CBN-20012	NIAO Whistleblowing Guidance	

1 Fraud Alert has been issued since the last JAC meeting, existing controls mitigate the risk.

Date Issued	Fraud Alert Ref	Subject	Status
(4) August 2020 - Received 14/08/2020	Fraud Alert - Covid 19	Business Directory Scam	

## 6. UPDATE REGARDING FY2020-21 AUDIT PLAN

Following discussions with TIAA we are confident we will complete the 2020/21 audit plan. Details of scheduled audits are on appendix 3.

Point to note:

NWP are opting out of the Collaborative audit for ACE; ACE is no longer grant funded and as such NWP do not see the benefit of auditing what is now business as usual. We are looking at an alternative audit namely Review of Cyber Security Pensions and discussions with the other 3 welsh forces are underway.

## 7. OTHER ISSUES of NOTE

This report has been produced to provide assurance to JAC members in relation to Internal Control activity. Whilst the emphasis has been placed on the 'management response' aspect of this activity, the authors are aware of duplication with the reports provided by TIAA.


Suggestions from JAC members with regard to improving the appropriateness of the format and relevance of the content would be welcomed by the authors.

**Appendix 1 – Latest Management Response relating to Outstanding Recommendations**

No	Rec	Audit	Recommendation	Priority	Category	Responsible Officer	Orig Due Date	Revised Due Date	Last Update
001	236368	ICT Network Security	ICT management to ensure the implementation of a protective monitoring solution.	2	5	Head of ICT	31/12/2019	31/10/2020	<p>08/09/2020: NWP On-prem infrastructure is now in place to allow BT NMC on the NEP's behalf to perform such a requirement, but there were problems with some element which BT and CNS were investigating as a collective.</p> <p>I have sought the latest here from both parties, but recommend a Target Date for this is set for the 16th October, 2020.</p>
002	236367	ICT Network Security	ICT management to ensure that the out of support servers and machines are decommissioned and/or replaced and services migrated as soon as practical.	2	4	Head of ICT Infrastructure	30/09/2019	31/10/2020	<p>08/09/2020: I believe this is in reference to FHQVMS002, our current Voicemail Unity server which we can't disable in that key Police Operations depend on this Voicemail/Email process, such as Go Safe, Firearms Licensing and a Covert process; once we have successfully migrated to the NEP infrastructure, we proposed this requirement will be met by Microsoft TEAMS Voice (for voicemail over email).</p> <p>We are to request MintTulip assist us with implementing this new solution. TARGET DATE: 31st October, 2020; we have however recommended the National Accreditor RA risk accepts until such NEP action is met.</p>
003	244671	Cyber Security	Intrusion detection and intrusion protection functionality be implemented.	2	1	NWP PMO/NWP ICT	31/07/2021		<p><b>08/09/2020 - Due to Covid-19 delays this has impacted on our readiness to commence the Technology Pilot</b> which has impacted progress, revised dates are now in place:</p> <p>Tech Pilot to be completed by end of October 2020</p> <p>Business Pilot to be completed February/March 2021</p> <p><b>Full rollout, over the next 12 months, expected</b></p>



No	Rec	Audit	Recommendation	Priority	Category	Responsible Officer	Orig Due Date	Revised Due Date	Last Update
									<b>completion date February/March 2022</b>
004	244672	Cyber Security	The Microsoft Enterprise Mobility and Security suite available to North Wales Police through the National Enabling Programme be fully leveraged to improve cyber security.	2	1	NWP PMO/NWP ICT	31/07/2021		<p><b>08/09/2020 - Due to Covid-19 delays this has impacted on our readiness to commence the Technology Pilot</b> which has impacted progress, revised dates are now in place:</p> <p>Tech Pilot to be completed by end of October 2020</p> <p>Business Pilot to be completed February/March 2021</p> <p>Full rollout, over the next 12 months, expected completion date February/March 2022</p>
005	242655	Single Online Home	A detailed benefits analysis be completed by each force once Single Online Home has been fully implemented to determine the benefits arising from the use of Single Online Home.	2	1	Project Manager	30/10/2020		<p>08/09/2020 <b>There have been a few delays again in implementing due to the build of the product</b>, but we should still be on track for completion of the benefit analysis in November 2020 and project closure/move to BAU has been scheduled for Welsh COG in December 2020.</p>
006	244459	Governance	An Engagement Annual Report be produced as planned.	2	1	CEO, OPCC	30/09/2021		<p>08/09/2020: Recommendation remains on track for completion on original date.</p>
007	237156	GDPR	Review process be introduced to minimise the risks around sensitive data being stored to network drives.	3	2	Programme Manager, Corporate Programme Office	31/03/2020	31/08/2021	<p><b>08/09/2020: Due to Covid-19 delays this has impacted the organisational migration of all data to O365.</b> The implementation of this recommendation will follow the same timeline as recommendations 244671 and 244672.</p> <p>Tech Pilot to be completed by end of October 2020</p> <p>Business Pilot to be completed February/March 2021</p> <p>Full rollout, over the next 12 months, expected completion date February/March 2022</p> <p>De-commissioning of network infrastructure can only commence when all departments have</p>

No	Rec	Audit	Recommendation	Priority	Category	Responsible Officer	Orig Due Date	Revised Due Date	Last Update
									migrated which will be at conclusion of the project.
008	241633	HR Management	Support be provided to the Wellbeing Team in relation to establishing the priority of the Healthy Mind foundation course force-wide and by making available further resources where required.	3	1	Head of Medical Services	30/11/2020		<p>08/09/2020: The wellbeing work remains a priority with this being one of a number of work streams; it is part of the Covid recovery plan in terms of when it can be scheduled.</p> <p>A summary of our wider wellbeing agenda (making reference to our Healthy Mind Initiatives) is attached for JAC member Information.</p> <p>  POD Strategy Group  Agenda 7 September :</p> <p><b>It is probable that due to Covid the original deadline of 30/11/2020 will be missed, this date will be revised in due course.</b></p>

## Appendix 2 – Recommendation Categorisation

“Priority” refers to the implementation timeline to adopt:

Description	Priority
URGENT - Fundamental Control issue on which action should be taken immediately.	1
IMPORTANT - Control issue on which action should be taken at the earliest opportunity.	2
ROUTINE - Control issue on which action should be taken.	3

“Category” refers to date revisions as per the below:

Description	Category
Recommendations - still on original due date	1
Recommendations - 1st revised due date	2
Recommendations - 2nd revised due date	3
Recommendations - 3rd revised due date	4
Recommendations - 4th revised due date	5
Recommendations - 5th revised due date	6
Recommendations - Overdue	7

**Appendix 3 – Scheduled Audits against 2020/2021 audit plan**

System	Type	Planned Quarter	Days	Revised Quarter	Current Status	Fieldwork Commencement Date	Expected Completion Date	Assurance Level
Collaborative Governance - Yr 1 Strategic Resource Planning	Appraisal	Q3	10		Scope issued	05/10/2020		
Governance - Yr 1 Collaborations	Assurance	Q2	10	Q2	APM issued	14/09/2020	21/09/2020	
Collaborative Risk Management – Mitigating Controls	Compliance	Q2	7		Fieldwork commenced	03/08/2020	04/09/2020	
Collaborative Budgetary Control	Assurance	Q3	7.5		APM issued	16/11/2020	20/11/2020	
Creditors	Assurance	Q3	6		APM issued	07/12/2020	09/12/2020	
General Ledger	Assurance	Q3	6		APM issued	12/10/2020	15/10/2020	
Payroll	Assurance	Q3	10		APM issued	16/10/2020	23/10/2020	
Pensions	Assurance	Q2	8		APM issued	21/09/2020	25/09/2020	
Treasury Management	Assurance	Q3	4	Q2	Final report issued	03/08/2020	05/08/2020	Substantial
Expenses & Additional Payments	Compliance	Q2	8		APM issued	21/09/2020	25/09/2020	
Counter Fraud	Compliance	Q2	6		APM issued	28/09/2020	01/10/2020	
HR/Workforce Management - Organisational Development	Assurance	Q1	7	Q2	Fieldwork commenced	08/09/2020	11/09/2020	
ICT - Infrastructure Review	Appraisal	Q2	8		Scope under discussion			
ICT - Change Management	Assurance	Q4	8		APM issued	11/01/2021	19/01/2021	
ICT - Data Assurance	Assurance	Q2	8		APM issued	08/09/2020	10/09/2020	
Collaborative Project Review - ACE**	Appraisal	Q4	8		Opted out			
Collaborative Project Review - Office 365	Appraisal	Q2	7.5		Fieldwork commenced	10/08/2020	26/08/2020	
Collaborative Procurement - Strategic Lead	Appraisal	Q3	5		APM issued	30/11/2020	03/12/2020	
Command Unit - Eastern Area	Compliance	Q2	8	Q3	APM issued	13/01/2021	22/01/2021	
Property Subject to Charge	Compliance	Q2	6	Q3	APM issued	07/12/2020	10/12/2020	
Collaborative Vetting of Contractors	Compliance	Q1	3	Q2	Final report issued	13/07/2020	22/07/2020	Substantial
Contract Management – (Building/ICT/Services Project)	Assurance	Q2	6	Q3/4	Scope issued			

\*\* see comment in 6



Internal Audit

FINAL

# Police and Crime Commissioner North Wales and Chief Constable North Wales Police

Summary Internal Controls Assurance (SICA) Report

**2020/21**

September 2020

# Summary Internal Controls Assurance

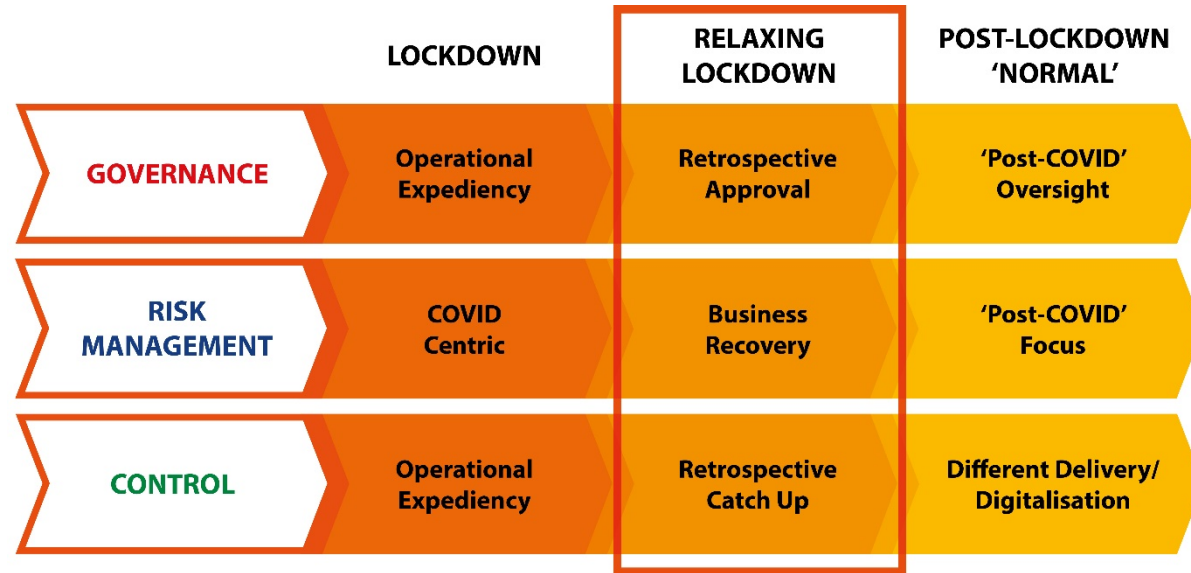
## Introduction

1. This summary controls assurance report provides the Joint Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at the Police and Crime Commissioner North Wales and Chief Constable North Wales Police as at 4<sup>th</sup> September 2020. The period covered by this summary controls assurance report was significantly impacted by the COVID 19 pandemic.

## Emerging Governance, Risk and Internal Control Related Issues

2. COVID 19 is the most significant recent event to impact both strategically and operationally upon modern day Governance, Risk and Internal Control arrangements. There will be a number of phases in relation to the move through the pandemic and each phase has different implications for the Governance, Risk and Internal Control arrangements. Based upon the information garnered from our work at number of clients some of the potential strategic impacts for 2020/21 are summarised below. A key consideration is that there is unlikely to be a precise timeline when the organisation moves from one phase to the next and also there will be a consequential timelag as the organisation adapts and adopts new ways of operating. The box in the table below signifies the approximate stages which occurred during the period covered by this SICA.

*Impact on COVID 19 on strategic focus during business interruption*



3. There are a range of operational matters arising from the COVID 19 pandemic which impact upon the Governance, Risk and Internal Control arrangements and examples of such have been summarised in Appendix A. During the COVID 19 period it would be prudent for the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police to compare the policies, procedures and internal control processes in effect during the pandemic against the policies, procedures and internal control processes in effect prior to the onset of the pandemic.. The matters identified should be risk assessed so as to gain awareness about where the undetected vulnerabilities that may exist so that an informed decision can be made around acceptance of such risks.

## Internal Control Framework

### Audits completed since the last SICA report to the Joint Audit Committee

4. Two audits from 2020/21 has been finalised since the previous meeting. The table below sets out details of the reports finalised since the previous meeting of the Joint Audit Committee.

*Audits completed since previous SICA report*

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Treasury Management	Substantial	11 <sup>th</sup> August 2020	19 <sup>th</sup> August 2020	24 <sup>th</sup> August 2020	-	-	-	-
Collaborative Review - Vetting	Substantial	11 <sup>th</sup> August 2020	3 <sup>rd</sup> September 2020	4 <sup>th</sup> September 2020	-	-	-	-

### Progress in actioning priority 1 recommendations

5. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. More information is provided in Appendix D.

### Root Cause Indicators

6. The Root Cause Indicators (RCI) have been developed by TIAA to provide a strategic rolling direction of travel governance, risk and control assessment for the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police. Each recommendation made is analysed to establish the underlying cause of the issue giving rise to the recommendation (RCI). The analysis needs to be considered over a sustained period, rather than on an individual quarter basis. Percentages, rather than actual number of reviews/recommendations made permits more effective identification of the direction of travel. A downward arrow signifies a positive reduction in risk in relation to the specific RCI. No audit work was completed in Quarter 1 in the new reporting format so no analysis can be provided for this quarter. No recommendations were raised in Quarter 2.

*RCI – Direction of Travel Assessment*

Root Cause Indicator	Qtr 1 (2020/21)	Qtr 2 (2020/21)	Qtr 3 (2020/21)	Qtr 4 (2020/21)	Medium term Direction of Travel	Audit Observation
<b>Directed</b>						
Governance Framework	N/A	N/A				As there were no recommendations there is no data to be reported here
Risk Mitigation	-	-				
Control Compliance	-	-				
<b>Delivery</b>						
Performance Monitoring	-	-				
Financial Constraint	-	-				

Root Cause Indicator	Qtr 1 (2020/21)	Qtr 2 (2020/21)	Qtr 3 (2020/21)	Qtr 4 (2020/21)	Medium term Direction of Travel	Audit Observation
Resilience	-	-				

### Progress against the 2020/21 Annual Plan

- COVID 19:** The progress against the planned work for the quarter has been disrupted by the COVID pandemic. In mid-March, when the potential scale and impact of COVID 19 was becoming evident it was agreed with North Wales Police that the delivery of the internal audit service would be carried out remotely thereby minimising the need to physically access North Wales Police’s offices/premises and to hold face to face meetings. There was an initial delay in commencing fieldwork but we are satisfied that the plan is on track to be delivered by 31<sup>st</sup> March 2021. Following discussions with the senior management at North Wales Police it has been agreed that some work may be undertaken on site as required and subject to the appropriate risk assessments.
- Our progress against the Annual Plan for 2020/21 is set out in Appendix C.

### Changes to the Annual Plan 2020/21

- We will keep the Annual Plan under review and where appropriate will highlight areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2020/21.

### Frauds/Irregularities

- We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

### Other Matters

- We have issued a number of briefing notes and fraud digests, shown in Appendix E, since the previous SICA report. The actions taken by the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police are summarised below:

*Action taken by the Police and Crime Commissioner North Wales and the Chief Constable North Wales Police in response to Alerts issued by TIAA*

Briefing Note	Management Response
Guide for Audit Committees on Financial Reporting and Management during Covid-19	Management have co-ordinated responses for the JAC Meeting
NIAO Whistleblowing Guidance	
Cyber Threats using the COVID-19 Pandemic	
Fraud Alert	Management Response
Business Directory Scam	Management have co-ordinated responses for the JAC Meeting



12. We have reviewed recent guidance issued by the Internal Audit Standards Advisory Board (IASAB) in relation to internal auditing during the COVID-19 pandemic. The guidance aims to support heads of internal audit and individual internal auditors in continuing to meet their personal and professional responsibilities for conforming the UK Public Sector Internal Audit Standards (PSIAS). We can confirm continued conformance with the professional standards during this period.

### Responsibility/Disclaimer

13. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

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## Covid 19 – Governance, Risk and Control considerations during ‘lockdown’ phase

Area	Possible assurance from internal audit
<p><b>Governance:</b> The speed of the need to respond to COVID 19 has significantly impacted on the strategic governance infrastructure:</p> <ul style="list-style-type: none"> <li>• Urgent decisions taken for urgent operational reasons which would normally have gone through Board review and approval</li> <li>• Extension and rollover of procurement contracts</li> <li>• Disruption to management information received by the Board</li> <li>• Operational necessity for management dispensation to scheme of delegation and financial regulations</li> <li>• Move to remote working for reactive operational expediency reasons, rather than as part of a pre-planned strategy</li> </ul>	<p><b>Covid-19 Financial Governance:</b> A review of financial governance and decision making following the business interruption caused by Covid-19, including assessing the accountability for additional spend on Covid-19 related activity.</p>
<p><b>Risk Management:</b> The markers which differentiate COVID 19 pandemic from most business resilience/recovery plans are:</p> <ul style="list-style-type: none"> <li>• Speed of major disruption to business as usual did not permit normal level of preparation</li> <li>• International as well UK-wide, not local</li> <li>• Level of government intervention</li> <li>• Duration and severity</li> <li>• Move to medium term remote working arrangements by staff and suppliers</li> <li>• Consequential impact upon all the previous strategic risks</li> </ul>	<p><b>Business as Usual Resumption Arrangements:</b> Targeted post-event risk mitigation assessment to identify any unintentional gaps in the risk management framework.</p>
<p><b>Internal Control:</b> COVID 19 has provided the perfect storm both in a positive as well as negative manner. The positive aspects are the expeditious embracing of digital business delivery. It is recognised that a number of government and/or regulatory guidance requirements were issued at short notice and many of these were without the normal consultation and similar. On a negative basis the following need to be recognised:</p> <ul style="list-style-type: none"> <li>• Suppliers and contractors being unable to deliver contracted services</li> <li>• Increased digitalisation introduced at very short notice increases information governance risks</li> <li>• Temporary compromise of effective segregation of duties due to staff absences and/or remote working etc</li> <li>• Fraudsters seeking to take advantage of COVID disruption</li> <li>• Deferment and/or reprioritisation of services</li> <li>• Sudden and significant change in demand patterns for services</li> </ul>	<p><b>COVID-19 Business Interruption Controls Framework:</b> To review the control environment in relation to policy and process design or temporary re-design, taking into account the heightened risk of fraud and changes to ways of working.</p> <p><b>Accountability for Additional COVID-19 Funding:</b> Revisiting the control framework for when emergency payments shift into longer term services – especially where large sums are invested.</p>

## Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Joint Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report has been presented to the Joint Audit Committee and therefore is not included in this Appendix.


Review	Evaluation
Treasury Management.	Substantial
Collaborative Review - Vetting	Substantial


## Progress against Annual Plan


System	Planned Quarter	Current Status	Comments
<b>Collaborative – Pan Wales</b>			
Risk Management – Mitigating Controls	2	Site work commenced 3 <sup>rd</sup> August 2020	
Vetting of Contractors	2	Final report issued 4 <sup>th</sup> September 2020	Lead Force –North Wales Police
Collaborative Project Review – Office 365 (part of National Enabling programme)	2	Site work commenced 27 <sup>th</sup> July 2020	
Collaborative Budgetary Control	3	Planned for 6 <sup>th</sup> November 2020	APM issued
Procurement	3	Planned for 23 <sup>rd</sup> November 2020	1 <sup>st</sup> draft APM issued – It has been agreed that North Wales will be considered separately from the collaborative audit which is focusing on the Joint Procurement Unit that is being established in South Wales.
Strategic Resource Planning	3	Planned for 5 <sup>th</sup> October 2020	The scope of the audit requires input from the Joint Finance and Resources Group.
Collaborative Project Review – Early Action Together (Adverse Childhood Experiences ACES Project)	2 4	Planned for 11 <sup>th</sup> January 2021	North Wales Police have decided not to participate in this review as the project is no longer funded. An alternative option – Cyber Security of Pensions has been suggested.
Liaison with Audit Wales	1-4		
<b>North Wales Only</b>			
Governance – Collaborations	1	Planned for 14 <sup>th</sup> September 2020	
Counter Fraud – Anti-Fraud Procurement	1	Planned for 28 <sup>th</sup> September 2020	APM issued
Organisational Development	1	Planned for 7 <sup>th</sup> September 2020	APM issued
Pensions	2	Planned for 21 <sup>st</sup> September 2020	APM issued
Expenses and additional payments	2	Planned for 21 <sup>st</sup> September 2020	APM issued

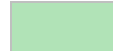
System	Planned Quarter	Current Status	Comments
Infrastructure Review	2	Planned for 14 <sup>th</sup> September 2020	Planning meeting agreed w/c 9 <sup>th</sup> September 2020
Data Assurance	2	Planned for 7 <sup>th</sup> September 2020	APM issued
Contract Management	2	Planned for 17 <sup>th</sup> August 2020	Contracts awaiting confirmation
Eastern Area – Command Unit	2 4	Planned for 28 <sup>th</sup> September 2020	APM issued – Audit to be deferred to January 2021
Property Subject to Charge	2	Planned for 7 <sup>th</sup> December 2020	APM issued
Treasury Management	3	Final report issued 24 <sup>th</sup> August 2020	
General Ledger	3	Planned for 12 <sup>th</sup> October 2020	APM issued
Payroll	3	Planned for 16 <sup>th</sup> October 2020	APM issued
Creditors	3	Planned for 7 <sup>th</sup> December 2020	APM issued
ICT Change Management	4	Planned for 11 <sup>th</sup> January 2021	APM issued
Collaborative approach	1-4	See above	
Follow-up	4	Planned for 8 <sup>th</sup> February 2021	
Contingency	1-4		
Annual Planning	1		
Annual Report	4		
Management	1-4		

**KEY:**

 To be commenced

 Site work commenced

 Draft report issued

 Final report issued

## Priority 1 Recommendations - Progress update

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
There are no Priority 1 recommendations						

**KEY:**

**Priority Gradings 1**

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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**Risk Mitigation**

	<b>CLEARED</b>	Internal audit work confirms action taken addresses the risk exposure.		<b>ON TARGET</b>	Control issue on which action should be taken at the earliest opportunity.		<b>EXPOSED</b>	Target date not met & risk exposure still extant
--	----------------	--	--	------------------	--	--	----------------	--

## Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk, Control and Counter Fraud which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs and Fraud Alerts issued in the last three months which may be of relevance to North Wales Police is given below. Copies of any CBNs are available on request from your local TIAA team.

### Summary of recent Client Briefing Notes (CBNs)

CBN Ref	Subject	Status	TIAA Comments
CBN20019	ICO Online Self-Assessment Toolkit for FOIs		<b>Action Required Not Urgent</b> Audit Committees and Boards/Governing Bodies are advised to consider utilising the toolkit and to update their GDPR compliance plan according to the results of the self-assessment.
CBN20012	NIAO whistleblowing guidance		<b>Action Required</b> Organisations should review the contents of these guides, in particular the self-assessment checklist, and incorporate the guidance within their Whistleblowing policies and procedures.
CBN -20009	Guide for Audit Committees on Financial Reporting and Management during Covid-19		<b>Action Required Not Urgent</b> Audit Committees are advised to consider the guidance in the context of current and shorter-term financial reporting. They may also wish to review the assurance they require on how Covid-19 has impacted on the control environment, financial regularity and the potential for fraud

### Summary of recent Fraud Alerts

Ref	Subject	Status	TIAA Comments
0000	Business Directory Scam		<b>Action Required</b> This alert provides information and advice about fraud and economic crime that may occur during the pandemic, and the risks associated with it. Scams should be reported to Action Fraud: <a href="http://www.actionfraud.police.uk">www.actionfraud.police.uk</a> or 0300 123 2040.

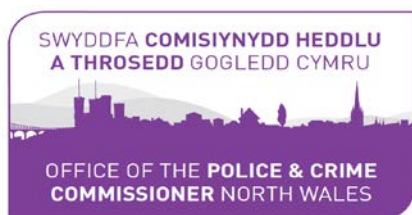




**Joint Audit Committee**

**Meeting Date: 5<sup>th</sup> October 2020**

<b>Title:</b>	Risk Management Report (Open Session)
<b>Author:</b>	Neil T. Ackers, Risk and Business Continuity Lead
<b>Purpose of the report:</b>	To provide the Joint Audit Committee with an overview of risk management within the Force
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• Details of Risks recorded on the Force Risk Register that are Live up to 06/09/20 including Risks Closed, Changes</li> <li>• Summary of Risks Recorded on Force COVID19 Risk Register</li> <li>• Redacted Risk 58 Deep Dive</li> <li>• Assurance Mapping</li> <li>• Training</li> <li>• Internal Comms</li> <li>• Meetings with JAC Risk Lead</li> <li>• Review of Risk Management Processes</li> <li>• Layout of JAC Risk Report</li> <li>• Risk Audit by TIAA</li> </ul>
<b>Recommendations:</b>	None
<b>Risk Register Impact:</b>	This report is based on details recorded on both the Force Risk Register and the COVID19 Risk Register
<b>Assurance Implications:</b>	This report is directly relevant to the development of assurance in North Wales Police
<b>Equality Impact:</b>	None
<b>Information Exempt from Disclosure:</b>	Separate closed session report submitted



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## JOINT AUDIT COMMITTEE

### RISK MANAGEMENT REPORT - 5<sup>th</sup> OCTOBER 2020 OPEN SESSION

#### REPORT OF THE NORTH WALES POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE

#### 1. INTRODUCTION

The purpose of this report is to provide an update on the organisational Risk Management process and allow oversight of the status of North Wales Police and Crime Commissioner and North Wales Police Risks and is based on information received and recorded by 6<sup>th</sup> September 2020 on Force Risk Register version 5.141 and COVID19 Risk Register 0.27.

Project Risks are managed separately within the Portfolio Management Office; however those that require Force attention are escalated to the Force Risk Register through an agreed process.

#### 2. RISK SUMMARY

Since the last Joint Audit Committee (JAC) we continue to develop our approach to embedding Risk Management across the Organisation. This involves greater interaction with the Risk Leads/Owners and regular reviews of all Risks on the Registers.

There continues to be networking with other Force Risk Managers to seek out best practice and engagement through Regional Risk Meetings.

**Table 1: - NWP Risks on the Force Risk Register 30<sup>th</sup> June 2020 – 6<sup>th</sup> September 2020**

	Previous Total	Risks Closed in this period	New Risks in this period	Risks transferred to COVID19 Register	Risks transferred from COVID19 Register to Force Risk Register	Current NWP Risks Total
<b>Critical</b>	2	0	0	0	0	3
<b>High</b>	16	0	3	0	0	19
<b>Medium</b>	0	0	1	0	0	2
<b>Low</b>	0	0	0	0	0	0
<b>Negligible</b>	0	0	0	0	0	0
<b>*Undefined</b>	2	0	0	0	0	0
<b>Total</b>	20	0	4	0	0	24

\* Undefined are risks which are awaiting completion of the Risk Template by the Risk Lead/Owner

**Table 2: - OPCC Risks Force Risk Register 30<sup>th</sup> June 2020 – 6<sup>th</sup> September 2020**

	Previous total	Closed in this period	New in this period	Changed Risk Level	Current NWP Risks Total
<b>Critical</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>High</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Medium</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Low</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Negligible</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

**3. AMENDMENT TO FORCE RISK REGISTER SINCE LAST REPORT**

Risk 50 Recruitment of Inspector into the Force Incident Manager (FIM) Role was closed and removed in error but has been reinstated to Force Risk Register

**4. NEW RISKS RECORDED ON FORCE RISK REGISTER SINCE LAST REPORT**

Risk 64 – REDACTED FOR CLOSED SESSION

Risk 65 – REDACTED FOR CLOSED SESSION

Risk 66 – REDACTED FOR CLOSED SESSION

Risk 67 – REDACTED FOR CLOSED SESSION

**5. RISKS CLOSED FROM FORCE RISK REGISTER SINCE LAST REPORT**

There has been no Risks Closed on the Force Risk Register since the last report

**6. RISK CHANGES ON FORCE RISK REGISTER SINCE LAST REPORT**

Risk 9 - Adequacy of financial resources. The likelihood of this Risk has increased and can be attributed to COVID19. The Risk has been amended from Static to a Dynamic Risk to ensure monthly reviews of the situation

Risk 13 - Inadequate financial resources to deliver service plans. This Risk aligns with Risk 9 and the likelihood of this Risk has increased and can be attributed to COVID19. The Risk has been amended from Static to a Dynamic Risk to ensure monthly reviews of the situation

Risk 55 - FHQ Backup Power Generator and Uninterrupted Power Supply (UPS) has lowered its present Risk Level from Medium to Low as all works have been completed.

**7. Table 3: - Covid19 Force Risk Register 30<sup>th</sup> June 2020 – 6<sup>th</sup> September 2020**

There are currently 11 Risks on the Force COVID19 Risk Register which will only be reported to JAC by exception.

	Previous total	Closed in this period	New in this period	Changed Risk Level	Current COVID19 Risks Total
<b>Critical</b>	0	0	0	0	0
<b>High</b>	3	1	4	0	6
<b>Medium</b>	1	1	2	0	2
<b>Low</b>	0	0	3	0	3
<b>Negligible</b>	0	0	0	0	0
<b>*Undefined</b>	0	0	0	0	0
<b>Total</b>	4	2	9	0	11

**8. RISK DEEP DIVE**

Risk 58 REDACTED FOR CLOSED SESSION

**9. DEVELOPMENTS REGARDING RISK MANAGEMENT**

**10.1 ASSURANCE MAPPING UPDATE**

The Assurance Mapping Briefing Document has been ratified and a copy provided to the JAC Risk Lead. This document is circulated to SMT's prior to undertaking the exercise with the Assurance Team.

It was agreed by the Force Senior Management Board to delay the start of the Assurance Mapping roll out due to Covid19 and other mitigating circumstances.

The roll out has recommenced in September with Corporate Services. From October 2020 the proposed SMT schedule to undertake the Assurance Mapping exercise is:

- Professional Standards
- Crime Services
- Local Policing
- Operational Support Services

Dependent on circumstances, All SMT's and identified Department Heads will have been visited by members of the Assurance Team either face to face or online to complete their respective Maps by September 2021.

Two members of the Assurance Team have been enrolled on a 'Chartered Institute of Internal Auditors' Assurance Mapping and co-ordination Course in March 2021.

## **10.2 TRAINING**

Risk Management Training for key members of staff has been identified as requiring attention.

Training input is being registered with Learning and Development, and a business case for dedicating staff time submitted to Head of Training for consideration and approval by the Learning and Development Commissioning Panel.

Risk Management Training webinars are continuing to be explored with our Force Insurers, as part of our contract, to assist with filling this gap. Due to social distancing restrictions, it is proposed these may be delivered in 2 phases online.

### **Phase 1 (1 hour input)**

This would be a strategic snapshot for ALL Chief Officers, Staff Officers, Chief Supt's, Supt's and Assistant Directors.

### **Phase 2 (3 x 2 hour inputs over a 2-3 week period)**

This input is designed for C/Insp.'s, Insp.'s and Police Staff equivalents and PA's.

A decision has been made to delay the delivery of the Risk Management Training until 2021. This will ensure the training delivered will be bespoke and relevant to NWP.

## **10.3 INTERNAL COMMS**

Arrangements have been made with the Police Federation Office for an Article to be published in future editions of their Magazine on Risk Management and other areas managed by the Assurance Team. It is hoped UNISON will engage in a similar process.

Work continues with the Web Design Team to create an Assurance Team Web Site where Risk Management information, guidelines, training documents and other helpful features will be accessible to all members of the organisation.

## **10.4 MEETINGS WITH JAC RISK LEAD**

The one to one meetings with the JAC Risk Lead are proving to be extremely beneficial ensuring focus on areas of previous concern. The following are some examples where changes have been adopted:

- Risk Description
- Risk Scoring based on Impact and Likelihood
- Risk Closure

## **10.5 REVIEW OF RISK MANAGEMENT PROCESSES**

A full review is currently underway of all of our Risk Management Processes including the Risk Management and Assurance Mapping Framework Document. The report is expected to be complete during October 2020.

## **10.6 FUTURE JOINT AUDIT COMMITTEE RISK REPORTS**

This was discussed with the JAC Risk Lead on 28/08/20 and it was agreed the Risk Highlight Report would continue in its current format of OPEN and CLOSED sessions, however only Redacted Risks by exception will be reported in the CLOSED session.

### **10.7 RISK AUDIT BY TIAA**

TIAA are currently undertaking a Risk Management audit across all Welsh Forces on 2 Risks recorded on Force Risk Registers. The selected Risks were:

- COVID19 Recovery Plan – Selected by TIAA as a common Risk across all Welsh Forces.
- Encryption of discs sent to CPS – Selected by North Wales Police as a Risk rich with evidence and the Risk level managed down.

**10. FORCE RISK REGISTER AS AT 06/09/2020**

URN	Risk Title	Risk Levels			Risk Type	Last Review
		Before Controls	Current	Target		
3	RMS Legacy Database	High	Med (Force)	Low	Static	17/06/2020
5	IT Infrastructure investment	High	Low	Low	Static	11/06/2020
9	Adequacy of financial resources	Critical	High	Med (Force)	Dynamic	12/08/2020
10	REDACTED	High	Med (Force)	Low	Static	04/06/2020
11	REDACTED	High	Med (Force)	Negligible	Static	12/08/2020
13	Inadequate financial resources to deliver service plans	Critical	High	Med (Force)	Dynamic	05/06/2020
14	Risk of loss of money invested on the money market	Critical	Low	Low	Static	05/06/2020
19	REDACTED	High	Low	Low	Dynamic	25/06/2020
38	Potential impacts (uncertainty) of EU Exit	High	Low	Low	Dynamic	12/08/2020
46	REDACTED	High	High	Med (Force)	Static	09/06/2020
47	Ability to Integrate Uplift Officers	High	Med (Force)	Low	Dynamic	27/08/2020
50	Recruitment of Insp into the FIM Role	Med (Force)	Med (Force)	Med (SMT)	Static	30/07/2020
51	REDACTED	High	Med (Force)	Low	Dynamic	07/08/2020
53	REDACTED	High	High	Med (Force)	Static	01/06/2020
54	REDACTED	High	Med (SMT)	Low	Dynamic	05/08/2020
55	HQ Backup Power Generator and Uninterrupted Power Supply (UPS)	High	Low	Low	Dynamic	02/09/2020
57	Emergency Service Network (ESN)	High	High	Low	Static	13/05/2020
58	Command and Control Upgrade	High	Med (Force)	Low	Dynamic	28/08/2020
59	REDACTED	High	Low	Low	Static	11/06/2020
60	REDACTED	High	Med (Force)	Med (Force)	Static	26/06/2020
63	Pandemics	Critical	High	Med (Force)	Static	02/09/2020
64	REDACTED	Med (Force)	Med (Force)	Low	Dynamic	13/08/2020
65	REDACTED	High	High	Med (Force)	Dynamic	09/09/2020
66	REDACTED	High	Med (SMT)	Low	Dynamic	07/08/2020
67	REDACTED	High	Med (Force)	Low	Dynamic	18/08/2020

**\*Undefined – Awaiting completion of Risk Template from Risk Owner**



**Joint Audit Committee**

**Meeting Date: 05<sup>th</sup> October 2020**

<b>Title:</b>	Value for Money Presentation
<b>Author:</b>	Seb Phillips, Director of Finance & Resources & Guto Edwards, Head of Finance
<b>Purpose of the report:</b>	To provide the Joint Audit Committee with a summary of the Value for Money framework that operates within NWP including practical examples of the framework working in practice.
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	Key points summarised in the presentation are that: <ul style="list-style-type: none"><li>• NWP have a VFM Framework and the Annual Planning Cycle is a key event to focus the organisation around the VFM agenda.</li><li>• NWP has a track record of delivering significant savings successfully over a number of years.</li><li>• The latest challenge facing the organisation is different; pursuing savings whilst also looking to accommodate growth via Uplift officers.</li><li>• NWP have VFM processes in place and plenty of practical examples to go with them that range from large &amp; structured to small &amp; ad hoc.</li><li>• Continually re-enforcing VFM culturally as something to always strive for is key to ensuring the framework keeps working effectively.</li></ul>
<b>Recommendations:</b>	None
<b>Risk Register Impact:</b>	None
<b>Assurance Implications:</b>	This report is directly relevant to providing Assurance that NWP have a Value for Money framework which is practically delivering savings for the organisation.
<b>Equality Impact:</b>	None
<b>Information Exempt from Disclosure:</b>	All content in <b>Open</b> Session





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# Value for Money

## Joint Audit Committee Briefing

Oct20



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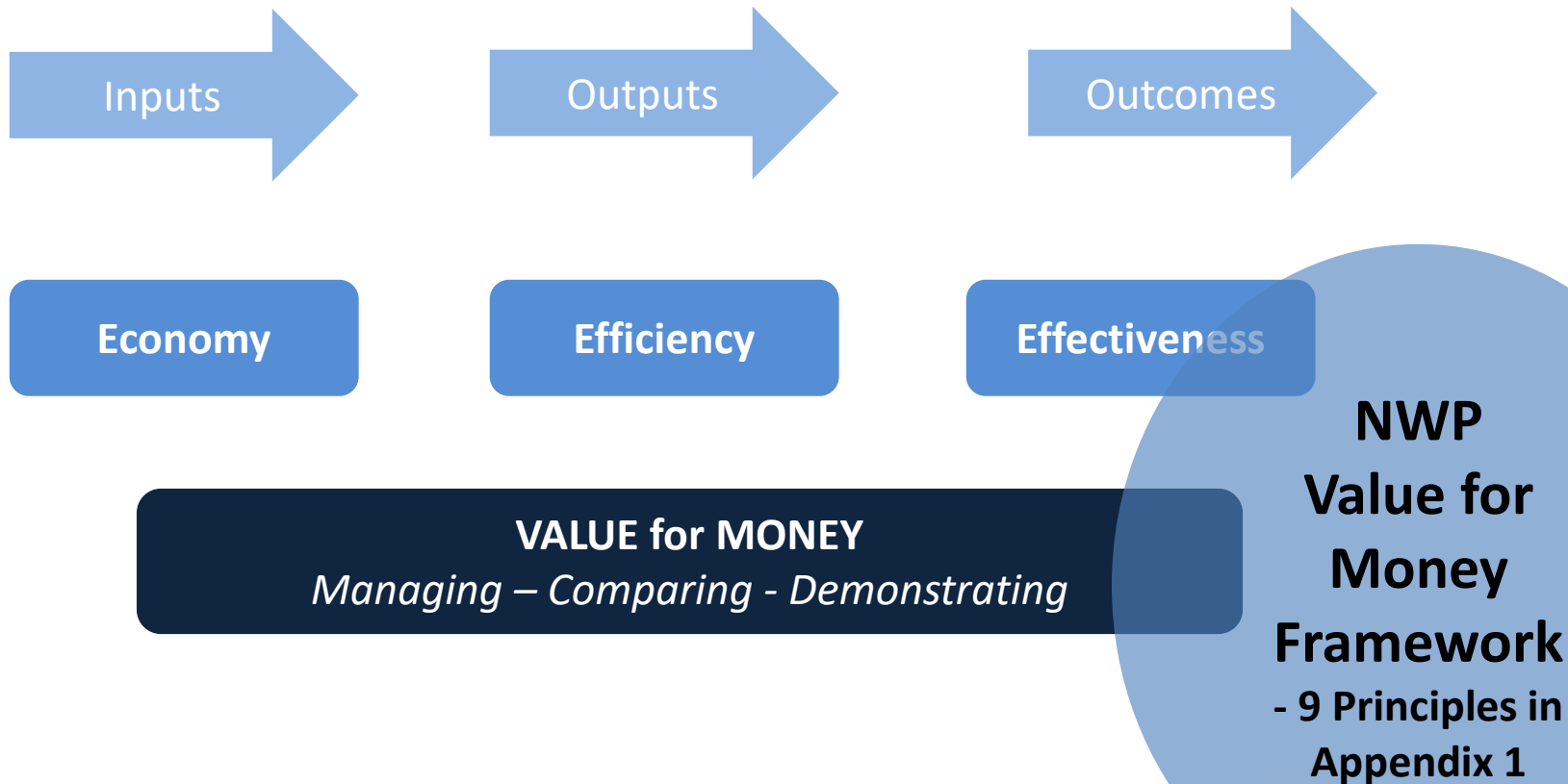
# Contents

- Defining VFM
- The Strategic Planning Cycle
- Supporting Management Systems
- Track record & Current ask
- Practically embedding VFM to what we do
- Demonstrating VFM - Examples
- Summary

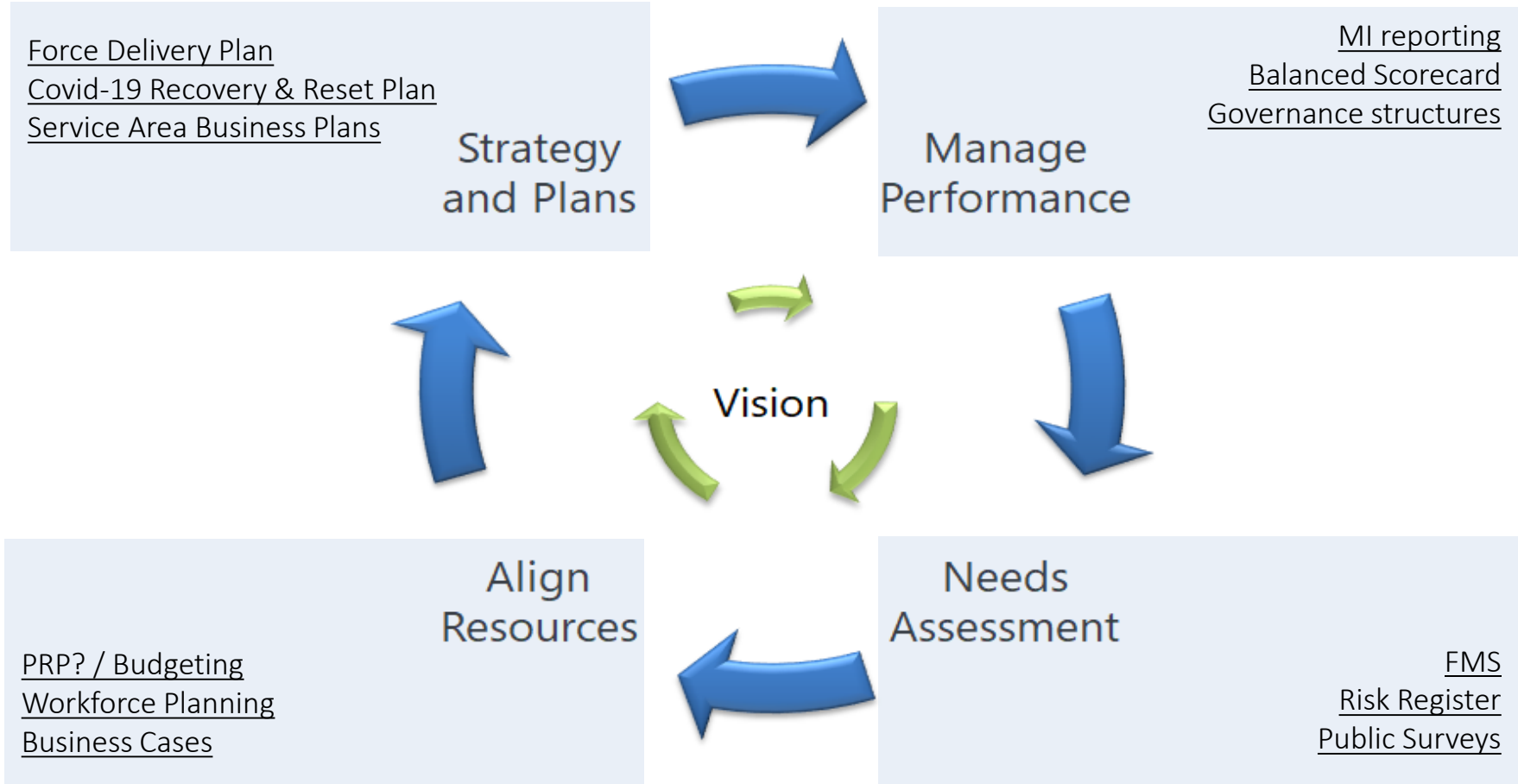


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# Defining Value for Money

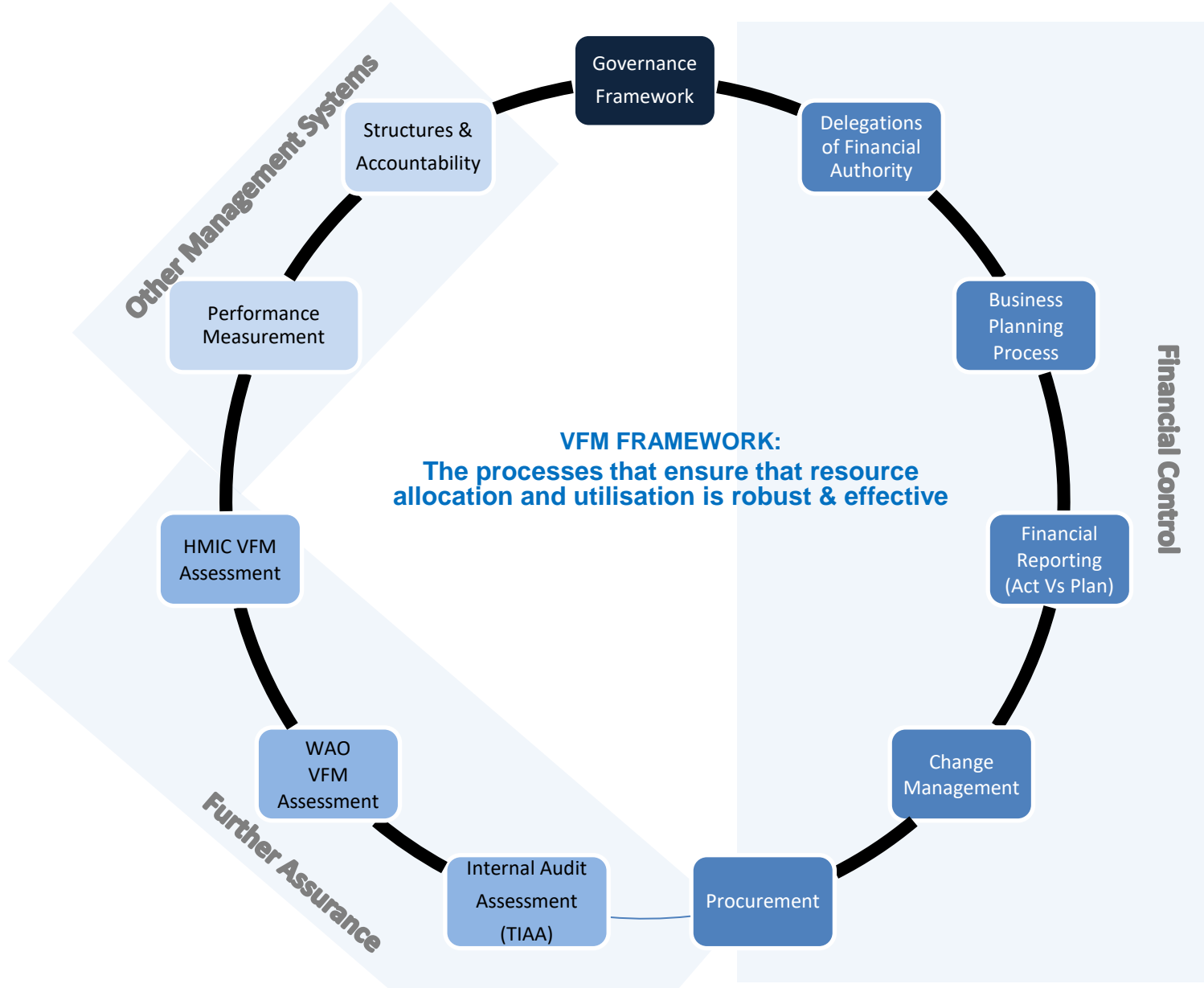


# The Strategic Planning Cycle at the heart of our VFM processes



**An effective strategic planning process helps us to allocate the right resources to the right areas... ..and encourages us to make best use of them.**

# VFM – The NWP Management Systems



# VFM – NWP Track Record on Savings

The last 9 years...

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Cuts Made	£4.678m	£6.016m	£4.634m	£4.325m	£4.448m	£2.838m	£2.686m	£1.479m	£1.927m

Uncertainty means further challenging asks this year...

c1% / £1.6m -  
Stand still

- We Must

c1% / £1.6m -  
Improve

- We Should

c1% / £1.6m -  
Preparedness

- We may need to?

**The planning cycle should place an emphasis on continuous improvement / continually striving**

# NWP – Practically embedding VFM to what we do

PCC Manual of Governance

CC Scheme of Delegation

CC Strategic Planning / Delegation letters to budget holders

Finance System Disciplines & Controls (incl . Procurement)

Actual Vs Budget, Forecast, Prior Year – Budget Holder to Force

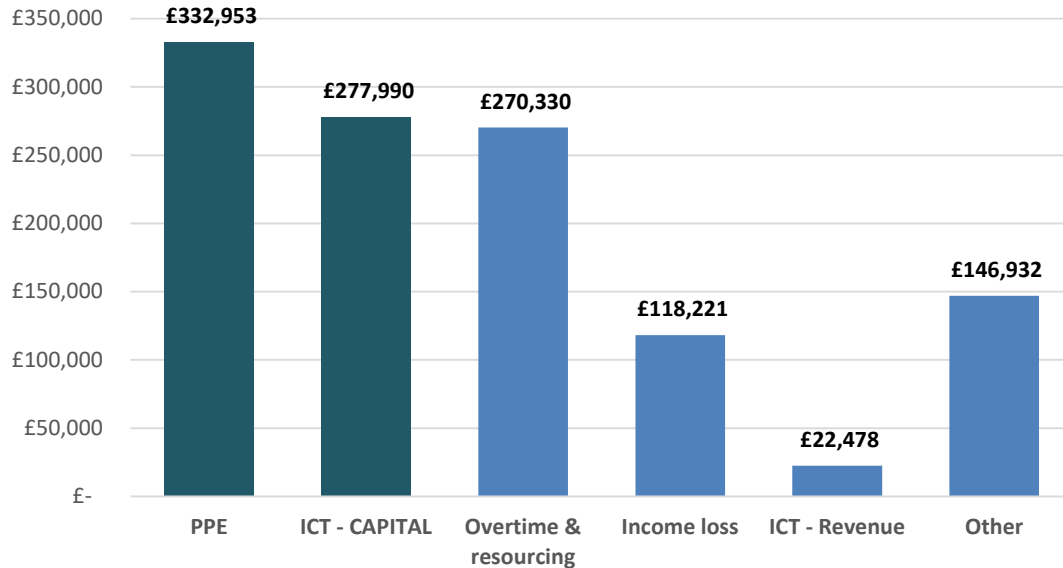
Business Case approval via SLT/SMB for key change events

Supporting management systems – Corp Fin / BMs, Performance, HMIC, WAO, etc.

# Demonstrating VFM – Practical Examples – COVID-19

(a reminder from T/ACC Harrison's Jul20 slides)

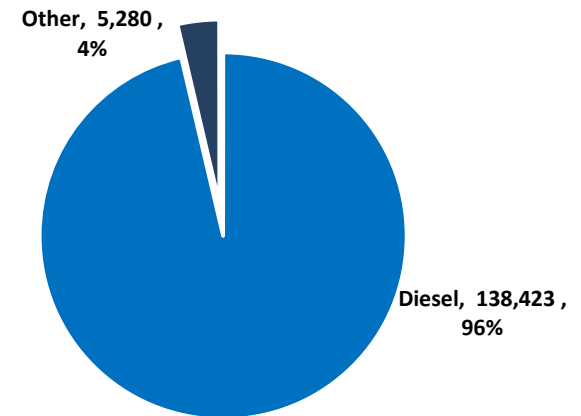
£1,168K Analysis of Cost by Type



- PPE likely to be reimbursed
- ICT Capital essentially an acceleration
- Question marks over ongoing costs / loss of income

- Significant drop in Oil price / Fuel price
- Some reduction in consumption.
- Q1 Projections to year end will give a clearer view

Covid-19 Savings by Cost Type £144k



**So, lots of uncertainty but with regular scrutiny taking place**



# Demonstrating VFM – Practical Examples - Projects

OIP Review – WAO 'Good Practice' (see Appendix 2.0)

Tri-force Niche – BAU – Tri Force Collaboration

Insourcing Forensics – North West Collaboration

2 in 1 Laptop device allocation – Covid-19 Gold

Pensions Tender & Pensions Hub – All Wales - Collaboration

# Demonstrating VFM – Practical Examples – Ad hoc

Business Managers at the centre of ensuring VFM, reviewing working practices and ensuring VFM in contracts, some recent examples:

**Unlocking mobile phones** – ever increasing, instigated a move from paying per to combination of insourcing and contracts saving £25k p.a

LPS have targeted **overtime and other discretionary** spend budgets for saving and making better use of the amounts available. Combination of additional delegation, reporting, support potentially resulting in saving of up to £200k p.a

**Smaller initiatives all add up** – 1<sup>st</sup> Aid payments; Travel Claims; Sgt Training re OT; Custody costs – train, taxis, tracksuits all looked at in last 6 months in LPS

**Ways of working** – numerous example from COVID, further reduction of printing in Justice Services reducing paper and printing costs – involves agreed processes with CJ partners.

**Various procurement contracts** – reduced rates or rebates due to volume and price changes in contracts – Vehicle Recovery, Fuel, Utilities 2020-21 £60k



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# Summary

- We have a VFM Framework and the Annual Planning Cycle is a key event to focus minds around the VFM agenda.
- NWP has a track record of delivering significant savings successfully.
- The latest challenge is slightly different; pursuing savings whilst also looking to accommodate growth via Uplift.
- We have processes in place and plenty of practical examples to go with it ranging from large / structured to small / ad hoc.
- Continually re-enforcing VFM culturally as something to always strive for is key.



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Questions?



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# Appendix 1.0 – NWP VFM Framework Principles

1. Budget: To identify and respond to opportunities that will enhance the economy, efficiency and effectiveness of all activities.
2. Budget: To deliver a Policing Service in a way that delivers best overall value.
3. Budget: To demonstrate that Value For Money and other benchmarking comparisons have taken place and are taken into account in making decisions on the allocation of resources.
4. Budget: To have a consistent Force wide approach to Value for Money.
5. Budget: To ensure that all officers and staff recognise their continuing obligation to seek value for money for North Wales Police and the public in the provision of a Policing Service.
6. Budget: To provide leadership, direction and information to officers and staff to enable the right choices to be made at all times.
7. Savings: To identify savings that can be made on a recurring basis.
8. Procurement: To have a standard approach to procurement based on a competitive frame work and detailed standards that ensures consistency, compliance with regulations, efficiency and economy across all type of procurement.
9. Audit: To have in place a Joint Audit Committee with the PCC and an Internal Audit process that review systems and processes, and act as a critical friend, so that the value for money objectives are achieved in the most economic and efficient manner.

## LPS PC and Sergeant Review

- Efficient and evidenced based deployment of staff
- SGT to PC ratio
- Demand from crime management

### THE PROPOSAL

To deal with the additional demand there are options regarding district boundaries and associated shift patterns. The two options being put forward as workable models are below.

FTE with each model	RESPONSE INVESTMENT PER MODEL		
Role	Baseline Budget	x4 Teams / 8 District	x4 Teams / 10 District
Inspector	10	10	10
Sergeant	76	83	81
Constable	529	521	533
<b>Totals</b>	<b>615</b>	<b>614</b>	<b>624</b>

Model	Baseline Budget	x4 Teams / 8 District	x4 Teams / 10 District
Baseline Budget	£28,436 k	£28,461 k	£28,910 k

x4 Teams / 8 District				x4 Teams / 10 District			
Ranks	Budget FTE	4 Team Pattern Proposal	FTE Savings	Ranks	Budget FTE	4 Team Pattern Proposal	FTE Savings
Area Inspector	10	10	0	Area Inspector	10	10	0
District Support SGT	10	8	-2	District Support SGT	10	10	0
Patrol Sergeants	62	72	10	Patrol Sergeants	62	68	6
Patrol Constables	504	498	-6	Patrol Constables	504	510	6
Enquiry Constables	2	0	-2	Enquiry Constables	2	0	-2
PCT Sergeants	4	3	-1	PCT Sergeants	4	3	-1
PCT Constables	23	23	0	PCT Constables	23	23	0
<b>Total</b>	<b>615</b>	<b>614</b>	<b>-1</b>	<b>Total</b>	<b>615</b>	<b>624</b>	<b>9</b>

## NPT Review

### THE PROPOSAL

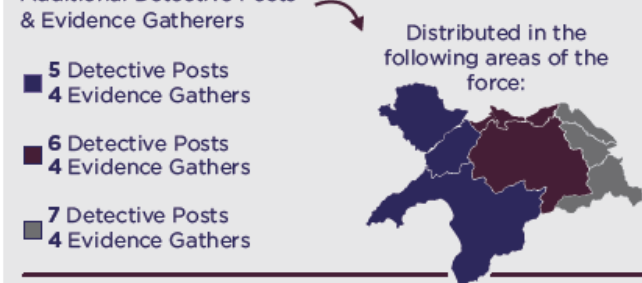


Following the reduction in numbers, NWP would be 10<sup>th</sup> in overall investment out of 41 forces and remain in the top quartile



## Investigative Review

### THE PROPOSAL



**VulnerabilITy**  
integrated pathway

## Custody Review

- ROTA x4** 4 Team Pattern Proposal
- A fair and open succession plan for the selection and retention of Custody Sergeants
- Revised training programme
- Discontinue with the 'test on arrest' in Wrexham Custody

## Occurrence Management Review

- 9.7 hours** A median crime recording time of 9.7 hours – compliant with the Home Office 24 hour requirement
- Breach of Serco (EMS) are now owned by PNC – LPS are no longer sent duplicate tasks for breaches
- Live force occurrences have reduced from 29,000 (July 18) to 22,000 (October 18) **7000**

## Proposed Savings based on Recommended Options

<b>Financial Summary</b>			
Work Stream	18-19 Budget (£'000)	Proposed Budget (£'000)	Saving
<b>i. Financial Savings</b>			
a. Response	28,436	28,919	483
b. NPT	12,046	9,001	-3,046
c. Custody Review	4,231	4,141	-90
d. IST Review	1,228	816	-412
e. Investigative Review	10,609	10,609	0
e. Investigative Review (MTFP Growth)	1,550	1,448	-102
<b>Total Financial Savings</b>	<b>58,101</b>	<b>54,933</b>	<b>-3,168</b>
<b>ii. Cost Avoidance</b>			
c. Custody Review	250	0	-250
d. IST Review	176	0	-176
<b>Total Cost Avoidance</b>	<b>425</b>	<b>0</b>	<b>-425</b>
<b>Total Financial Savings and Cost Avoidance</b>	<b>58,526</b>	<b>54,933</b>	<b>-3,593</b>

Recommended Options provide:

- Financial Savings of £3.168 million
- Cost Avoidance of £0.425 million

## Proposed Savings based on Recommended Options

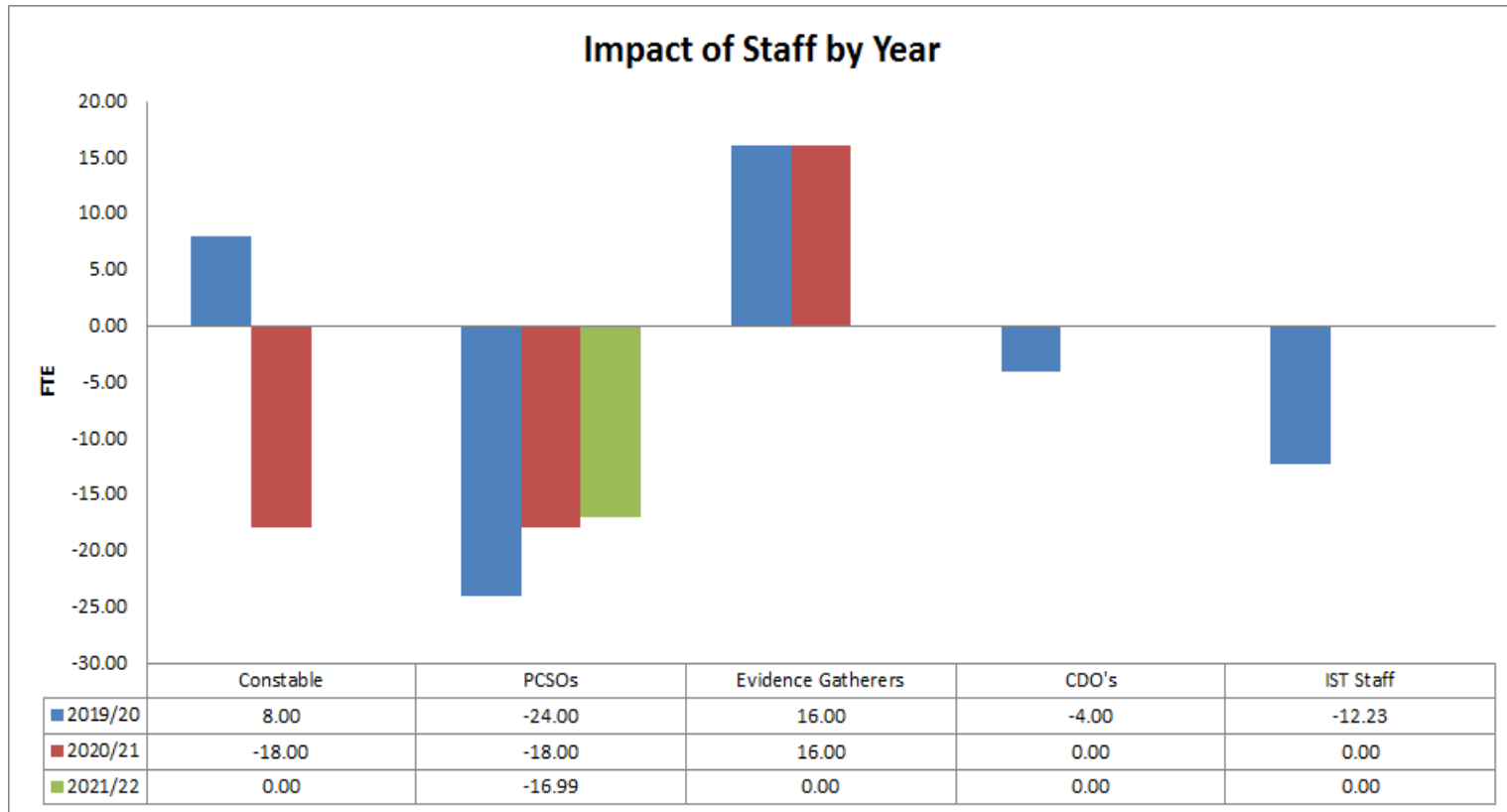
<b>Financial Summary</b>			
Work Stream	18-19 Budget (£'000)	Proposed Budget (£'000)	Saving
<b>i. Financial Savings</b>			
a. Response	28,436	28,919	483
b. NPT	12,046	9,001	-3,046
c. Custody Review	4,231	4,141	-90
d. IST Review	1,228	816	-412
e. Investigative Review	10,609	10,609	0
e. Investigative Review (MTFP Growth)	1,550	1,448	-102
<b>Total Financial Savings</b>	<b>58,101</b>	<b>54,933</b>	<b>-3,168</b>
<b>ii. Cost Avoidance</b>			
c. Custody Review	250	0	-250
d. IST Review	176	0	-176
<b>Total Cost Avoidance</b>	<b>425</b>	<b>0</b>	<b>-425</b>
<b>Total Financial Savings and Cost Avoidance</b>	<b>58,526</b>	<b>54,933</b>	<b>-3,593</b>

Recommended Options provide:

- Financial Savings of £3.168 million
- Cost Avoidance of £0.425 million



## Profile of Staff Impact





### Joint Audit Committee

Meeting Date: 05<sup>th</sup> October 2020

<b>Title:</b>	National Audit Office – Financial Reporting & Management during Covid-19 - Scrutiny Questions - Summary of Key Themes Emerging
<b>Author:</b>	Seb Phillips, Director of Finance & Resources
<b>Purpose of the report:</b>	To provide the Joint Audit Committee with a summary of the key issues drawn out by the <i>Financial Reporting &amp; Management during Covid-19</i> NAO Scrutiny questions, with an emphasis on identifying where assurance can be provided and where further steps may be required.
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<p>There were 4 main themes to the NAO scrutiny questions which were:</p> <ul style="list-style-type: none"><li>• Part 1 - Annual Report</li><li>• Part 2 - Financial Reporting (consisting of a number of sub sections)</li><li>• Part 3 - Control Environment</li><li>• Part 4 - Regularity of Expenditure (incl. Fraud &amp; Error)</li></ul> <p>The detailed responses were submitted to JAC members on the 29<sup>th</sup> July which was too late to allow review at the July meeting.</p> <p>This report summarises the key themes and issues emerging from the detailed report for each of the categories above.</p>
<b>Recommendations:</b>	For members of the Joint Audit Committee to note the Director of Finance & Resources' report.
<b>Risk Register Impact:</b>	None.
<b>Assurance Implications:</b>	This report is directly relevant to providing Assurance in relation to Financial Reporting & Management during Covid-19
<b>Equality Impact:</b>	None
<b>Information Exempt from Disclosure:</b>	All content in <u>Open</u> Session

## **JOINT AUDIT COMMITTEE**

**5 October 2020**

**National Audit Office – Financial Reporting & Management during Covid-19 - Scrutiny Questions**  
*Summary of Key Themes Emerging in the detailed responses to the questions*

**Report by Director of Finance & Resources, North Wales Police**

### **1. Introduction**

In June20, TIAA issued a Client Briefing Note making reference to a National Audit Report focussed on Financial Reporting & Management during Covid-19.

The report raised a number of scrutiny questions that may be of value to Audit Committees. On 6<sup>th</sup> July the JAC finance lead requested a response to the scrutiny questions included in the report. A detailed response to these questions was provided by the Director of Finance & Resources on 29.07.20, but too late for inclusion in the July JAC meeting.

The purpose of this report is to summarise the key issues drawn out by the detailed NAO questions with an emphasis on identifying where assurance can be provided and where further steps may be required.

The original NAO report can be found via the link below:

<https://www.nao.org.uk/wp-content/uploads/2020/06/Guide-for-audit-and-risk-committees-on-financial-reporting-and-management-during-Covid-19-1.pdf>

### **2. Categories of NAO questions & approach**

There were 4 main themes to the NAO report questions (each of them consisting of multiple questions and in some instances, multiple sections). The key categories were:

Part 1 - Annual Report

Part 2 – Financial Reporting (consisting of a number of sub sections)

- Property Valuations
- Pension Valuations
- Inventory Valuations
- Completeness of Liabilities
- Going Concern
- Events after the Reporting Period

Part 3 - Control Environment

Part 4 - Regularity of Expenditure (incl. Fraud & Error)

The detailed responses to the questions reflected in the NAO report under each heading were developed via meetings held between the DFR, Head of Finance, CFO and Financial Control over the course of July and the responses were considered further in Sept20 as Wales audit work on the 2019-20 accounts drew towards a close.

### 3. Summary Findings

The key issues emerging from this process for each of the categories are summarised below.

#### **Part 1 - Annual Report**

The Police & Crime Commissioner produces an Annual Report, with the 2019-20 report scheduled to be issued to the Police & Crime Panel in Sept20. North Wales Police (NWP) do not produce a formal "Annual report" in the same way.

However, the questions in this area of the NAO report explored the extent that Covid-19 had disrupted strategic alignment of activity, performance and risk management. Hence, responses to questions have been developed more generally against these themes rather than focussing solely on the Annual Report content (given social restrictions only commenced in March20 limiting the impact seen in 2019-20).

Expanding the response to include activity in the period after 31.03.20, the key steps taken in the areas of Strategic alignment; Performance; and Risk Management were as follows:

- Covid-19 Governance structure established in Feb20 with an Internal Gold Structure complemented by an ACC chair of the Strategic Co-ordination Group.
- Covid-19 Daily Performance Data report established in Feb20 tracking key Covid indicators and its impact on wider performance data.
- Covid-19 Gold Commander providing briefing to daily Chief officer meetings to ensure strategic alignment and appropriate 'underwriting' of key decisions.
- Covid-19 Response plan produced and published by the Commissioner's office confirming continuity around strategic priorities and the checks and balances to be implemented around Covid activity.
- Covid-19 Recovery strategy & structure established and chaired by the DCC and integrated to the Business Planning process to ensure strategic alignment of all recovery and planning activity is maintained.
- Finance established as a standing agenda item and financial tracking and reporting of Covid-19 expenditure an ongoing feature and consideration with regard to Gold group decision making.
- Risk Management approach developed to encompass Covid-19 as standalone risk register.
- Internal Performance reports to SMB and SEB explicitly acknowledge and analyse the impact of Covid-19 to aid understanding.

In summary the Governance put in place and developed at various junctures during Covid-19 has resulted in Strategic Alignment of Activity being maintained with the Performance and Risk Management regimes developed explicitly for Covid further underpinning this structure.

#### **Part 2 – Financial Reporting**

The detailed response to the NAO questions frequently made reference to the Audit Wales fieldwork being undertaken in relation to the statement of accounts. With that audit fieldwork now complete, the key issues stemming from either the Management or Audit Wales review of processes is analysed under the relevant headings below:

**a). Valuations - Property, Pension and Inventory** (the first 3 of the elements listed for Part 2 above)  
As might be expected these were key areas of focus for the 2019-20 audit and have been a subject for scrutiny and discussion throughout the Audit Wales process.

The pension issue of McCloud – with a pensions remedy consultation period being introduced in July20 - placed a further emphasis on Valuation accuracy, causing further uncertainty beyond just Covid-19.

Ultimately the Annual accounts issued to the Oct20 Audit committee for approval are reflective of the key issues in the following ways:

- The Year end stock take was undertaken in the usual way with a physical stock take still being produced.
- Covid-19 has resulted in greater consumption of cleaning and PPE stocks but primarily after year end and consideration of the appropriate inventory treatment for the 2020-21 still needs further consideration.
- Expert valuation services utilised in line with policy have been used for the areas of Property and Pensions.
- Property valuation processes involve valuing 1/5<sup>th</sup> of the estate on a rolling basis (consistent with previous years).
- An impairment report was also produced (again consistent with previous years).
- Physical asset verification largely took place during the Interim audit work with the year end audit relying on 'desk based' verification work.

Regardless of the processes above Valuation uncertainty was highlighted as a result of Covid-19 and two Emphasis of Matter items feature in the Audit Wales ISA260:

*The audit report for the Police and Crime Commissioner includes 2 Emphasis of Matters which draw attention to uncertainties arising from circumstances caused by the COVID-19 pandemic:*

- *Note 12 'Property, Plant and Equipment' which describes an estimation uncertainty at the end of the reporting period, that potentially has a significant risk of resulting in a material adjustment to the carrying amounts of land and buildings (this is a widespread issue); and*
- *Note 34 'Defined Benefits Pension Scheme' which describes material valuation uncertainty clauses in the valuation reports on Pooled Property Funds held by the Gwynedd Pension Fund (this is a widespread issue).*

In addition to the above, the uncertainty associated with the McCloud Remedy Consultation introduced during Jul20 was deemed to be an Adjusting Post Year event by Audit Wales. As a result revised actuarial pension liability valuations were requested and reflected in the accounts during September 20 and feature in the final Statement of Accounts for 2019-20.

#### **b). Completeness of Liabilities**

The Audit work undertaken by Audit Wales clearly involved scrutiny of the balance sheet and a number of adjusted misstatements have been put through the accounts as a result of this fieldwork (the most significant being those related to the McCloud revaluations referenced above).

Two Unadjusted misstatements were highlighted by the Audit Wales work which are worth highlighting to JAC under this section of the report:

- *Treatment of Wrexham Town police station lease. The lease for this police station is currently accounted for as an operating lease within the accounts. Our review of the lease*

*has identified that it should be treated as a finance lease. If this was corrected, it would reduce the overall asset value in the financial statements by £351,000, with an additional finance lease liability recognised and associated entries to the revaluation reserve and capital adjustment account.*

*Discussions with the finance team has confirmed that the lease will be reviewed during 2020-21 as part of the implementation of IFRS 16 leases. All leases will be assessed, and amendments made where applicable to ensure appropriate classification in line with the requirements of the IFRS.*

- *Note 36(e) - Financial instruments maturity analysis. The amount disclosed for liabilities maturing not more than one year is understated by £120,000. This a disclosure note only and does not impact on the financial position at 31 March 2020.*

Whilst these remain unadjusted in the final accounts, in both instances there is no impact on the 'bottom line' and the overall net movement to Reserves. It is the intention to correctly reflect the treatment of these items in the 2020-21 Statement of Accounts.

### **c). Going Concern**

The Medium Term Financial Plan pre dates Covid-19 but strategic alignment of activity has been maintained and so the original strategic plans remains valid and relevant as a basis for control in that regard.

The Covid Response Pan issued by the Commissioner's office reinforced the continuation of the Commissioner's key priorities and the 2020-21 Business planning process is also progressing with a view to providing flexibility and options around ongoing delivery of service.

Hence, there is no management or Audit Wales concern in relation to the Going Concern assumption.

### **d). Events after the Reporting Period**

The introduction of the McCloud consultation in July20 resulted in its introduction as an Adjusting post balance sheet event. The relevant figures have been updated in the final Statement of Accounts as a result.

Covid-19 has not resulted in any adjustment of figures but has been referenced in various elements of the Narrative report (including Future Outlook), in the notes of the financial statements as required and also in the AGS.

There are no other events after the reporting period to bring to JAC members attention.

## **Part 3 – Control Environment**

Covid-19 resulted in a swift change to working practices with the majority of back office staff being asked to work from home. As a result hardware and infrastructure were developed and deployed in support of this.

Key control environment processes affected as a result of this change were:

- A general shift to remote rather than on site delivery of internal control took place with testing activity around these changes being undertaken in the early phases of Covid-19.
- Digital treasury management processes were introduced to replace the 'wet signature' approach used historically.

- Tender opening processes were amended to a digital process incorporating digital controls.
- Increased monies were retained in the current account to ensure liquidity was retained.

The general feeling is that the changes above have had a positive impact on the efficiency and resilience of the processes without compromising on the level of control. The new processes have operated robustly and whilst ICT set up did result in staff attending site for certain key transactions on exception in early stages of the change, the processes have been operating effectively and consistently for a period of time. Considerations have included:

- Risk implications of the key changes being discussed periodically by the DFR, CFO and Head of Finance.
- Certain key changes – moving the Treasury management process to electronic signature for example - being discussed by the Budget monitoring officer with TIAA at the time of their introduction for further scrutiny.
- No formal review being undertaken by Internal Audit to date, although they will now become the subject of ongoing review.

More generally, internal control was also reinforced through the Governance introduced and outlined in the response to 'Part A' of the report.

In summary, no decision has yet been made to formally embed the new ways of working into Force policy and management are keen to undergo greater scrutiny by internal audit, but the expectation is that in the majority of instances the new ways of working are just as robust and more efficient and so will be retained.

#### **Part 4 - Regularity of Expenditure (incl. Fraud & Error)**

##### **Regularity of Expenditure**

Financial reporting processes have needed to adapt extensively due to Covid-19. Initial steps taken are listed below:

- Creation of a dedicated job code in Feb20 to track direct expenditure.
- Standalone reporting around PPE and tracking of IT expenditure being introduced.
- Finance as a standing agenda item featuring at the Gold group meeting.
- Monthly reports on Covid-19 expenditure submitted to Home Office and circulated to DFR, CFO and Covid Gold.

Key financial decisions have been underpinned in the daily chief officer meetings (subsequently reduced to 3 times per week) where required and VFM has been a consideration on all key decisions.

More contentious expenditure has been the subject of discussion with decisions to support the supply chain due to risk of market failure being considered on a case by case basis. Linked to the above, Procurement Policy Note 02/2020 was introduced to mitigate the risk of supplier administration but only on exception and any instances of its application have been subject to careful consideration.

Expenditure around Covid-19 will continue to supplement the existing reporting regimes.

##### **Fraud & Error**

During Covid the heightened risk of Fraud has been acknowledged. Fraud briefing notes received via TIAA have been considered via the internal governance processes established with certain awareness communications being circulated by the CIO as a result, where deemed necessary.

If controls have been eased in any areas, suitable compensating controls have been considered to mitigate the risks of Fraud or Error. This has been the case with regard to the Recruitment processes; Procurement processes and Information Management.

Risk appetite for loss due to fraud and error has remained unchanged as a result of Covid-19 and a dedicated Risk Management process has been introduced to aid Management in relation to Covid-19 more generally.

## **Summary**

Consideration of the issues outlined in the NAO report has proved to be a useful exercise in so far as there have been areas to carefully consider in each section of the report.

A robust approach in establishing the required Governance and reporting processes at the start of Covid-19 have positioned the organisations well to meet the challenges in a way where Strategic alignment has not been compromised.

The Financial Reporting issues highlighted by the NAO report, unsurprisingly, track closely to the issues identified as part of the Audit Wales fieldwork. In the main these stem from issues beyond the control of NWP or the Commissioner's office (such as valuation uncertainty) but where necessary 2020-21 financial processes will be amended to reflect the unadjusted misstatements identified by the 2019-20 processes.

The Control Environment needed to evolve swiftly to reflect the new ways of working introduced as a result of Covid-19. Whilst the changes have been carefully considered and discussed internally the rolling TIAA audit programme will provide further independent scrutiny and assurance in due course.

Expenditure tracking and reporting also needed to adapt quickly and again, the steps established at the outset of the process have helped to retain a line of sight and suitable control over expenditure throughout the process.

Lastly, the increased threats of fraud and error have increased in some regard as a result of Covid-19. Conversely the appetite for risk in this area remains unchanged and so where processes have adapted consideration has been given – and will continue to be given – to the need for compensating controls to be introduced as appropriate.

## **Recommendations**

For members of the Joint Audit Committee to note the Director of Finance & Resources' report.





**Joint Audit Committee**  
**Meeting Date: 5 October 2020**

<b>Title:</b>	<b>ASSURANCE BOARD UPDATE</b>
<b>Author:</b>	James Sutton, Head of Business Intelligence/Assurance
<b>Purpose of the Report:</b>	To provide an update on the work of the Assurance Board
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• The Force Assurance Board is a means of managing key parts of governance at a practical level, ensuring the right level of rigour is brought to processes and documents, and that these are as efficient as they can be.</li> <li>• The Force Assurance Board last met 8 July 2020. The August meeting was cancelled due to lack of attendees and no urgent matters being tabled. The next meeting is on the 9 September 2020.</li> <li>• The paper details items raised at the July 2020 meeting and those due at the next meeting in September 2020.</li> <li>• As actioned at the last Joint Audit Committee, the revised draft Terms of Reference have been shared with Joint Audit Committee members, as has the Actions and Decisions log of the July 2020 meeting.</li> </ul>
<b>Recommendations:</b>	The Joint Audit Committee is invited to note the content of the report.
<b>Risk Register Impact:</b>	None
<b>Assurance Implications:</b>	The Assurance Board's remit is to ensure key parts of governance such as policy, business continuity plans and assurance mapping are fit for purpose and scrutinised.
<b>Equality Impact:</b>	The Assurance Board ensures Equality Impact Assessments are undertaken for all Policy and Guidance.
<b>Information exempt from disclosure:</b>	None



## Force Assurance Board Update

### 1. Update since the last Joint Audit Committee

- 1.1 The Force Assurance Board last met 8 July 2020. The August meeting was cancelled due to lack of attendees and no urgent matters being tabled. The next meeting is on the 9 September 2020.
- 1.2 The July meeting agenda covered the following points in addition to standard agenda items.
  - Review of terms of reference
  - Business continuity COVID recovery – tabling of pandemic planning, and capturing lessons learned
  - Risk update – general update and draft Assurance Mapping Briefing document
  - Policy update – highlighting policies submitted to SLT
  - Items for review and agreement
    - Data Centre Standard Operating procedure
    - Stalking and Harassment Practice guide
    - PVPU practice guide
    - Missing persons practice guide
    - Bursary scheme practice guide
- 1.3 As actioned at the last Joint Audit Committee, the revised draft Terms of Reference have been shared with Joint Audit Committee members, as has the Actions and Decisions log of the July 2020 meeting.

### 2. Update on governance areas referenced in the last report

- 2.1 The last report stated that the next phase of policy work is related to capturing a number of policy decisions that were made through the covid-19 planning work, to ensure they come through the proper governance process, and are reflected in policy.
- 2.2 This was tabled at the July Assurance Board in the business continuity COVID agenda item.
- 2.3 There was also reference in the last report of the need to consider overall pandemic planning.
- 2.4 The business continuity item on the July 2020 agenda included consideration of pandemic planning, the development of a bespoke pandemic plan, and the implications for existing business continuity plans was also discussed.
- 2.5 The last report indicated that the next Assurance Board will receive the assurance mapping briefing pack that has been developed to ensure it is fit for purpose and provides the right level of information.
- 2.6 This took place at the July 2020 Assurance Board.
- 2.7 More detail on work being undertaken outside of the Assurance Board for risk is covered in the Risk Update also on the Joint Audit Committee agenda.
- 2.8 Matters of Governance are covered in the Governance Update also on the Joint Audit Committee agenda.



### 3. Next meeting

3.1 Items of note for the next Assurance Board in September are:

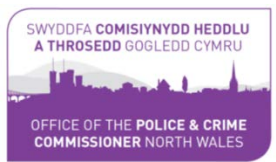
- Assurance Board Terms of Reference
- Force Governance Framework – request to approve
- Mental Health Policy – request to decommission
- RMS ACL Policy – request to decommission



**Joint Audit Committee**

**Meeting Date: 5/10/2020**

<b>Title:</b>	Joint Governance Board
<b>Author:</b>	Kate Jackson, Chief Finance Officer
<b>Purpose of the report:</b>	Update
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> X Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>• Implementation of the Governance Review recommendations is going well.</li> <li>• The governance structure has been ratified, and all but two boards are already in place.</li> <li>• Terms of reference and work plans are being refreshed.</li> <li>• It was agreed that updates to the governance framework spreadsheet will be completed by a task and finish group. This work will facilitate the preparation of the Annual Governance Statements for 2020/21.</li> </ul>
<b>Recommendations:</b>	<ul style="list-style-type: none"> <li>• For members of the Joint Audit Committee to note the work of the Joint Governance Board.</li> <li>• For members of the Joint Audit Committee to be aware that they have a standing invitation to attend Joint Governance Board, and that meeting papers and minutes will be provided to them on request.</li> </ul>
<b>Risk register impact:</b>	The way risk is managed is integral to good governance and is considered within the Governance Framework
<b>Assurance implications:</b>	<p>The Joint Governance Board is to oversee changes to assurance arrangements following the Governance Review undertaken in 2019/20.</p> <p>The Joint Governance Board is to oversee any future changes to the Manual of Governance.</p>
<b>Equality Impact:</b>	None
<b>Information exempt from disclosure:</b>	None



## JOINT AUDIT COMMITTEE

5 October 2020

Joint Governance Board

Report by the Police and Crime Commissioner's Chief  
Finance Officer



### 1. Background

- 1.1. A Joint Governance Board was originally formed in 2014 to document the governance arrangements in both the Office of the Police and Crime Commissioner and North Wales Police Force.
- 1.2. The Board meets four times each year, and a work programme has been prepared.
- 1.3. Members of the Joint Audit Committee have a standing invitation to attend the meeting; two members of the Committee attended on 7 September 2020.

### 2. Recommendations

- 2.1. For members of the Joint Audit Committee to note the work of the Joint Governance Board.
- 2.2. For members of the Joint Audit Committee to be aware that they have a standing invitation to attend Joint Governance Board, and that meeting papers and minutes will be provided to them on request.
- 2.3. For members to review the Annual Governance Statement.

### 3. Work of the Joint Governance Board

- 3.1. In keeping with the new Terms of Reference, the Joint Governance Board is no longer required to consider the Governance Framework at every meeting. It is intended that this will be updated separately, and will be considered by the Joint Governance Board in the spring of each year, prior to the preparation of the draft Annual Governance Statements.
- 3.2. At the meeting held on 7 September 2020, the following were discussed:

#### 3.2.1. Terms of Reference

The Terms of Reference were reviewed again, and the following amendments agreed:

- The addition of the Force Solicitor as a member of the board
- The inclusion of North Wales Police and Crime Panel in the list of stakeholders

- Two task and finish groups were identified for Joint Governance Board:
  - The first to work on updating the governance framework spreadsheet, which will facilitate the drafting of the Annual Governance Statements;
  - The other to monitor the implementation of the Governance Review.

It was noted that other task and finish groups may be identified at a later stage; and also that where a task is one-off in nature, that it is appropriate to close a task and finish group when its work has been completed.

- That the Assurance Board report to the Joint Governance Board

### 3.2.2 Statutory accounts

The Director of Finance and Resources presented a paper outlining the approach to developing the Narrative report within the statutory accounts for 2019/20.

Within the Statements of Accounts for 2019/20 there are changes to the Narrative Report, with the aim of improving clarity and accessibility, and a greater focus on financial performance related to the delivery of outputs during the year. The Annual Governance Statement for 2019/20 has also been updated to ensure that it gives greater focus to the review of governance arrangements, and not simply a description of the arrangements in place. There was a discussion of the approaches taken by various policing bodies in England and Wales.

For 2020/21, the Director of Finance and Resources advised that whatever the outcome in 2019/20, this will need to be able to be repeated in future years. The pandemic situation has delayed the date of final sign-off of the 2019/20 accounts, which has allowed time for development. However, it is expected that the timetable will revert next year, and final sign-off of the audited accounts will be expected by the end of July.

### 3.2.3 Governance Review

The Head of MI and the Governance and Policy Officer provided an update of progress towards implementing the recommendations of the Governance Review. The Scheme of Delegation is nearing completion. The work to implement the Force Governance Structure is going well, and Terms of Reference and work plans are being updated.

It was confirmed that the Finance and Resources Board is not yet set up, and that the Strategic Change and collaboration Board is still in

transition, but the remainder of the agreed Governance Structure is in place. Work is continuing to complete the implementation for the new structure.

Members of the Joint Audit Committee recommended that target dates be added to the work programme for the Governance Review, in order that progress can be monitored. It was also recommended that assurance be sought that, not only have the various boards been established, but also that they are meeting regularly as planned.

#### 3.2.4 Internal Audit

As previously agreed, recommendations and client briefing notes considered by the Joint Governance Board were limited to those concerning governance and risk.

Three internal audit recommendations were considered by the Joint Governance Board. One of these has already been completed, and the other two are on track.

Joint Governance Board members were content with the management response to the client briefing notes.

#### 3.2.5 External Audit

The Head of Finance updated the Joint Governance Board on progress with Audit Wales's work. The aim is to have the audit work completed before the Joint Audit Committee meeting on 5 October 2020. A draft set of accounts would be ready during the week commencing 7 September 2020, in readiness for the discussions with Joint Audit Committee on 15 September; however, this would exclude adjustments to the Pension Fund as a result of the GAD valuation, as these would not be available on time.

#### 3.2.6 Recommendations from joint Audit Committee

The NAO published a list of questions that members of audit committees might wish to ask of bodies audited by the NAO. Members of the Joint Audit Committee asked for these questions to be answered with respect to North Wales Police and OPCC. A response was prepared, led by the Director of Finance and Resources.

Members of the Joint Audit Committee commented that the answering of these questions created a useful snapshot of the organisations. The Director of Finance and Resources acknowledged that there was value in completing the exercise; however, with over 100 questions in total, it would be even more useful if Joint Audit Committee could give a guide as to where to focus.

### 3.2.7 Assurance Board

The Head of MI provided an update on the work of the Assurance Board. The Assurance Board were to meet on 9 September 2020.

An update was provided on the management of Covid risks.

3.3. The next meeting will take place on 5 November 2020.

## 4. IMPLICATIONS

4.1	Equality	The Police and Crime Commissioner and Chief Constable operate with regard to the principles established within the Joint Equality Plan. Equality is considered within the Governance Framework.
4.2	Financial	The way finances are managed is integral to good governance. The financial policies and the monitoring of financial systems and performance are considered within the Governance Framework.
4.3	Legal	It is a legal requirement to publish Annual Governance Statements for the Police and Crime Commissioner and Chief Constable alongside the Statements of Accounts each year. One purpose of the Joint Governance Board is to record the governance activities for both corporations sole (and ensure any concerns are addressed) in order that the Annual Governance Statements can be prepared accurately and in a timely manner.
4.4	Community and Social Value	Environmental policies, outcomes and engagement (and the monitoring of these) are considered within the Governance Framework. This includes the Wellbeing of Future Generations (Wales) Act 2017.
4.5	Risk	The way risk is managed is integral to good governance and is considered within the Governance Framework.
4.6	Police and Crime Plan	The objectives within the Police and Crime Plan are fundamental to both corporations sole. The way this is monitored is considered within the Governance Framework.

### Report Author

Kate Jackson

Chief Finance Officer, OPCC





**Audit Committee**  
**Meeting Date: 5<sup>th</sup> October 2020**

<b>Title:</b>	<b>NORTH WALES POLICE GOVERNANCE PROJECT</b>
<b>Author:</b>	T/Chief Superintendent Corporate Services
<b>Purpose of the Report:</b>	To provide a further update to the Joint Audit Committee on progress in implementing the recommendations arising from the Governance Review.
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input checked="" type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"><li>• A Scheme of Delegation has been drafted and is awaiting final approval from Chief Officers</li><li>• The revised Force Governance Structure has been launched in Force.</li></ul>
<b>Recommendations:</b>	The Joint Audit Committee is invited to note the progress achieved to date.
<b>Risk Register Impact:</b>	None
<b>Assurance Implications:</b>	The project aims to strengthen the governance of North Wales Police by ensuring the Force has efficient, effective and robust governance arrangements and structures in place. The project, therefore, directly contributes to the development and enhancement of assurance across the Force.
<b>Equality Impact:</b>	None
<b>Information exempt from disclosure:</b>	None



## North Wales Police Governance Project

### 1. Introduction

1.1 The purpose of this report is to provide a further update to the Joint Audit Committee on progress in implementing the recommendations arising from the Governance Review. An overview of the aim and objectives of the Governance Project, and a summary of the findings, conclusions and recommendations of the Governance Review have been provided in separate reports to the Joint Audit Committee on 28 November 2019 and 9 March 2020 respectively.

1.2 A high-level overview of progress against each recommendation is provided in **Appendix 1**. It should be noted that the Force agreed to prioritise the implementation of the recommendations relating to producing the Code of Corporate Governance; producing the Chief Constable's Scheme of Delegation; and refreshing the Force Governance Structure.

### 2. Chief Constable's Scheme of Delegation

2.1 The Scheme of Delegation has been prepared to provide a framework for ensuring the business of North Wales Police is carried out lawfully, efficiently and effectively by setting out who has authority within the Force to exercise certain powers and functions on behalf of the Chief Constable. The Scheme of Delegation, therefore, aims to ensure that decisions are not unnecessarily delayed and are taken at the appropriate level.

2.2 The Scheme of Delegation sets out the:

- Key Roles and Responsibilities of the Chief Constable;
- Powers and Functions Reserved by the Chief Constable (including the matters which should be referred to the Chief Constable for a decision);
- Powers and Functions Delegated to the Deputy Chief Constable, Assistant Chief Constable and Director of Finance & Resources (including the statutory functions of the Director of Finance & Resources as the Chief Constable's Chief Finance Officer);
- Financial Delegations;
- Other Delegated Powers and Functions (for example, in relation to granting, renewing and revoking firearm and shotgun certificates).

2.3 The Scheme of Delegation is based on examples sourced from other Forces, and has been developed in consultation with the Director of Finance & Resources, T/Chief Superintendent Corporate Services, Chair of the Assurance Board, Policy & Governance Officer and other colleagues to reflect the needs and circumstances of the Force. The Scheme of Delegation has also been reviewed by the Force Solicitor to ensure it is sufficiently robust and clear from a legal perspective.

2.4 The Scheme of Delegation has been progressed to draft form with the next step being to obtain approval from the Chief Officer Group so that it becomes formally adopted by the Chief Constable. A copy of the Scheme of Delegation will be made available to members of the Joint Audit Committee once approved.

### 3. Refreshing the Force Governance Structure

3.1 The Force Governance Structure has been refreshed following extensive consultation on draft proposals with colleagues across the Force and OPCC, as well as with members of the Joint Audit Committee. The refreshed structure attached in **Appendix 2** was agreed at the Senior Leadership Team meeting on the 3<sup>rd</sup> August 2020.

3.2 Work is currently underway to review and refresh the terms of reference of all high-level boards. In addition to this all high-level boards have been asked to create a forward work plan for the next 12 months too.



3.3 Once all the high-level boards have submitted their refreshed terms of reference and forward work plans, sub groups will be asked to conduct a review of their meetings to consider

- The purpose of the meeting
- Whether or not it adds any value / is still required
- Refreshing their terms of reference

#### **4. Force Governance Framework**

4.1 A Force Governance Framework attached in **Appendix 3** has been created and approved by the Assurance Board on the 9<sup>th</sup> September 2020.

4.2 The Framework brings together the various processes and guidance created by the Interim Governance Manager into a useful go to guide for colleagues in the Force.

#### **5. Project Board**

5.1 The Project Board has continues to meet remotely each month to review progress and shape the key areas of work outlined above. The members of the Project Board are:

- T/Chief Superintendent Corporate Services (Chair)
- Director of Finance & Resources
- Head of Business Intelligence
- Policy & Governance Lead (Project Manager)

5.3 The Project Board will continue to meet on a monthly basis to ensure the remaining actions are delivered in full.

#### **6. Recommendation**

6.1 The Joint Audit Committee is invited to note the progress achieved to date.



## Appendix 1

<p><b>Recommendation 1</b></p> <p>The Force should produce a Scheme of Delegation ('SoD') to clearly set out who has authority to exercise certain powers and functions on behalf of the CC.</p>	Ongoing – awaiting final approval.
<p><b>Recommendation 2</b></p> <p>The Force should produce a document detailing its corporate governance framework and the means by which it aims to achieve the core principles of 'good governance'. The governance framework should be reviewed annually, and updated, where necessary, as part of the process of preparing the Force's Annual Governance Statement ('AGS'). The Force should consider producing and publishing the corporate governance framework document jointly with the Office of the PCC to supplement the Manual of Governance ('MoG').</p>	Implemented
<p><b>Recommendation 3</b></p> <p>The Force should ensure the powers and functions delegated by the CC to the Chief Officers are documented in the SoD (see Recommendation 1). The Force should also provide an overview of each Chief Officer's responsibilities in relation to governance in the corporate governance framework document (see Recommendation 2).</p>	Implemented
<p><b>Recommendation 4</b></p> <p>The Force should increase its capacity in governance by either: (a) creating a dedicated post, or (b) reconfiguring existing resources to provide a greater level of support for governance. The Force should explore the advantages and disadvantages of both options in full to ensure it puts an appropriate level of resource in place, which is commensurate with the size of the organisation, to manage, oversee and co-ordinate its governance arrangements effectively and efficiently.</p>	Implemented
<p><b>Recommendation 5</b></p> <p>The Force should ensure the titles assigned to its different governance meetings accurately reflect their role and level of authority. This will lead to greater consistency across the governance structure and ensure the role and levels of authority of different meetings are clearly understood throughout the organisation.</p>	Implemented
<p><b>Recommendation 6</b></p> <p>The Force should produce and actively manage a live register of all its main governance meetings as well as establish a clear process for reporting and capturing any changes made to the governance structure to ensure the register and governance chart are kept up-to-date on an ongoing basis.</p>	Implemented
<p><b>Recommendation 7</b></p> <p>The Force should refresh its governance structure to ensure the configuration of meetings is fit-for-purpose in terms of driving forward the priorities and performance of the Force, supporting good governance and enabling effective decision-making. In refreshing the structure, the Force should fully take into account the core principles of 'good governance' as set out in Delivering</p>	Implemented



<p>Good Governance - Guidance Note for Policing Bodies (CIPFA, 2016) as well as the HMICFRS Police Effectiveness, Efficiency and Legitimacy ('PEEL') Assessment Framework. The Force should also better define the relationship between the overarching governance meetings and the SMTs in the five business areas with a view to delivering more of the business of the Force through these meetings.</p>	
<p><b>Recommendation 8</b> The Force should provide clearer guidance on the standard information that should be provided in each section of the corporate template to ensure the Terms of Reference of every meeting is clear and well-specified, particularly in relation to its 'purpose' and 'objectives'. The Force should also provide clearer guidance on which of its meetings require a quorum and which do not.</p>	Implemented
<p><b>Recommendation 9</b> The Force should not always seek to appoint a Chairperson on the basis of rank unless it is the best interests of the Force to do so for operational, political, reputational and / or financial reasons. Instead, consideration should be given to appointing an individual with the appropriate skills and knowledge to lead the meeting. In doing so, the Force would need to provide greater clarity on the role of a Chairperson, and ensure each person appointed to this role is empowered to exercise the duties associated with the role in full.</p>	Implemented
<p><b>Recommendation 10</b> The Force should seek to appoint a Vice Chairperson for every meeting where it would be prudent do so to ensure the business of the meetings is able to continue in absence of the Chairperson. In doing so, the Force would need to ensure the Vice Chairperson has a clear mandate and authority to deputise in the absence of the Chairperson.</p>	Ongoing – forms part of reviewing the terms of reference as part of implementing the refreshed governance structure.
<p><b>Recommendation 11</b> The Force should amend the corporate Terms of Reference template to include a separate section on 'Members', 'Attendees / Advisors' and 'Stakeholders'.</p>	Implemented
<p><b>Recommendation 12</b> The Force should ensure all individuals attending a meeting on behalf of a business area or external body are clear about their responsibility to ensure effective two-way communication between the meeting and the business area or external body they represent.</p>	Implemented
<p><b>Recommendation 13</b> The Force should provide greater clarity on meetings / matters requiring input from the NWP Federation and Unison (and any other relevant staff group or association) and enable them to contribute to discussions on those matters in the most efficient manner possible.</p>	Ongoing – consultation with the Force and Staff Associations will form part of implementing the refreshed governance structure.
<p><b>Recommendation 14</b> The Force should establish clear criteria for determining which individuals should be categorised as 'Members', 'Attendees / Advisors' and 'Stakeholders' to ensure the right people at the right</p>	Ongoing – forms part of reviewing the terms of reference as part of implementing the refreshed governance structure.



level with the right skills and knowledge are involved in the right meetings.	
<b>Recommendation 15</b> The Force should consider devolving greater authority over decision-making to more meetings at a Sub-committee level where it would be in the best interest of the Force to do so, and to provide greater clarity on which decisions should be reserved by meetings at an Executive and Committee level (for operational, political, reputational and / or financial reasons) and the circumstances under which matters could be referred to the Senior Leadership Team for a decision.	Scheduled For Implementation by March 2021 - Sub Groups will be asked to consider this during their review.
<b>Recommendation 16</b> The Force should plan and publish an annual schedule of meetings which is aligned to key points / dates in the Force's strategic planning and budgetary cycles.	Ongoing – forms part of implementing the refreshed governance structure.
<b>Recommendation 17</b> The Force should abandon the practice of embedding documents in the agenda and instead encourage the Secretariat to combine and merge all of the papers for a meeting into one PDF document. The Force should also seek to exploit the use of technology and the roll-out of Microsoft Office 365 in particular, to support the efficient administration of its governance meetings.	Scheduled For Implementation by March 2021 – forms part of the introduction of O365 in Force.
<b>Recommendation 18</b> The Force should provide clearer guidance on which meetings are expected to produce full minutes and which meetings are only required to produce Action and Decision Lists.	Ongoing – forms part of implementing the refreshed governance structure and reviewing the terms of reference.
<b>Recommendation 19</b> The Force should provide greater clarity on which meetings require 'Highlight Reports' and which meetings could embrace reporting by exception. The Force should also produce a corporate 'Highlight Report' template and provide greater clarity on the level of detail to be provided in each report.	Ongoing - forms part of implementing the refreshed governance structure.
<b>Recommendation 20</b> The Force should revise the corporate report template to ensure authors of reports provide clear, focussed, succinct and relevant information.	Implemented
<b>Recommendation 21</b> The Force should ensure every meeting prepares and agrees a Forward Work Programme to ensure they focus on the appropriate matters / issues at the right time of the year.	Ongoing - forms part of implementing the refreshed governance structure.
<b>Recommendation 22</b> The Force should establish a single central repository for storing information relating to all Force governance meetings. The repository should be managed centrally, but designed in consultation with the Chairpersons and Secretary of each meeting to ensure the configuration and access-levels are appropriate and meet the needs of the end users. In addition, the Force should seek to exploit the use of technology and the roll-out of Microsoft Office 365 in particular, to support the efficient administration of its governance meetings.	Scheduled For Implementation by March 2021 - forms part of the introduction of O365 in Force.
<b>Recommendation 23</b> The Force should publish:	Ongoing - forms part of implementing the refreshed governance structure.

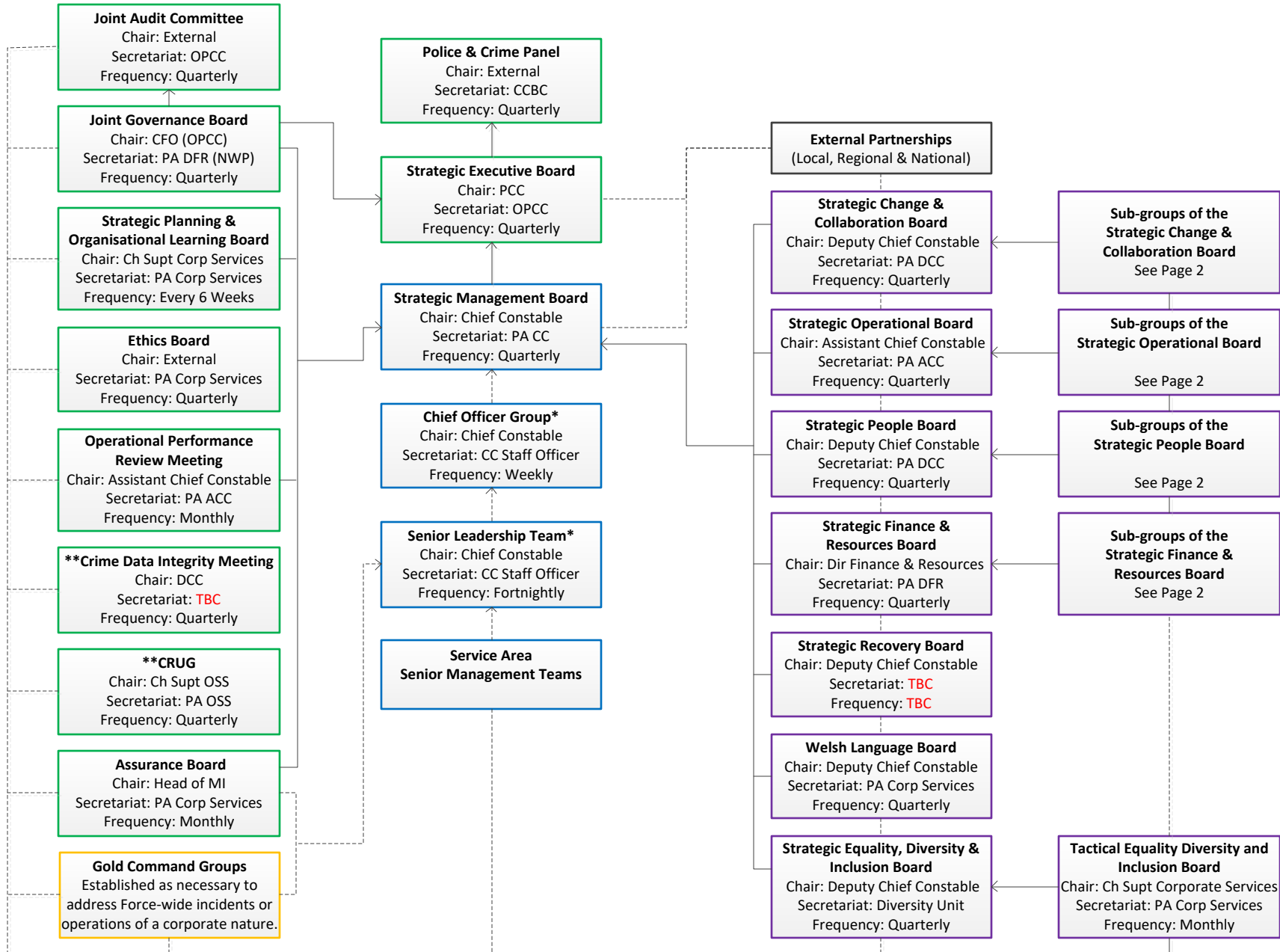


<p>(a) A more detailed overview of its governance structures and arrangements, and</p> <p>(b) The minutes (or a summary version) of the meetings of its main decision-making body on the external website under the 'How We Make Decisions' section of the 'Publication Scheme'.</p>	
<p><b>Recommendation 24</b> The Force should establish a clear and consistent process for commissioning and decommissioning meetings.</p>	Implemented
<p><b>Recommendation 25</b> The Force should undertake an annual review of the Terms of Reference and effectiveness of its meetings to ensure its governance arrangements remain fit-for-purpose and respond appropriately to changes in internal and external factors.</p>	Scheduled For Implementation by March 2021 – will be incorporated into the Forward Work Plans (see action 21)
<p><b>Recommendation 26</b> The Force should consider preparing and publishing brief guidance on the general role and responsibilities of Chief Superintendents and Assistant Directors to ensure they feel confident to make decisions, to take suitable risks and to be retrospectively held accountable for their actions.</p>	Scheduled For Implementation by March 2021 - to be considered further by the Project Board as to whether or not this is required, could possibly form an extension to the Scheme of Delegation.
<p><b>Recommendation 27</b> The Force should assess the advantages and disadvantages of devolving budgets and seek to develop a model that strikes an appropriate balance between allowing managers to have greater access to, and control over budgets with the need to deliver value for money and achieve efficiencies and economies of scale.</p>	Scheduled For Implementation by March 2021 - for consideration by the DFR.
<p><b>Recommendation 28</b> The Force should consider investing in dedicated governance training for certain groups of staff and issue a revised version of the <i>Governance Guidance</i> for those members of staff involved with governance meetings.</p>	Scheduled For Implementation by March 2021 – work to improve the Assurance SharePoint site to include better information in relation to Force Governance is scheduled too.

# 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

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.

### Decision Making Boards

These Boards have the authority to make decisions relating to the finances and resources of the Force under their direction and control.

### Governance & Assurance Boards

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.

### Planning & Delivery Boards

These Boards focus primarily on managing and overseeing the delivery of the Force's vision and priorities.

### Force-wide Command Groups

These Groups are established as necessary to address Force-wide incidents or operations of a corporate nature.

### Reporting Arrangements

Reports To

Escalates Decisions To

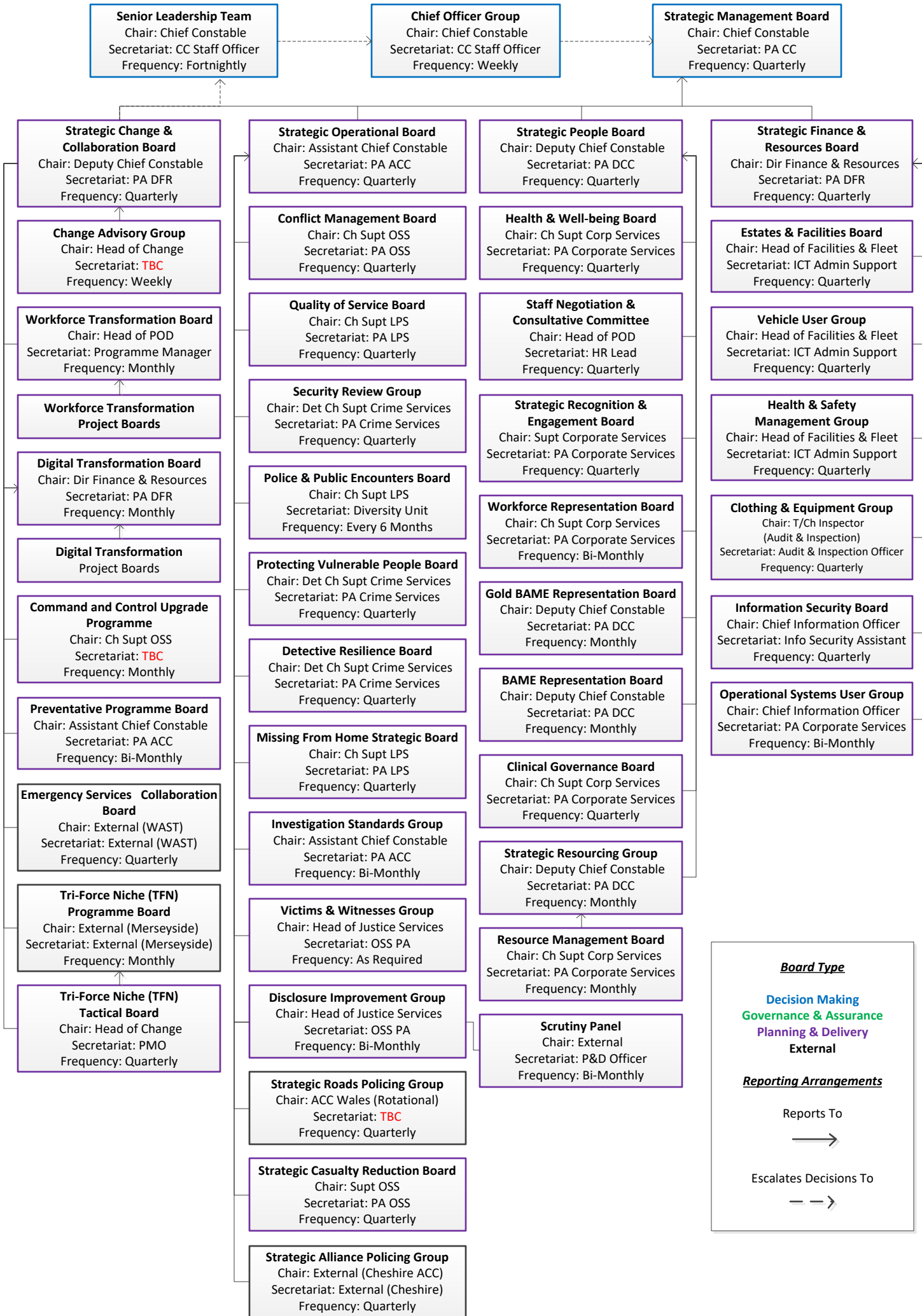
Information Sharing

\* Principal decision-making groups in the event of Force-wide incidents or operations

\*\* Report directly to DCC



# North Wales Police Governance Structure – Sub-Groups





**HEDDLU  
GOGLEDD CYMRU  
NORTH WALES  
POLICE**

## **FORCE GOVERNANCE FRAMEWORK**

<b>Document Type:</b>	Framework
<b>Framework Owner:</b>	Head of Corporate Services
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# FRAMEWORK

Version No	Author	Changes

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## 1. INTRODUCTION & PURPOSE

North Wales Police has a clear approach to governance which is outlined in the [Manual of Governance](#) which includes

- [Code of Corporate Governance](#)
- [Scheme of Consent](#)
- [Financial Regulations](#)
- [Standing Orders for Contracts](#)

Governance is fundamental to ensuring North Wales Police are doing the right thing, in the right way, for the right people, in a timely, inclusive, open and accountable manner, this framework therefore outlines processes and documents which should be used to ensure this happens.

## 2. TARGET AUDIENCE

This framework should be used by all officers and staff. It is vital that everyone understands the role they play in ensuring the Force has effective governance.

## 3. APPROACH

### 3.1 GOVERNANCE STRUCTURE – COMMISSIONING/DECOMMISSIONING MEETINGS

Having the correct governance structure in place ensures that all meetings are fully aligned to the vision, priorities and business needs of the Force. It ensures meetings contribute to and support the PCC's police and crime plan and make informed and transparent decisions.

The Force Governance Structure can be found [here](#).

This section sets out the Force's process for commissioning and decommissioning meetings that fall within the Force's Governance Structure.

This process will maintain the integrity and effectiveness of the Force's Governance Structure by:

- Preventing meetings from being established in an *ad-hoc* manner;
- Preventing meetings from being maintained unnecessarily;
- Allowing effective central oversight and co-ordination of Force meetings.

This process will enable the Force to make efficient use of staff time by only administering and maintaining meetings that

- Drive forward the priorities and performance of the Force
- Support good governance
- Enable effective decision-making

This process does not apply to

- Tactical or operational meetings
- Project Boards which are commissioned and decommissioned by the relevant Programme Board
- Groups established by Service Area Senior Management Teams to meet the business needs of the service

- Task & Finish Groups established by meetings within the Force's Governance Structure (however, each Task & Finish Group must follow the operating principles set out in Section 3.1.4.)

### 3.1.1 Roles and Responsibilities

The **Joint Governance Board** will oversee this process, and are also responsible for overseeing the corporate governance arrangements of the Police and Crime Commissioner and Chief Constable.

The **Senior Leadership Team** is responsible for deciding which meetings are commissioned or decommissioned in line with the vision, priorities and business needs of the Force. The decisions of the Senior Leadership Team will be reported to the Joint Governance Board on a regular basis.

The **Policy & Governance Officer** is responsible for ensuring adherence to this process and updating the Force's Governance Structure to reflect the decisions made by the Senior Leadership Team. The Policy & Governance Officer is also responsible for ensuring the Terms of Reference for new meetings established by the Force are prepared in accordance with the corporate template and guidance.

### 3.1.2 Annual Review of the Force Governance Structure

All meetings that fall within the Force's Governance Structure will be required to undertake an annual review in March of each year, or as soon as possible thereafter.

The annual review provides an opportunity to reflect on the activities of the meeting as well as to consider the following questions:

- *Is there still a need for the meeting? Does it continue to meet the needs of the Force at a strategic / corporate level?*
- *If there is still a need for the meeting, is its purpose, objectives and membership still fit-for-purpose? If not, what changes should be made to ensure they remain fit-for-purpose?*
- *If there is no need for the meeting to continue, could the meeting be decommissioned in its entirety or should some or all of its functions be transferred to another meeting?*

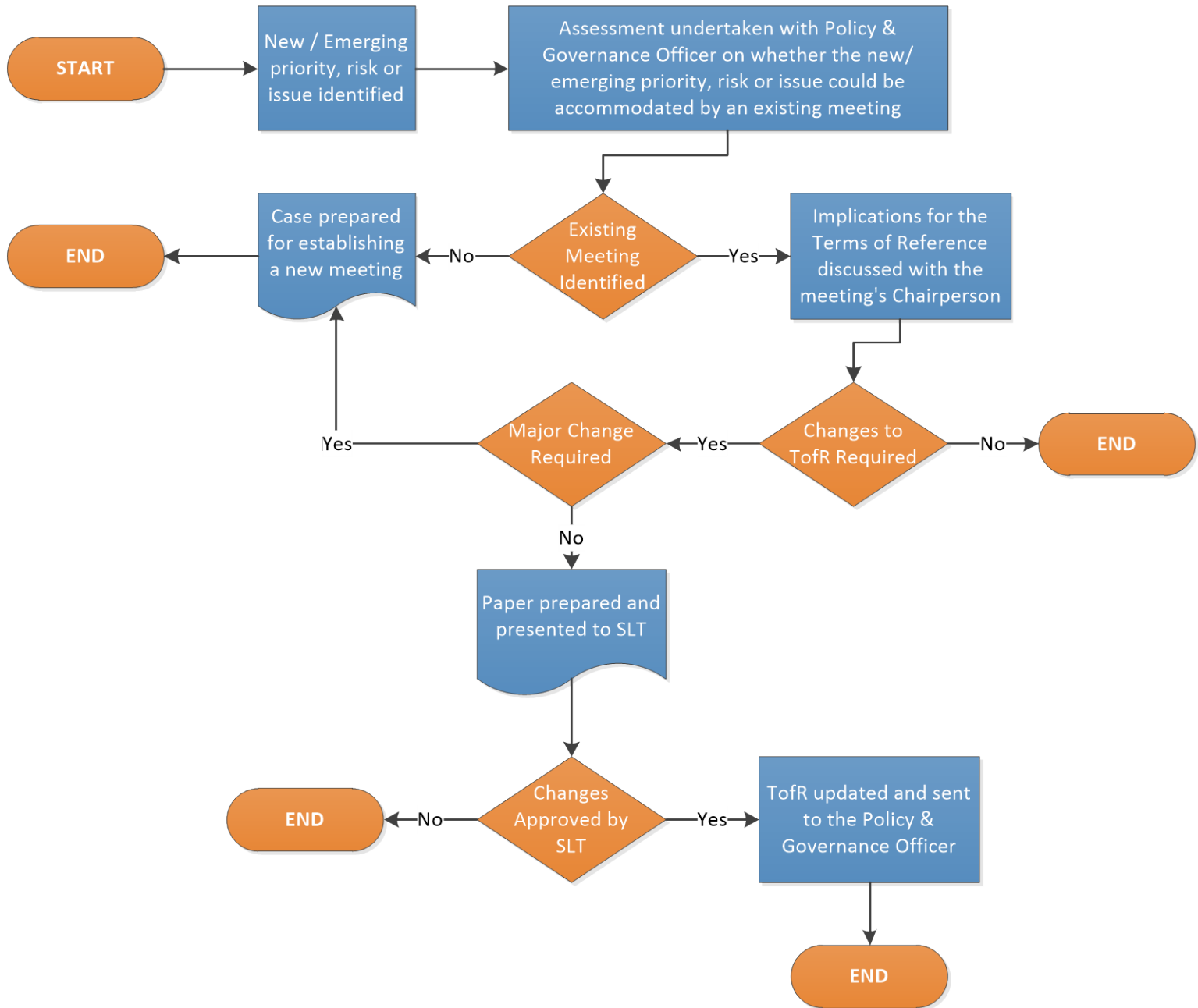
The responses will be reviewed by the Joint Governance Board who, in turn, will use the information to prepare recommendations on potential changes to the Force's Governance Structure for consideration by the Senior Leadership Team.

The Force's Governance Structure will be updated by the Policy & Governance Officer to reflect any changes agreed by the Senior Leadership Team following the Annual Review.

### 3.1.3 Changes to the Force Governance Structure During the Year

Occasionally, the Force may need to establish new meetings or amend the Terms of Reference of existing meetings during the year to address new / emerging priorities, risks and issues at a strategic / corporate level.

Before establishing a new meeting, consideration should first be given to commissioning an existing meeting to accommodate the new / emerging priority, risk or issue. The steps that should be followed are outlined below



**Step 1 - Contact the Policy & Governance Officer**

The Policy & Governance Officer has detailed working knowledge of the Force’s Governance Structure. They also have access to the Terms of Reference of each meeting within the Force’s Governance Structure. They will be able to provide advice on which meeting, if any, would be best placed to accommodate the new / emerging priority, risk or issue by either amending its Terms of Reference or establishing a Task & Finish Group if the new / emerging priority, risk or issue is short-term in nature and could be addressed within a six month timeframe.

The steps outlined below should be followed if it becomes clear there is no meeting within the Force’s Governance Structure that could accommodate the new / emerging priority, risk or issue.

**Step 2 - Approach the Chairperson**

If a meeting has been identified, the Chairperson should be approached to explore the implications for the meeting’s Terms of Reference in terms of purpose, objectives and

membership. If the Terms of Reference do not need to be amended, then no further action is required. However, if there are significant implications for the meeting's Terms of Reference, then consideration should be given to establishing a new meeting in accordance with the steps outlined below.

### ***Step 3 - Present Changes to Senior Leadership Team***

A short paper should be prepared for the Senior Leadership Team outlining the changes that need to be made to the Terms of Reference to allow the meeting to accommodate the new / emerging priority, risk or issue. The Senior Leadership Team may approve the request or recommend alternative means of addressing the new / emerging priority, risk or issue.

### ***Step 4 - Amend Terms of Reference***

Following approval from the Senior Leadership Team, the Terms of Reference should be amended as appropriate. The revised Terms of Reference should be sent to the Policy & Governance Officer and shared with the Secretariat as well as with existing /new members and attendees of the meeting to make them aware of the agreed changes.

If a new meeting needs to be established, a short paper should be prepared for the Senior Leadership Team addressing the following questions:

1. *What is the new / emerging priority, risk or issue that needs to be addressed at a strategic / corporate level?*
2. *Why is it not possible to accommodate the new / emerging priority, risk or issue in an existing meeting or via a Task & Finish Group if the new / emerging priority, risk or issue is short-term in nature?*
3. *What are the intended purpose and objectives of the meeting?*
4. *Who will be the members / attendees? Why are they most appropriate people to include in the meeting?*
5. *Who will be the Chairperson, Vice Chairperson (if applicable) and Secretariat? Do they have sufficient capacity to support and administer a new meeting?*
6. *How frequently will meetings be held? Which meeting will it report into?*

If the Senior Leadership Team is satisfied with the case for establishing a new meeting, the Terms of Reference should be prepared in accordance with the corporate template and guidance. The Terms of Reference should be sent to the Policy & Governance Officer and the arrangements for holding the first meeting should be made in consultation with the Secretariat. The Policy & Governance Officer will update the Force Governance Structure and notify the Joint Governance Board accordingly.

Occasionally, the reason a meeting was instigated will change, or the priority, risk or issue it was established to address no longer exists. In these circumstances, consideration should be given to the following options:

- ***Option 1 - Amending the original Terms of Reference to better reflect the revised focus of the meeting***

This option should only be pursued if the meeting will continue to address other priorities, risks or issues and there is no other meeting within the Force's Governance Structure that could accommodate these priorities, risks or issues.

- **Option 2 - Transferring the business of the meeting to another meeting**

This option should be pursued if the remaining business of the meeting could be accommodated by another meeting within the Force's Governance Structure. The steps outlined above apply in this situation.

- **Option 3 - Decommissioning the meeting in its entirety**

If there is no longer a business need for the meeting to continue, then it should be decommissioned and disbanded.

In all cases, a short paper should be prepared for the Senior Leadership Team outlining the recommended course of action and rationale. Amended Terms of Reference should be sent to the Policy & Governance Officer (if the Senior Leadership Team approves Option 1 or Option 2). The Policy & Governance Officer will update the Force Governance Structure and notify the Joint Governance Board accordingly.

### **3.1.4 Task & Finish Groups**

The Force recognises that governance meetings may need to establish Task & Finish Groups to consider / address a specific priority, risk or issue in more detail. The approval of the Senior Leadership Team is not required to establish a Task & Finish Group.

However, all Task & Finish Groups will be subject to the following operating principles:

- Each Task & Finish Group must have Terms of Reference, which include clear deliverables / outputs with timescales.
- Each Task & Finish Group must have a nominated Chair and an appropriate membership.
- Each Task & Finish Groups must have a clear start and end date, with a timeline that should ideally be no longer than 6 months.
- At the conclusion of their work, each Task & Finish Group must provide a report to the relevant meeting summarising its activities / findings / conclusions / recommendations.

## **3.2 CREATING TERMS OF REFERENCE**

Terms of Reference provide the foundations for a meeting by clearly setting out

- Who is involved in the meeting
- What they aim to achieve
- How they intend to go about doing it

Clear and well-specified Terms of Reference are important for ensuring meetings operate efficiently and effectively.

All meetings that fall within the Force Governance Structure must have Terms of Reference using the agreed corporate template.

This section sets out the standard information that should be included under each section of the corporate template (appendix 1) to ensure the Terms of Reference are clear, robust, well-specified and fit-for-purpose.

### **3.2.1 Name of Meeting (Section 1)**

This section should provide the name of the meeting. The name, if not already agreed, should be clear, short and capture the overall purpose of the meeting.



**3.2.2 Chairperson (Section 2)**

This section should specify the position (not the name) of the individual appointed as Chairperson of the meeting.

The role and responsibilities of the Chairperson are outlined in section 3.3 below.

**3.2.3 Vice-Chairperson (Section 3)**

This section should specify the position (not the name) of the individual appointed as Vice-Chairperson of the meeting, if applicable.

The role and responsibilities of the Chairperson are also outlined in section 3.3 below.

**3.2.4 Secretariat (Section 4)**

This section should indicate the position (not the name) of the individual responsible for providing administrative and secretarial support for the meeting.

The role and responsibilities of the Secretariat are outlined in section 3.3 below.

**3.2.5 Reports To (Section 5)**

This section should specify the Board to which the meeting is responsible, and to which it submits its highlight reports / reports if applicable.

**3.2.6 Frequency of Meetings (Section 6)**

This section should indicate the minimum number of meetings that will normally be held in each financial year. The purpose and objectives of the meeting should determine the frequency of meetings.

The frequency should not be so restrictive as to place the meeting under an obligation to meet even when the flow of business is unlikely to warrant a meeting.

Extraordinary meetings may be held at the discretion of the Chairperson.

**3.2.7 Version and Date (Section 7)**

This section should clearly state the version number and dates each time changes are made to the Terms of Reference.

**3.2.8 Purpose of Meeting (Section 8)**

This section should provide a clear statement of the overall purpose of the meeting (i.e. what the meeting hopes to achieve / has been established to achieve). The purpose of the meeting should be distinctive from all other meetings.

**3.2.9 Objectives of the Meeting (Section 9)**

This section should describe in more detail the objectives of the meeting (i.e. what the meeting will do in order to achieve its purpose).

The meeting's objectives should be clear and action focussed, and should be set out in the form of a numbered list, for example:

1. To enhance the performance of ...
2. To consider and approve ...
3. To develop and implement ...
4. To receive reports ...
5. To monitor and evaluate ...

6. To recommend for approval ...

### **3.2.10 Members (Section 10)**

This section should specify the positions (not the names) of the individuals appointed to represent their respective business areas at the meeting.

The role and responsibilities of a Member are outlined in section 3.3 below.

### **3.2.11 Attendees (Section 11)**

This section should specify the positions of individuals (not the names) who are not members, but who are expected to be regularly in attendance at the meeting in an advisory capacity.

The role and responsibilities of an Attendee are outlined in section 3.3 below.

### **3.2.12 Stakeholders (Section 12)**

This section should specify the meeting's stakeholders (i.e. the individuals and / or other meetings who have a broader interest in the work and discussions of the meeting) and the means by which information will be shared with them. The stakeholders may either need to be kept informed about the work of the meeting on a regular basis, or may need to be consulted with occasionally on specific matters.

### **3.2.13 Roles and Responsibilities (Section 13)**

This section should specify that the Chairperson, Vice-Chairperson (if applicable), Secretariat, Members and Attendees are expected to act in accordance with the *Code of Ethics* and operate in line with their respective roles and responsibilities as set out in section 3.3 below.

### **3.2.14 Quorum (Section 14)**

This section should specify the quorum required for the meeting, if applicable.

### **3.2.15 Operating Arrangements (Section 15)**

This section should specify the operating arrangements of the meeting, this includes considering whether the meeting needs to meet face to face or whether it can make best use of technology.

The Secretariat should give written notice of the time, date and location of each meeting at least 25 working days before the date of the meeting, unless an urgent meeting is called by the Chairperson.

A Member or Attendee wishing to include an item on the agenda should inform the Secretariat at least 14 working days before the date of the meeting. The Chairperson reserves the right to reject agenda items requested by Members or Attendees that do not relate directly to the Terms of Reference and / or Work Programme of the meeting. The Chairperson also reserves the right to reject late requests for agenda items.

All supporting papers should be submitted in the appropriate format to the Secretariat at least 10 working days before the date of the meeting, unless an alternative timescale is agreed with the Chairperson and/or is inappropriate due to the frequency of the meeting (e.g. SLT which sits fortnightly). All supporting papers requiring translation should be sent to the Secretariat at the earliest possible opportunity, but no later than 15 working days before the date of the meeting.

The Secretariat should distribute the agenda and supporting papers for the meeting at least 7 working days before the date of the meeting, unless an alternative timescale is agreed with the Chairperson.

The meeting should seek to undertake its business in an open and transparent manner and in the spirit of consensus and mutual respect. Therefore, the meeting should try to decide on matters by consensus. If a consensus cannot be reached, the Chairperson should ask for a vote, and a simple majority will be sufficient to win the vote. If necessary, the Chairperson should use their casting vote in order to ensure a decision is reached.

The Secretariat should prepare and distribute the minutes within 25 working days after the meeting was held.

### **3.2.16 Standing Agenda Items (Section 16)**

This section should list all of the items that will appear on every agenda or at particular times of the year.

All standing items on the agenda must be consistent with the meeting's purpose and objectives.

### **3.2.17 Recording the Meeting (Section 17)**

This section should specify how the meeting will be recorded, either via Minutes or Action and Decision Lists. This will be determined either by the relevant Chief Officer or Chairperson.

Minutes or Action and Decision Lists will be recorded by the Secretariat, including the names of those present and in attendance. The draft Minutes or draft Action and Decision Lists should be sent to the Chairperson or Vice-Chairperson for comment within a 14 day timeframe after the meeting.

### **3.2.18 Task and Finish Groups (Section 18)**

Meetings within the Force Governance Structure may occasionally need to establish Task & Finish Groups to consider / address a specific priority, risk or issue in more detail.

This section should outline the operating principles which all Task & Finish Groups established by the meeting must follow:

- Each Task & Finish Group must have Terms of Reference, which include clear deliverables / outputs with timescales.
- Each Task & Finish Group must have a nominated Chair and an appropriate membership.
- Each Task & Finish Groups must have a clear start and end date, with a timeline that should ideally be no longer than 6 months.
- At the conclusion of their work, each Task & Finish Group must provide a report to the meeting summarising its activities / findings / conclusions / recommendations.

### **3.2.19 Communication and Decision Making Between Meetings (Section 19)**

This section should specify the arrangements which are in place to manage communication and decision-making between scheduled meetings, if required.

### **3.2.20 Annual Review (Section 20)**

All meetings that fall within the Force Governance Structure will be required to undertake an annual review in March of each year, or as soon as possible thereafter. The annual review process will be overseen by the Joint Governance Board.

The annual review is an opportunity to reflect on the activities of the meeting, and to propose changes that may need to be made to ensure the meeting's purpose, objectives and membership remain current and fit-for-purpose. The meeting may be decommissioned following the annual review if it no longer supports the vision, priorities and business needs of the Force.

### 3.2.21 Amending the Terms of Reference (Section 21)

Any significant changes or amendments to the Terms of Reference must be made in accordance with the Force's agreed process for commissioning and decommissioning a meeting.

### 3.2.22 Principles of Good Governance (Section 22)

This section should indicate how the meeting contributes to the seven principles of good governance as detailed in the Code of Corporate Governance.

### 3.2.23 Approval and Storage

Once completed, the draft Terms of Reference should be presented to the meeting for approval.

The Terms of Reference may also need to be approved by a Chief Officer depending on its role within the Force Governance Structure.

The approved Terms of Reference should then be sent to the Force's Policy & Governance Officer for storage. All subsequent versions should also be sent to the Policy & Governance Officer to ensure the most current version is held centrally by the Force.

## 3.3 ROLES AND RESPONSIBILITIES

### 3.3.1 Role and Responsibilities of the Chairperson and Vice-Chairperson

The Chairperson has overall responsibility for ensuring the meeting fulfils its purpose and achieves its objectives as set out in the Terms of Reference. The Chairperson, therefore, requires a deep understanding of the meeting's Terms of Reference in order to undertake the role effectively.

In undertaking the role, the Chairperson must also have due regard to the [Code of Ethics](#) and [Welsh Language Standards](#). The Joint Welsh Language Strategy makes specific reference to promoting more use of Welsh at work and its Implementation plan asks that a Chairperson opens and closes a meeting bilingual to demonstrate this (a few simple words of Welsh). Support on how to do this is available in appendix 6. There is also a tutorial on how to do this in section 11 in the NWP level 2 on line Welsh resources.

Also consider the need to hold a bilingual meeting in order to offer language choice to participants. If so, a simultaneous translation provision will need to be arranged for the meeting. Guidance on how to arrange this and practical arrangements during the meeting is available in appendix 7.

The Chairperson has an important role to play in providing clear leadership and direction before, during and after the meeting, as follows:

**Before** the meeting, the Chairperson is responsible for:

- Working closely with the Secretariat to agree the agenda for each meeting.
- Ensuring the agenda and papers are circulated by the Secretariat no later than 7 working days before the date of the meeting (unless otherwise agreed).
- Considering and approving / rejecting late agenda items.
- Preparing fully for the meeting by reading the agenda and all of the associated papers, and seeking further information / briefings from the authors of papers as required.

**During** the meeting, the Chairperson is responsible for:

*At the start of the meeting:*

- Opening the meeting bilingually and welcoming everyone.

- Clarifying roles and responsibilities (when necessary).
- Establishing the ground rules of the meeting (when necessary).
- Clarifying the purpose of the meeting / what the meeting is seeking to achieve (when necessary).
- Drawing the meeting's attention to any changes which have been made to the order of items on the agenda (when necessary).

*During the meeting:*

- Setting the pace of the meeting by allocating an appropriate amount of time for each agenda item.
- Ensuring the meeting stays focussed and on-track by not allowing individuals to deviate from the agenda to unrelated matters.
- Encouraging a fair, balanced and constructive debate and involving discussion from all of those who wish to articulate a view.
- Fostering a team approach by not dominating the meeting or allowing other individuals to dominate the meeting.
- Ensuring the Policing Principles, as set out in the Code of Ethics, guide behaviours, discussions and decision-making during the meeting.
- Clarifying any misunderstandings that may arise during the meeting.
- Enabling the meeting to make informed decisions and reach agreement on the way forward.
- Concluding each agenda item with an overview of the discussion and a summary of the decision(s) and / or action(s) agreed.

*At the end of the meeting:*

- Closing the meeting bilingually and thanking everyone for their time and contribution and reminding them of the date, time and location of the next meeting (if known).

**After** the meeting, the Chairperson is responsible for:

- Reviewing the draft Minutes or Decision and Action List prepared by the Secretariat.
- Ensuring that decisions and actions are followed-up by the appropriate people.
- The Chairperson may also, from time to time, be asked to provide informal feedback and encouragement to individual members of the meeting to support their ongoing professional development.
- The Chairperson may also be asked to represent their meeting at another Force meeting, either to participate as a full member of the meeting or contribute to a specific agenda item.

The Vice-Chairperson (Where Relevant)

- The Vice-Chairperson chairs the meeting in the absence of the Chairperson and is expected to undertake the role in accordance with the responsibilities outlined above.
- However, the Chairperson may also delegate other responsibilities to the Vice-Chairperson from time to time.

**3.3.2 Role and Responsibilities of the Secretariat**

The Secretariat has overall responsibility for managing the business of the meeting and providing professional support to the Chairperson, Vice-Chairperson (where relevant), members and attendees.

The Secretariat must be familiar with the meeting's Terms of Reference in order to undertake the role effectively.

The Secretariat operates as the 'guardian' or 'gatekeeper' of the meeting and has an important role to play before, during and after the meeting, as follows:

**Before** the meeting, the Secretariat is responsible for:

- Setting the date and time of the meeting in consultation with the Chairperson.
- Finding a suitable venue for the meeting.
- Arranging refreshments and translation facilities, if required.
- Ensuring all relevant individuals receive an invitation to attend the meeting (notice should be given at least 25 working days before the date of the meeting, unless an urgent meeting is called by the Chairperson.)
- Preparing the draft agenda based on the agreed Work Programme and items submitted by Members and Attendees (a Member or Attendee wishing to include an item on the agenda should inform the Secretariat at least 20 working days before the date of the meeting.)
- Discussing the draft agenda with the Chairperson.
- Finalising the agenda following discussions with the Chairperson.
- Ensuring all of the relevant papers are submitted in the appropriate format at least 15 working days before the date of the meeting, unless an alternative timescale is agreed with the Chairperson (all supporting papers requiring translation should be sent to the Secretariat at the earliest possible opportunity, but no later than 15 working days before the date of the meeting.)
- Collating the agenda and papers for the meeting.
- Discussing late agenda items with the Chairperson and amending the agenda as necessary.
- Ensuring the agenda and papers are circulated no later than 7 working days before the date of the meeting, unless an alternative timescale is agreed with the Chairperson.
- Noting all of the apologies received for the meeting.
- Checking the venue is suitably equipped and set out on the day of the meeting.

**During** the meeting, the Secretariat is responsible for:

- Ensuring the Chairperson or Vice-Chairperson has all the necessary information / papers for all of the items on the agenda.
- Making a note of the names and positions of those in attendance.
- Making a note of the apologies received from the meeting.
- Making a note of the decisions and actions agreed by the meeting, as well as making a brief note of how the decisions and actions were reached in order to provide sufficient context and ensure an audit trail.
- Seeking clarification on any decisions, actions or discussions which may be unclear.
- Supporting the Chairperson or the Vice-Chairperson to ensure the meeting stays focussed and on-track by reminding them if an agenda item has been overlooked and highlighting any issues with the timing of agenda items to ensure the meeting doesn't overrun.
- At the end of the meeting, ensuring the Chairperson reminds members not to leave any papers relating to the meeting at the venue.

**After** the meeting, the Secretariat is responsible for:

- Preparing draft Minutes or Decision and Action List for review by the Chairperson or Vice-Chairperson within 14 working days after the meeting.
- Circulating the Minutes or Decision and Action List to Members and Attendees within 25 working days after the meeting (corrections to the Minutes or Decision and Actions List should be noted at the following meeting.)
- Collating any updates received in relation to agreed actions in preparation for the next meeting.

### 3.3.3 Role and Responsibilities of Members

Members have overall responsibility for working with each other to fulfil the purpose and achieve the objectives of the meeting as set out in the Terms of Reference.

Members must be familiar with the meeting's Terms of Reference in order to undertake the role effectively.

Members normally operate as representatives of their respective business areas at the meeting. However, they may also be required to contribute particular knowledge, skills or expertise to the meeting.

Members have an important role to play before, during and after the meeting, as follows:

**Before** the meeting, a Member is responsible for:

- Endeavouring to attend the meeting.
- Preparing fully for the meeting by reading the agenda and all of the associated papers, and seeking clarification / further information from the Chairperson and / or Secretariat as required.
- Discussing, where relevant, all appropriate agenda items with colleagues within their business area to ensure the view(s) of the business area are represented accurately at the meeting.

If a Member wishes to **place an item on the agenda**, they must notify the Secretariat at least 20 working days before the date of the meeting. All supporting papers should be submitted in the appropriate format at least 15 working days before the date of the meeting, unless an alternative timescale is agreed with the Chairperson. The Chairperson reserves the right to reject any late agenda items.

If a Member is **unable to attend** the meeting, they are responsible for:

- Sending their apologies to the Secretariat.
- Providing comments on the agenda and associated papers.
- Arranging for a deputy to attend the meeting on their behalf (if permitted by the meeting's Terms of Reference or allowed by the Chairperson), and informing the Chairperson and Secretariat that a deputy will be attending the meeting.
- Briefing the deputy and ensuring they receive a copy of the agenda and all of the associated papers.

**During** the meeting, a Member is responsible for:

- Arriving on time and staying to the end.
- Drawing attention to any potential conflicts of interest that may arise in the meeting.
- Participating fully and constructively in the meeting by:
  - Listening to what others have to say;
  - Contributing positively to the discussion;
  - Providing concise comments;
  - Avoiding dominating the meeting;
  - Avoiding distracting others by holding side conversations; and
  - Avoiding deviating from the required discussion and discussing matters which are unrelated.
- Seeking clarification on any points / matters that are unclear during the meeting.
- Abiding by the Policing Protocol throughout the course of the meeting.
- Participating in the decision-making process and ensuring that all decisions are taken in the best interests of the Force and in accordance with the meeting's Terms of Reference.

- Maintaining confidentiality where required.

If a Member is **unable to stay** until the end of the meeting, they are responsible for notifying the Chairperson and Secretariat prior to the start of the meeting and leaving in a quiet manner at the appropriate time. Requests to rearrange the order of items on the agenda should be discussed with the Chairperson and Secretariat in good time ahead of the meeting. However, the Chairperson reserves the right not to rearrange the agenda at the request of individual members.

**After** the meeting, a Member is responsible for:

- Fulfilling any actions / responsibilities assigned to them at the meeting and be prepared to report back on progress at the next meeting.
- Ensuring colleagues within their business area are briefed on any decisions and / or actions that directly affect the business area.

### **3.3.4 Role and Responsibilities of Attendees**

Attendees have overall responsibility for supporting the Chairperson and Members to fulfil the purpose and achieve the objectives of the meeting as set out in the Terms of Reference.

Attendees must be familiar with the meeting's Terms of Reference in order to undertake the role effectively.

Attendees are not Members and do not operate as representatives of their respective business areas at the meeting. Instead, they are normally required to contribute particular knowledge, skills or expertise to the meeting.

Attendees are not obliged to attend all meetings. Attendees may decide to attend certain meetings or be asked by the Chairperson to attend particular meetings depending on the business at hand. Attendees may also decide to contribute to the business of the meeting by providing comments to the Chairperson on certain agenda items and papers.

When Attendees decide to attend a meeting, they are responsible for conducting themselves as though they were Members. However, they are not entitled to play a part in any formal decisions taken by the meeting (e.g. if a matter is put to a vote).

## **3.4 MEETING DOCUMENTATION**

### **3.4.1 Forward Work Plan (Appendix 2)**

Each meeting should have a forward work plan (FWP) which will assist the meeting to plan for the forthcoming year and assist with the preparation of the meeting agendas.

The FWP should be prepared at the beginning of the year by the chair and secretariat of the meeting and should schedule agenda items to be discussed at certain meetings/times of the year i.e. TofR review March

The FWP should be a live working document which can be added to throughout the year as and when new agenda items are received by the chair and secretariat.

### **3.4.2 Agenda (Appendix 3)**

Meeting agendas ensure the right information is presented to a meeting and contribute to meeting the aims and objectives of the meeting.

Information included in an agenda should be timely, relevant, objective, accurate and professional.



Each meeting should prepare and circulate an agenda 7 days prior to a scheduled meeting.

The agenda should reflect information included in the FWP and ToFR.

The corporate template for agenda's is split into four sections

- Standing agenda item – decision required
- Additional agenda item – decision required
- Standing agenda item – for information only
- Additional agenda item – for information only

This will ensure meetings are focussed and that decisions are being made when required.

### **3.4.3 Minutes and Action and Decision Log (Appendix 4)**

The formal record of Force meetings will take the form of either minutes or an action and decision log which will be noted on the Terms of Reference.

Full verbatim minutes should be clear and concise and include details of the agenda item, the discussions that took place and the outcome of such discussions whether that is an action or a decision. Full verbatim minutes will also be published externally on our website via the Force Publication Scheme, it should therefore be noted whether or not each item should be published or not.

The decision log should include a record of a decision not the discussion; however it should still include context to provide an audit trail of how that decision was reached.

Likewise the action log should include the detail of the action and action owner and should include context to provide an audit trail of how that action was determined.

Only open actions should be reviewed at meetings, this will ensure meetings remain focussed and do not re-visit actions and decision that have already been achieved.

### **3.4.4 Report (Appendix 5)**

Reports submitted to a meeting must be clear and focussed using the corporate template. The purpose of the report and the expected outcome should be clear at the beginning of the report.

Reports should be short and to the point, they should be clear, concise, convincing, complete and correct using plain English.

Reports should only include relevant information and authors should refrain from including embedded documents.

Reports should be submitted to the chair and secretariat of a meeting 15 days prior to a scheduled meeting.

## **4. APPENDIX**

### **4.1 Appendix 1 – Terms of Reference**



Terms of Reference  
Template - v3.0.doc

**4.2 Appendix 2 – Forward Work Plan**

Template Forward  
Work Plan v2.0.doc

**4.3 Appendix 3 – Agenda**

Template Agenda  
v2.0.doc

**4.4 Appendix 4 – Minutes and Action and Decision Log**

Template Minutes  
v2.0.doc



Template Decision  
and Action Log v2.0.c

**4.5 Appendix 5 – Report**

Template Report  
v2.0.doc

**4.6 Welsh Language Support for Meetings**

Cymorth Cymraeg -  
Cynnal Cyfarfod.doc

**4.7 Guidance on Arranging Translation Services at Meetings**

Guidance for staff on  
how to obtain a trans



**Joint Audit Committee**

**Meeting Date: 5 October 2020**

<b>Title:</b>	Proposed Work Programme
<b>Author:</b>	Chief Finance Officer
<b>Purpose of the report:</b>	To agree the work programme
<b>The report is provided to JAC for: (tick one)</b>	<input type="checkbox"/> X Decision <input type="checkbox"/> Discussion <input type="checkbox"/> Assurance <input type="checkbox"/> Information
<b>Summary / Key Points:</b>	<ul style="list-style-type: none"> <li>ensures that the Committee is able to fulfil its duties in line with statutory deadlines, and that all of the Committee’s responsibilities are discharged during the course of each year</li> </ul>
<b>Recommendations:</b>	<ul style="list-style-type: none"> <li>For members of the Committee to note which items are subject to a statutory deadline, and therefore the meetings have been arranged to fulfil those requirements.</li> <li>For members of the Committee to consider additional content which might be presented at future meetings.</li> <li>For the future work programme to be brought to each meeting, outlining the work for the forthcoming twelve months on a rolling basis.</li> </ul>
<b>Risk register impact:</b>	One of the purposes of the Committee is to provide assurance to the Police and Crime Commissioner and the Chief Constable that financial and non-financial risks are being managed effectively.
<b>Assurance implications:</b>	
<b>Equality Impact:</b>	Equalities legislation was taken into account when recruiting the independent members of the Joint Audit Committee. There is a <a href="#">Joint Equalities’ Scheme</a> in place.
<b>Information exempt from disclosure:</b>	None.



## **JOINT AUDIT COMMITTEE**

**5 October 2020**

### **PROPOSED WORK PROGRAMME**

**Report by the Chief Finance Officer**

#### **INTRODUCTION**

- 1.2 The Joint Audit Committee has been provided with a programme of work annually during the July meeting. This ensures that the Committee is able to fulfil its duties in line with statutory deadlines, and that all of the Committee's responsibilities are discharged during the course of each year.
- 1.3 In addition, items to be presented to the Joint Audit Committee are identified by various means – by officers, staff or the Committee members. These have been added to the work programme on a less formal basis, and are added to the agenda as appropriate.
- 1.4 Policing is an ever-changing environment. While it remains vital that the Joint Audit Committee carry out certain tasks by key dates, presenting the work programme only once each year is inflexible, and does not document sufficiently when newly-identified items are to be presented to the committee. Therefore, at the meeting held on 9 March 2020, the Committee proposed that the work programme be discussed at the end of each meeting.
- 1.5 This report, therefore, includes the proposed work plan for the next twelve months. Where the meeting date has not yet been finalised, the month of the meeting is shown for guidance.

#### **2. RECOMMENDATIONS**

- 2.1 For members of the Committee to note which items are subject to a statutory deadline, and therefore the meetings have been arranged to fulfil those requirements.
- 2.2 For members of the Committee to consider additional content which might be presented at future meetings.
- 2.3 For the future work programme to be brought to each meeting, outlining the work for the forthcoming twelve months on a rolling basis.

#### **3. WORK PROGRAMME**

- 3.1 With the exception of items timetabled to meet statutory deadlines, the work programme is flexible; therefore, additional items may be added should a need arise.



3.2 There are a number of standing agenda items currently scheduled for each meeting. These will remain on the JAC agenda until further notice:

Date of Meeting	Work Programme 2020/21
All (Until Further Notice)	<ul style="list-style-type: none"> <li>• Business Update</li> <li>• HMICFRS Update</li> <li>• Internal Audit Update</li> <li>• Risk Update</li> <li>• Work Programme</li> </ul>

The work programme asides from the standing agenda items outlined above are as follows:

Date of Meeting	Work Programme 2020/21
10 December 2020	<ul style="list-style-type: none"> <li>• Audit Wales – Value for Money and Annual Audit Report (Management Letter)</li> <li>• Legal report</li> <li>• Risk strategy &amp; risk appetite statement – Annual review</li> <li>• Governance update</li> <li>• Ethics</li> <li>• Treasury Management Performance</li> <li>• Risk Deep dive: tbc</li> </ul>
March 2021	<ul style="list-style-type: none"> <li>• Capital Strategy (including the Treasury Management Strategy) <i>to be approved before 1 April 2021</i></li> <li>• Governance update – including draft AGS</li> <li>• Audit Wales – annual plan</li> <li>• Risk Deep dive: tbc</li> <li>• Force management statement</li> </ul>
Spring 2021	<ul style="list-style-type: none"> <li>• Welsh Joint Audit Committees annual event</li> </ul>
June 2021	<ul style="list-style-type: none"> <li>• 2020/21 accounts – technical briefing</li> </ul>
July 2021	<ul style="list-style-type: none"> <li>• ISA 260 and signing of accounts <i>to be signed by 31 July 2021</i></li> <li>• Governance update</li> <li>• Value for money</li> <li>• Self-assessment and Annual report of JAC</li> <li>• Deep dive: tbc</li> </ul>
October 2021	<ul style="list-style-type: none"> <li>• Governance update (incl. FM Code review)</li> <li>• Treasury Management Performance</li> </ul>



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#### 4. IMPLICATIONS

4.1	Equality	Equalities legislation was taken into account when recruiting the independent members of the Joint Audit Committee. There is a <a href="#">Joint Equalities' Scheme</a> in place.
4.2	Financial	Planning the work for the forthcoming year reduces the need for ad-hoc meetings.
4.3	Legal	Legislation requires that a Joint Audit Committee be established. The functions of the Joint Audit Committee are summarised within its <a href="#">Terms of Reference</a> , which has been prepared in accordance with <i>Audit Committees\Practical Guidance for local Authorities and Police - 2018 Edition (CIPFA)</i> . This work programme takes account of the statutory and practical requirements to fulfil these obligations.
4.4	Community	Meeting papers and minutes are published, and the meetings are open for the public to attend.
4.5	Risk	One of the purposes of the Committee is to provide assurance to the Police and Crime Commissioner and the Chief Constable that financial and non-financial risks are being managed effectively.
4.6	Police and Crime Plan	The role of the Joint Audit Committee is part of the overall Police and Crime Plan.

#### Report Author:

Kate Jackson  
Chief Finance Officer, Office of the Police and Crime Commissioner