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# **Chief Constable of Dyfed Powys**

*Statement of Accounts 2014/15*  
(Single Entity)

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## **Explanatory Foreword**

### **Introduction**

This Statement of Accounts provides information on the financial position and financial performance of the Chief Constable of Dyfed Powys for the financial year 2014/15.

The Police Reform and Social Responsibility Act (PRSRA) 2011 established each Chief Constable as a legal entity or 'corporation sole' in their own right on 21<sup>st</sup> November 2012. This is the third Statement of Accounts to be produced by the Chief Constable of Dyfed Powys Police under these arrangements.

The financial position of the consolidated Group of the Commissioner and Chief Constable for Dyfed Powys are set out in a separate Statement of Accounts document produced by the Police and Crime Commissioner.

The Accounts and Audit (Wales) Regulations 2014 require local government bodies to prepare a Statement of Accounts in accordance with proper practices. The Code is identified as representing proper practices.

### **Statement of Accounts**

The Accounts that follow this foreword provide further detail of the financial affairs of the Chief Constable and are comprised of:-

- **Independent Auditor's Report;** this sets out the opinion of the external auditor, the Wales Audit Office, on whether the Chief Constable accounts presented give a 'true and fair view' of the financial position and operations of the Chief Constable for 2014/15;
- **Statement of Responsibilities for the Statement of Accounts;** this statement sets out the responsibilities of the Chief Constable and the Chief Constable's Chief Finance Officer;
- **Comprehensive Income and Expenditure Statement;** this statement summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year;
- **Balance Sheet;** this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. As under the Police Reform and Social Responsibility Act, the Chief Constable is unable to hold cash, the Chief Constable's current assets and liabilities are balanced to nil via intra-group transfers between the Commissioner and Chief Constable which are eliminated from the Group accounts;
- **Notes to the financial statements,** are also included that set out the Statement of the Accounting Policies used as the basis of preparing the financial statements and provide further information which is required by the Code of Practice.

### **The Movement in Reserves Statement**

The Statement is required as part of the Code and would show the movement in the year on reserves held by the Chief Constable; as the Chief Constable does not hold reserves however this statement is not required;



### The Police Pension Fund

The Police Pension Fund Account appears in consolidated Group of the Commissioner and Chief Constable for Dyfed Powys and is also included in the Chief Constable's Accounts. It is the Chief Constable that is responsible for administering pension schemes and the appropriate maintenance and provision of the relevant accounts. The role of the Police and Crime Commissioner in the pension schemes is limited to specific decisions and discretions concerning the pension and retirement of the Chief Constable, and discretion on the application of pension forfeiture for all police officers. The Chief Constable is responsible for ensuring that accurate and up to date information is provided to the Home Office on the force's pension account and future forecasts for police pension income and expenditure.

### Annual Governance Statement

The Annual Governance Statement is included within this Statement of Accounts. The statement is a statutory document which explains how the body of the Chief Constable has complied with its own Code of Corporate Governance, and also provides assurance on the systems of internal control that the Chief Constable maintains and on the way the Chief Constable conducts his affairs.

### Police and Crime Plan Priorities

The Police and Crime Commissioner has published a Police and Crime Plan which builds on the priorities of those organisations that currently deliver crime and policing services in Dyfed Powys. It sets the Commissioner's priorities for his current term of Office:

- Preventing and dealing with incidents and crime
- Protecting vulnerable people
- Bringing people to justice
- Enhancing access to policing services
- Ensuring high standards of professionalism
- Spending wisely

The Chief Constable is accountable to the law for the exercise of police powers, and to the Police and Crime Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, his officers and staff, remain operationally independent in the service of the communities that they serve. The Chief Constable is responsible to the public and accountable to the Police and Crime Commissioner for supporting the Police and Crime Commissioner in the delivery of the strategy and objectives set out in the Plan.

The Commissioner set out a number of commitments within the Police and Crime Plan with regards to making data available to the public allowing them to judge progress made against the Plan. The Reports published by the Commissioner are available at the following address:

<http://www.dyfed-powys.pcc.police.uk/en/Priorities-and-Policies/Performance-Data/Performance-Data.aspx>

### Financial Performance in 2014/15 against the Chief Constable's Revenue budget

This was a year of transition in many ways for the Force. All police staff under the direction and control of the Chief Constable transferred into the employment of the Force on 1<sup>st</sup> April 2014. All police staff were previously under the employment of the Police and Crime Commissioner. Alongside this, the Force implemented the "Public First" programme which sought to realign and make minimally efficient the structures supporting operational policing.



In February 2014, the Police and Crime Commissioner set a budget for the Chief Constable of £95.6 million for the financial year 2014/15. This was some £1.8 million or 1.6% less in cash terms than the budget of £97.4 million made available for the previous financial year. Taking account of inflationary and other cost pressures affecting the budget for 2014/15, the Chief Constable was required to deliver recurring budget savings of £3.747 million in order to deliver a balanced budget position.

The Table below sets out the final out-turn position for 2014/15 compared with the original and revised budget for the Chief Constable. Overall the Chief Constable has delivered policing services well within the budget limits set for 2014/15 and indeed will be contributing a net £1.850 million to reserves.

	Original Budget	Revised Budget	Actual	Variance (Negative for Saving)
	£'000	£'000	£'000	£'000
<b>Expenditure</b>				
Employee Costs - Officers	63,329	63,025	66,006	2,981
Employee Costs – Police Staff Costs	24,653	24,619	22,614	-2,005
Indirect Staff Costs	2,235	2,213	1,440	-773
Premises Costs	3,259	3,660	3,533	-127
Transport Costs	3,021	2,895	2,383	-512
Supplies & Services	8,802	8,875	7,703	-1,172
Agency & Contracted Services	2,511	2,523	1,949	-574
<b>Total operating expenses</b>	<b>107,810</b>	<b>107,810</b>	<b>105,628</b>	<b>-2,182</b>
Add: Financing Costs	793	1,069	2,448	1,379
<b>Total Expenditure</b>	<b>108,603</b>	<b>108,879</b>	<b>108,076</b>	<b>-803</b>
<b>Income</b>				
Government grants (Revenue & Capital)	-6,844	-6,294	-9,494	-3,200
Fees, charges & other service income	-3,803	-4,443	-4,826	-383
<b>Total Income</b>	<b>-10,647</b>	<b>-10,737</b>	<b>-14,320</b>	<b>-3,583</b>
<b>Net Expenditure Funded by PCC</b>	<b>97,956</b>	<b>98,142</b>	<b>93,756</b>	<b>-4,386</b>
Contribution from Reserves	-2,183	-2,536	1,850	4,386
	<b>95,773</b>	<b>95,606</b>	<b>95,606</b>	<b>0</b>

This report is in a subjective analysis format which is used by internal management for reporting purposes against the budget. The format differs to the Comprehensive Income and Expenditure Statement, and reconciliation between the two formats is shown in Note 11.

A brief explanation of the main variances is provided below:

- a) *Police Officer costs and grant income:* Police Officer costs are above the original budget by £2.981 million. The Force has provided a sum of £3.238 million as an estimate of costs arising as a result of the Pension Ombudsman's decision, following the end of the financial year, to uphold an appeal against the Government Actuaries Department which could have implications in terms of commutation factors used for police officer retirements between 2001 and 2006. The Force has included an assessment of the commutation cost implications of the decision in the Revenue Account and an income reimbursement which is expected from the Government to cover the full costs against the Government Grant income line.



Aside from this adjustment, police officer numbers and budgets were slightly below the budgeted figures early in the financial year. Although recruitment to the full budgeted establishment was accelerated during the year a small saving of £257K remained against this heading at year end.

**b) Savings Attributable to Public First:**

- i. **Police Community Support Officer (PCSOs):** These cost headings were affected by the "Public First" programme with some vacancies being held open during the early part of the year to offer redeployment opportunities for police staff post holders.
- ii. **Police Staff Costs:** This cost heading was particularly affected by the implementation of new operational and business support structures as a result of "Public First". In total, reductions affecting police staff budgets were aimed at saving £3.6 million in a full year with £1.4 million of this arising as part year consequences in 2014/15.

The primary consideration in relation to police staff was to minimise compulsory redundancies arising from "Public First" and to this end a number of positions were kept vacant to maximise potential redeployment opportunities for those post holders adversely affected. This had a consequential impact on the savings position experienced during the year as illustrated in the Tables below.

The delay in implementing the pay award for police staff in 2014/15 also contributed to significant savings experienced against this heading for the year.

Month / Position	Target (Budget) Position (FTE)	Actual Position (FTE)	Difference (FTE)	Monthly Difference (£'000)
<b>Pre Public First</b>	<b>656</b>	<b>0</b>	<b>0</b>	<b>0</b>
April 2014	629	591	-38	-108
May 2014	628	590	-38	-107
June 2014	632	586	-46	-133
July 2014	632	566	-66	-186
August 2014	632	539	-93	-262
September 2014	632	539	-93	-263
October 2014	570	538	-32	-90
November 2014	570	542	-28	-77
December 2014	569	544	-25	-69
January 2015	569	538	-31	-87
February 2015	569	540	-29	-82
March 2015	569	535	-34	-96
<b>Variance Due to Staff Movements</b>				<b>-1,562</b>
<b>Impact of Pay Awards / Other factors</b>				<b>-102</b>
<b>Police Community Support Officers</b>				<b>-341</b>
<b>Final Variation in Police Staff Headings</b>				<b>-2,005</b>



<b>Police Staff - Budgeted 2014/15 net leavers compared to Actual (FTE)</b>														
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	2015/16	Total
	-27	-1	4	0	0	0	-62	0	-1	0	0	0	-19	-106
Actual Reductions	-65	-1	-4	-20	-27	-0	-1	4	2	-6	2	-5	0	-121
Ahead of Schedule	-38	0	-8	-20	-27	-0	61	4	3	-6	2	-5	19	-15
Budgeted Monthly Reductions														

- c) **Indirect Staff Costs:** The approach taken to maximise potential redeployment opportunities within the Force also had a substantial impact in terms of reducing the one-off costs associated with the implementation of the "Public First" Programme. The budget for "Public First" included a worst case scenario of £1.7 million in respect of one off spending including redundancy and early retirement costs. The total costs incurred totalled £0.7 million a saving against the budget of some £1.0 million. Some additional savings also arose as a result of suspending the employment of agency workers during the "Public First" programme.

Thus savings that were required to be delivered during the year have occurred considerably sooner and have cost considerably less than anticipated at the time of setting the budget. "Public First" has contributed an extra £2.6 million towards the overall savings position in 2014/15 on a non-recurring basis over and above the amounts derived from the agreed high level delivery plan in place at budget setting time.

- d) **Financing Cost:** The Commissioner has utilised reserves in order to finance some capital finance spending during the year rather than borrowing. This has resulted in an over spend against the Force budget for capital financed from revenue along with a corresponding reduction in borrowing and reserves.
- e) **Other non-pay headings:** The Force has made fortuitous budget savings against some significant non-pay headings including fuel and transport headings, forensics costs, operational equipment, air support, agency costs and from income received through providing support to other Forces in connection with a number of national events. A small underspend arose in relation to premises costs with some planned revenue maintenance improvements not being fully completed by the end of the financial year.

The savings also reflect the sense of financial restraint being exercised by budget holders which persisted through the financial year as a result of the implementation of "Public First" along with procurement and other saving which were delivered during 2014/15 in anticipation of a challenging budget position in 2015/16.

The Commissioner has utilised reserves in order to finance some capital finance spending during the year rather than borrowing. This has resulted in an over spend against the budget for capital financing from revenue along with a corresponding reduction in borrowing and reserves.

#### Pensions Liability

The Pension Liability which is disclosed on the Balance Sheet reflects the underlying commitments that the Chief Constable has in the long run to pay retirement benefits as required under proper practice. In 2014/15 this amounts to £1,046,972 million compared to £883,923 million in 2013/14. This has a substantial impact on net worth as recorded in the Balance Sheet. Statutory arrangements to finance the liability include an employer pension contribution of 24.2% for police officers and 11.6% for police staff, with the actual pensions and commuted lump sum costs being met directly by the Police Pension Fund Account, which is funded by the Home Office via the Commissioner.



### Exceptional items of Income and Expense

Exceptional items are disclosed and described separately in the Statement of Accounts where it is necessary to do so to clearly explain the financial performance of the Chief Constable. Items reported as exceptional are material items of income and expense that have been shown separately due to the significance of their nature or amount. No exceptional items of income and expense have been identified in 2014/15.

### Significant Changes in Accounting Policies

The revision to the Accounts and Audit Regulations (Wales) in 2014 has added new requirements in terms of declarations of remuneration which have been complied with in full. New accounting requirements have also been followed for the first year in relation to accounting for collaboration. This has required a Prior Year Adjustment which has affected 2013/14 comparatives. More information this can be found in the Notes to the Accounts.

### Major Changes in Statutory Functions

The Police Reform and Social Responsibility Act provided for the transfer of staff from the employment of the Police and Crime Commissioner to the employment of the Chief Constable on 1<sup>st</sup> April 2014. A new Corporate Governance Framework was agreed during the year that reflected these changes. Force police staff and officers were already under the direction and control of the Chief Constable therefore this transfer has had no impact in relation to the Statement of Accounts in 2014/15.

### Material Events after the Reporting Date

The Force has provided for the potential financial implications of the Pension Ombudsman's decision following the end of the financial year, to uphold an appeal against the Government Actuaries Department which could have implications in terms of commutation factors used for Police Pensions paid between 2001 and 2006. Although guidance is awaited which will enable an exact costing to be undertaken, the Force has undertaken a calculation to estimate the potential liability against the Pension Account at this stage. Interest has been charged against Chief Constable's Accounts. The Force has also included an income reimbursement which is expected from the Government to cover this cost in full.

### Discretionary Payments

A matter had arisen nationally during 2013/14 which raises concerns about the legality of some discretionary allowances paid to a small number of chief officers at forces throughout England and Wales which includes Dyfed Powys Police. A press release issued by the Police and Crime Commissioner, highlighted that national media coverage raised concerns about the lawfulness of such discretionary payments. This is due to the payments not being referred to under the specific provisions of the 2003 Police Regulations.

Further legal advice obtained by the Commissioner appears to confirm that the discretionary payments could be unlawful. Prompt action has been taken to stop any further discretionary allowances being paid until such time as the legal position is fully clarified. Some of these payments related to amounts paid in 2013/14 and these are highlighted in Note 14, Officers' remuneration. This matter is currently on going.

### Pensions Reform

In March 2011 Lord Hutton was commissioned by the government to conduct an independent review into the future of public service pensions. As the cost of pensions has increased by a third in the last 10 years, he concluded that the existing scheme designs were not sufficiently robust to be sustainable.



Therefore, the government introduced a new Local Government Pension Scheme from April 2014 and a new Police Pension Scheme was implemented from April 2015. The key changes are:

- A move from final salary to a Career Average Revalued Earnings scheme
- The normal pension age will be 60 for police officers, whilst for police staff the normal pension age will be linked to the State Pension Age
- The average member contribution will increase, with higher earners paying higher contributions than currently

The reforms outlined above will shift the burden of cost from the employer (ultimately the taxpayer) to the employee, ensuring that pensions will be fairer and more sustainable in the future.

The Chief Constable will, during 2015/16 determine the financial consequences of the above in his Medium Term Financial outlook.

#### Impact of the current economic climate on the Chief Constable

Under the Police Reform and Social Responsibility Act the Police and Crime Commissioner of Dyfed Powys is responsible for allocating a budget to the Chief Constable and the Dyfed Powys Police Force. He is also responsible for allocating assets and funds to the Chief Constable and for setting the precept for the Force area. Home Office Police Grant and Welsh Government funding are all received by the Police and Crime Commissioner.

The grant settlement for the 2015/16 financial year was particularly challenging with a reduction in funding of 5.1% being applied to central grants. The Police and Crime Commissioner applied a reduction in council tax level at band D of -5% for the year with a recurring shortfall in budget of £3.0 million being funded from the application of reserves.

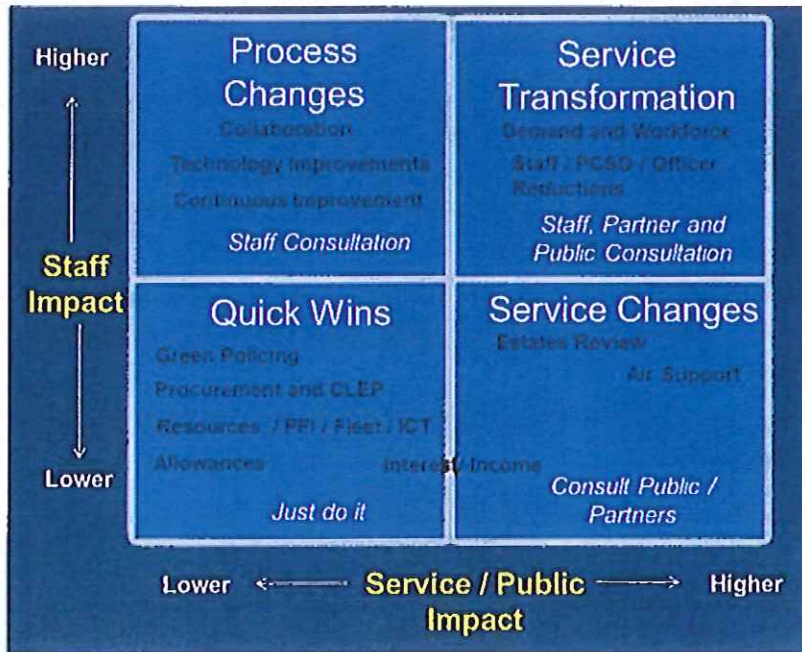
The Medium Term Financial Plan covering the period 2015/16 to 2018/19 was published alongside the budget for 2015/16 and this highlights a significant degree of uncertainty pertaining to the amount of funding which will be available to the Force over this period.

The financial position beyond the 2015/16 financial year will be further affected by Home Office Ministerial decisions around formula funding methodology, the outcome of the Comprehensive Spending Review as well as local decisions made by the Police and Crime Commissioner on precept and policing priorities. In addition some significant cost increases could arise from April 2016 as a result of changes to National Insurance planned as part of wider Government Pensions Reforms. This could add around £1.3 million to the Chief Constable's Budget requirement in 2016/17.

A savings requirement of £13.315 million was identified in the forward budget position despite the inclusion of a 5% precept increase assumption in 2017/18 and 2018/19 with approximately £4.8 million of this being required by 2016/17.

The Force is expecting some significant further financial challenge over the coming years with many of the options being considered for addressing this shortfall having potentially significant implications for staff and officers and / or services as highlighted in the chart below:





Given the significant uncertainty in the future funding position the Commissioner and Chief Constable have engaged discussions around planning for further cost reductions for the future through a range of measures.

At the time of setting the 2015/16 budget, there was a cost reduction requirement of at least £13.3 million for the period 2016/17 to 2018/19. The Force had firm plans in place at the time of setting the budget for 2015/16 to deliver £6.2 million through the work being undertaken by the Commissioner and Force leaving a shortfall of £7.1 million over the period.

An exercise is being undertaken led by the Force's senior leaders to update the Cost Reduction Plan to take account of the further cost reduction activities and opportunities that have been developed in recent months. The cost reductions sought for 2016/17 and 2017/18 years are particularly challenging.

It is apparent that current plans have been implemented successfully which will enable the Force to balance budgets for 2015/16 however further significant cost reductions will be required post April 2016 should funding assumptions prove correct. Increasingly it is feared that these will need to focus on difficult operational vs operational spending reduction decisions since support structures will have been optimised to be minimally efficient under the "Public First" and through further collaboration proposals.

Beyond the challenges of Public First, the Force continues a busy programme of change and improvement. These include a continuous improvement programme to lean out and provide further improvements and cost savings to our processes, together with a comprehensive ICT, Estates and mobile data capital investment programme, which is digitising many of our current paper-based operational policing procedures. These programmes of work are progressing well and are bringing real benefits to the way we work. Full details of capital spending and financing in the year are included in the Police and Crime Commissioner's Financial Statements.

**Statement of Responsibilities**

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 his financial affairs and to secure that one of his officers has the responsibility for the administration of those affairs, that officer is the Chief Financial Officer;
- manage his affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

I approve the Statement of Accounts for financial year 2014/15.



25.09.15

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 Chief Constable of Dyfed Powys

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 judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Chief Constable at the reporting date and of its expenditure and income for the year ended 31<sup>st</sup> March 2015.



25.09.15

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 Chief Financial Officer to the Chief Constable

Date



## Annual Governance Statement

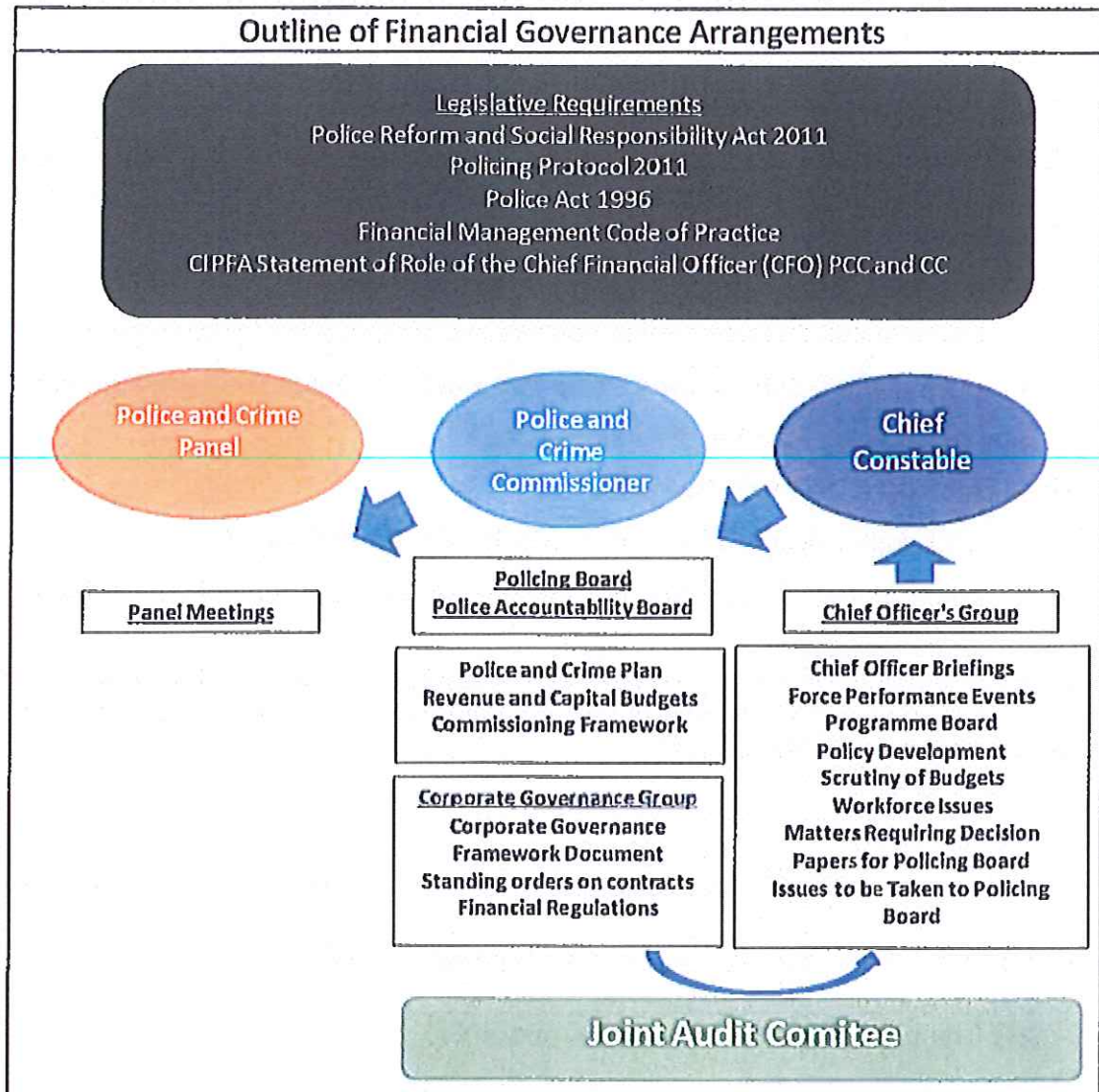
### Scope of responsibility

The Chief Constable (CC) is responsible for maintaining the Queen's Peace, and has direction and control over the force's officers and staff. The CC holds office under the Crown, but is appointed by the Police and Crime Commissioner (PCC). He is accountable to the law for the exercise of police powers, and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the Police Force. At all times the CC, his constables and staff, remain operationally independent in the service of the communities that they serve.

The CC delivers operational policing in the Dyfed Powys area in accordance with the law and to proper standards. He has a duty to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

### Overview of Police Governance

The CC is established under legislation as a legal entity or corporation sole in his own right. He has in place a governance framework that supports the effective exercise of his functions and for the management of risk. An overview of the Governance arrangements in being for the CC is shown in the chart below:





The governance framework has been in place at the Force throughout the year and up to the date of approval of the Statement of Accounts.

This Annual Governance Statement includes a summary of the governance arrangements in place for the CC for each of the six core principles of good governance as identified in the revised "*Delivering Good Governance in Local Government: Guidance Note for Police 2012*".

**Core principle 1 – Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.**

The purpose, vision and outcomes sought by the Force are encapsulated by the phrase "Safeguarding our Community". This is a well-established vision for Dyfed Powys Police that is very well understood by staff and encapsulates the collective purpose and mission of the Force.

During the year the Force has been working to refresh its vision, mission and values in the context of seeking to embed the "Code of Ethics" into the Force. This work is being led by a small group of staff and officers.

It has been recognised that cultural change needs to be implemented alongside this work to ensure that officers and staff feel empowered to "do the right thing" in their dealings with the public and victims. A programme of leadership training is being progressed to embed these important developments during the 2015/16 financial year.

The priorities for policing in the local area are detailed in the Police and Crime Plan (PCP). This document is compiled by the PCC in consultation with the CC and published. The priorities take account of the views of local people and partners as well as the PCC's priorities as the elected representative. The PCC and CC also take account of Strategic Policing Requirements issued by the Home Secretary. The PCP is an important document that sets out six priorities for the PCC namely:

1. Preventing and dealing with incidents and crime
2. Protecting vulnerable people
3. Bringing people to justice
4. Enhancing access to policing services
5. Ensuring high standards of professionalism
6. Spending wisely

The CC is responsible for supporting the PCC in the delivery of the priorities set out in the Police and Crime plan. His operational delivery, performance monitoring frameworks and financing decisions focus on these priorities.

The Policing Board sits at the heart of the governance arrangements in Dyfed Powys Police. The Policing Board meets weekly and the papers focus on the above PCP Priorities. A Police Accountability Board meets on a monthly basis and focusses in more depth on one particular priority. This is a public meeting. The papers from this meeting flow through to the Police and Crime Panel meeting which scrutinises the performance of the PCC.

The CC exercises governance over the Force predominantly through the Chief Officer Group. This group enables the CC to maintain oversight of operational policing matters, risks, projects, operational performance and financial/ VFM outcomes.

Chief Officers receive a formal briefing once a week on key operational matters from senior police officers and an operations meeting is held quarterly with Chief Officers, senior officers and police staff.



The CC has his own Force Performance events which also focus on PCP priorities. The PCC and CC have media strategies to ensure that priorities are communicated to the Public.

Neighbourhood Policing Teams regularly interact with the Public to consider and respond to their local concerns and emerging policing issues. Force Tasking Meetings focus resources operationally using the National Intelligence Model Based upon the Strategic Assessment and PCP priorities.

There is a thorough focus on VFM through the analysis of financial data e.g. HMIC VFM profiles to identify areas of high spend and resource to consider the extent to which resources are efficiently channelled towards delivering against PCP priorities. The Force has completed the implementation of the "Public First" programme which has reduced business support costs dramatically. The focus throughout "Public First" has been to maintain delivery against the Force vision and PCP priorities whilst responding to the significant financial challenges facing the Country.

**Core principle 2 - Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles.**

The legal powers and duties of the CC are set out in the Policing Protocol Order 2011. The CC is responsible for maintaining the Queen's peace and has direction and control over the officers and staff operating within the Dyfed Powys Police force. The Policing Protocol Order 2011 sets out how his functions will be exercised in relation to the PCC.

There are legislative requirements upon the CC to appoint a suitably qualified Chief Finance Officer (CFO) and this has been in place throughout the year.

The Financial Management Code of Practice builds on the Policing Protocol and sets out the working relationship between the PCC and the CC and their CFO(s), having regard to the role performed by the PCC's Chief of Staff. The roles and responsibilities of the CFO are set out in the Financial Management Code of Practice.

The Corporate Governance Framework provides further details the key roles of the PCC, Chief of Staff, CC and the CFO(s) and this has been in operation through the 2014/15 financial year.

Job description, role requirements and person specifications exist for all roles within the Force. A Performance Development Framework applies to all staff and officers working for the CC. This sets specific objectives for each position holder in the Force. Employees are appraised against these objectives and performance throughout the year.

The CC ensures that, when working in partnership, all employees are clear about their roles and responsibilities both individually and collectively, and in relation to the partnership and the force. Decision making in relation to such matters are made at the Chief Officer Group and Policing Board.

The Professional Standards Anti-Corruption Unit (ACU) is responsible for oversight of gifts and hospitality within the Force including the gifts and hospitality guidance and the online Gifts and Hospitality Register. The ACU actively monitors any gifts and hospitality received and provides advice to officers on the realms of acceptability. Professional Standards, via its Marking Plan, raises awareness of gifts and hospitality recording requirements.

The Professional Standards Department has responsibility for the Business Interests and Secondary Employment Policy. This Policy aims to ensure that no police officer or staff member has a business interest or secondary employment that adversely affects or acts as a conflict of interest with their role in the Force.



Force officers and staff are to adopt the "Code of Ethics" that has been devised by the College of Policing and a working group has been established to take forward this work in Force. Further work has been undertaken to assess the cultural changes that are necessary to be implemented alongside this work to ensure that officers and staff are empowered to "do the right thing" in their dealings with the public and victims.

Internal Audit focusses on compliance with procedures and processes including compliance with the Corporate Governance Framework. Reporting arrangements exist via the Joint Audit Committee and the Corporate Governance Group.

Programme management arrangements are established for all major projects in accordance with best practice and any significant risks or issues are reported via a Programme Board.

**Core principle 3 - Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

The Policing Protocol 2011 requires all parties to abide by the seven Nolan principles and these will be central to the conduct and behaviour of all. The PCC handles complaints and conduct matters in relation to the CC and monitors complaints against officers and staff. All police officers, including Chief Officers, are subject to the Police Conduct and Performance Regulations – Police (Conduct) Regulations 2008, Police (Performance) Regulations 2008, Police (Complaints and Misconduct) Regulations 2008 and the relevant provisions of the Police (Amendment) Regulations 2008

The Force has published a Code of Conduct for Police Staff which defines the standards of behaviour expected of staff and the disciplinary procedure which would be adopted should the standards not be adhered to. Staff are made aware during their induction of how they are expected to conduct themselves in a professional capacity and the disciplinary process that they would be subjected to if these Codes were breached.

Force officers and staff are to adopt the "Code of Ethics" that has been devised by the College of Policing and a working group has been established to take forward this work. Further work has been undertaken to assess the cultural changes that are necessary to be implemented alongside this work to ensure that officers and staff are empowered to "do the right thing" in their dealings with the public and victims. This includes refreshing the Force's vision, mission and value statements.

The Professional Standards department records and investigates complaints made by members of the public about police officers and police staff. It also investigates internal misconduct matters relating to police officers and coordinates investigation of on-duty criminal offences relating to police officers and police staff. A review of the Professional Standards Department was undertaken in 2014/15 and some considerable improvements in the timeliness and completion of reviews can be evidenced. The force maintains a strong working relationship with the IPCC which has a wider remit than previously in terms of investigation and complaints.

Dyfed Powys was one of the first Forces to introduce a bespoke online system – the Dissatisfaction System (dis-sat) for the recording of low level dissatisfaction. It gives responsibility to local policing areas to record and deal with low level dissatisfaction at source – this is in line with the ethos of the IPCC Statutory Guidance of "getting things right first time" and it prevents matters being unnecessarily introduced into the formal legislative complaints process.

The Force has a multi-departmental Learning the Lessons Working Group this is coordinated by the Legal Service Department and chaired by the Deputy CC. The forum allows for all departments, and in particular the Professional Standards



Department, to bring issues where learning has been identified (e.g. through public complaints or conduct investigations) and whereby lessons can be promulgated to the Force as is necessary.

The Force has a "Safecall" confidential reporting line which sets out the whistle blowing process for receiving and investigating complaints. Having whistleblowing and complaints procedures in place encourages staff and the public to feel confident in raising concerns and to question and act upon concerns about practice. It provides avenues for concerns to be raised in confidence and receive feedback on any action taken.

**Core principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

The CC is committed to a clear, effective and robust accountability framework through the Chief Officer Group and Policing Board. The Policing Board allows the CC to exercise his role in a transparent manner, providing a forum for accountability and decision making about issues central to the efficient functioning of the force.

The CC receives independent legal advice from the Head of Legal Services, who is an employee of the Force and heads up the Legal Services team.

All decisions made by Chief Officer Group and Policing Board are properly documented and available for inspection at any time. Such a process ensures that relevant legal, financial and other considerations are properly recorded and considered prior to a decision being taken. The Publication Scheme establishes the means by which information relating to decisions is made available to local people, with those of greater interest receiving the highest level of prominence, except where operational and legal constraints exist.

The Corporate Governance Framework identifies the parameters for decisions-making, including the delegations, financial limits for specific matters and standing order for contracts. These limits are embedded into the main financial system so that purchase orders are appropriately budgeted and approved at the appropriate level of Authority. The Force publishes details of all contracts over £25K and transactions over £500 online and all payments made to senior staff and officers are published in the Annual Statement of Accounts and online on a quarterly basis. The Force employs 3 professionally qualified procurement staff to ensure compliance with lawful and transparent procurement processes.

The decision making protocol sets out principles behind how decisions are taken by, and on behalf of the CC and the standards to be adopted. This ensures that those making decisions are provided with information that is fit for the purpose – relevant, timely and accurate and gives clear explanations of technical issues and their implications.

The National Decision Model is applied to spontaneous incidents or planned operations, by officers or staff within the force as individuals or teams, and to both operational and non-operational situations.

The risk management strategy establishes how risk is embedded throughout the organisation, with the CC and his staff and officers all recognising that risk management is an integral part of their job. Communication and engagement strategies demonstrate how the CC ensures that local people are involved in decision making. The risk register is a standing agenda item on the Chief Officer Group meetings and this has been strengthened and improved as a result of the Internal Audit Review of risk management.



The CC observes all specific legislative requirements placed upon him, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into this procedures and decision making processes.

**Core principle 5 – Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.**

A Performance Development Review system ensures that objectives are set, performance is reviewed and action plans include any training or development needs. A Senior Leadership Forum exists to develop leaders within the organisation and to consider and discuss emerging issues and approaches to Strategic opportunities and challenges.

The CC ensures that his officers and staff receive appropriate induction and that training and development programmes are tailored to individual needs and opportunism, linked to the Performance Development Review system.

This training plan ensures that skills are developed on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

The public are regularly consulted with and individuals are encouraged from all sections of the community to engage with, contribute to and participate in the work of the force.

**Core principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability**

Locally administered victim satisfaction surveys are undertaken by interviewing a randomly selected sample of members of the public that have had contact with the Force. The survey provides the force with valuable feedback about the experiences, perceptions and views of victims of crime and anti-social behaviour, which is invaluable in shaping the services provided.

Crime Survey for England and Wales confidence data is published quarterly by the PCC. This provides an independent assessment of public perception and is contextualised to be comparable to other parts of the country. The results of these surveys are reported to the public via quarterly reporting of progress of the Police and Crime Plan.

This is complemented by communication and engagement strategies which set out how local people will be involved by the CC to ensure that they are engaged as part of key decision making processes affecting the operational delivery of policing. This involves being engaged during consideration of strategic annual planning arrangements but also having a voice over issues of interest to local people as they emerge.

The Wales Audit Office presented their findings from their review of the effectiveness of public engagement to the Audit Committee meeting in December 2013. Their study concluded that there was a strong commitment to community engagement and an opportunity to build on this to enable citizens help shape the police service.

During the year the IT Strategy recognised the potential that social media has to receive feedback from and provide information to the public. The Force has been developing a range of tools and is encouraging officers and staff to engage with the public on social media such as through Twitter and Facebook regarding key events, to provide specific information or regarding operational incidents particularly where the help of the public is sought. The public can also rate and comment upon the services provided by Dyfed Powys Police online and any comments or issues are followed up and considered by staff and officers.



### **Review of effectiveness**

The CC has responsibility for conducting at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group, managers within the organisation 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 auditor and other review agencies and inspectorates.

### **Corporate Governance Group**

The Corporate Governance Group has been delegated responsibility for undertaking the process of maintaining and reviewing the effectiveness of the governance framework. The Corporate Governance Group has met four times in the last year to collate evidence and assess developments that could be considered to strengthen further corporate governance arrangements in the form of a Corporate Government Matrix, which is structured around the six core principles. This matrix forms the evidence base for the Annual Governance Statement.

The Group last met on the 9<sup>th</sup> of June 2015 to undertake an annual Review of the Corporate Governance arrangements and concluded that good progress had been made in taking forward the governance framework during 2014/15 particularly in relation to the following areas:

- Update of the Corporate Governance Framework following Stage 2 transfer and subsequently during the year following changes in procurement legislation
- Progress had been made in relation to risk management arrangements which needed to be further progressed and embedded
- The Governance arrangements around the "Public First" programme had delivered the project to a successful conclusion however a post implementation exercise should be undertaken to ensure learning is captured
- It was recognised that governance arrangements over collaborative working may need to be strengthened further following the work being undertaken by Capita on collaborative opportunities

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### **Joint Audit Committee**

Joint Audit Committee members received training on their roles and responsibilities during 2014/15. Under the terms of reference, the Joint Audit Committee is responsible for conducting, at least annually, a review of the governance framework, including the system of internal audit and the system of internal control.

These reviews are completed and informed by the work of the Corporate Governance Group, internal auditors and also officers and staff within the Force, who have responsibility for the development and maintenance of the governance environment. In addition comments made by external auditors and other review agencies and inspectorates inform this review.

The Joint Audit Committee met on the 23<sup>rd</sup> of June 2015 to consider the Corporate Governance Framework and Annual Governance Statement. Committee Members expressed concern that one historic priority one recommendation in relation to formalising the force wide Business Continuity plan remained outstanding. It was agreed that this would be prioritised and that additional information and assurance on this matter would be provided at the next meeting.



## Internal audit

The primary role of internal audit is to give an assurance to the CC on the effectiveness of the controls in place to manage risks. To this end the Internal Auditor delivers an annual opinion of the effectiveness of the controls reviewed by the internal audit team during the year. This annual opinion, set out in the annual report on the Internal Auditor, is one of the key sources of evidence in support of the Annual Governance Statement. With reference to 2014/15 the internal auditor, TIAA Ltd expressed the following opinion;

*"I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Dyfed Powys Police's risk management, control and governance processes. In my opinion, the OPCC and the Force has adequate and effective management, control and governance processes to manage the achievement of its objectives."*

Two audits namely Estates Management (Responsive Repairs) and Debtors received an overall limited assurance rating during the year however the highest priority agreed actions have been implemented during the year. Progress with implementing Audit recommendations is monitored by the Joint Audit Committee.

## External Audit

The external auditor, the Wales Audit Office audits the financial statements of the CC and also reviews this Annual Governance Statement. External audit plans and reports, including the Annual Audit letter, are considered by the Joint Audit Committee at appropriate times in the annual cycle of meetings.

## Her Majesty's Inspectorate of Constabulary (HMIC)

The role of the HMIC is to promote the economy, efficiency and effectiveness of policing in England, Wales and Northern Ireland through inspection of police organisations and functions to ensure agreed standards are achieved and maintained; good practice is spread and performance is improved. HMIC also provides advice and support to the tripartite partners (Home Secretary, PCC and forces) and plays an important role in the development of future leaders.

During 2014/15, the force has experienced a significant increase in HMIC inspection activity which does provide an additional level of governance and assurance over the management of the Force. The following inspections have been undertaken:

- Police effectiveness, efficiency and legitimacy - 'Peel Inspection' – September 18-19th 2014, report published 27th November 2014
- Police Integrity and Corruption Inspection 23rd – 25th July – report received November 2014
- Crime Data Integrity inspection June 23rd – July 2nd 2014 – report received 18th November 2014
- Multi Agency Public Protection Arrangements (MAPPA) – January 2015
- Digital crime and policing – January 2015
- National Child protection inspection – February 2015
- Firearms licensing – March 2015
- Honour based violence – March 2015
- Peel 2015 phase 1 – April-June 2015
- Financial and resource establishment returns
- Leadership



- Vulnerability in police prosecution case files (ViCF) – April 2015
- Welfare of vulnerable people in custody – March 2015

HMIC reports are sent to the CC for consideration and appropriate action. HMIC, working, alongside the Wales Audit Office play a key role in informing the PCC and the public on the operational efficiency and effectiveness of the Force and, in so doing, facilitate the accountability of the CC to the public. Updates and significant actions undertaken as a result of the HMIC activities are reported and monitored through the Chief Officer's Group and the Joint Audit Committee.

#### Significant governance issues and actions

The Review has found that considerable progress has been made in establishing and strengthening the governance framework over the year 2014/15. The CC has concluded that the governance framework is fit for purpose.

During the previous year the Force dealt appropriately with difficult issues following the debate reported in the media around the legality of a small number of discretionary payments and stopped such payments and took legal advice once it became apparent that there were questions over their legality. This matter is currently on-going.

The Force has implemented a major change programme called "Public First" during 2014/15 which tested the robustness of corporate governance arrangements fully. This change programme was successfully completed ahead of schedule.

Beyond the challenges of Public First, the Force continues a busy programme of change and improvement, which brings its own governance related challenges. These include a continuous improvement programme to lean out and provide further improvements and cost savings to our processes, together with our comprehensive mobile data programme, which is digitising many of our current paper based operational Policing working procedures. Both programmes of work are progressing well and are bringing real benefits to the way we work, but the heart of this success lies in the additional governance measures we have introduced to manage delivery and ensure the changes and plans remain coherent with wider Force strategies. These additional measures include dedicated programme and project boards for key initiatives, together with regular scrutiny of progress by the Chief Officer Group.

The PCC and CC have made considerable progress in addressing Stage 2 transfer issues, appointment of their own CFOs and in establishing a comprehensive Corporate Governance Framework implemented from 1st April 2014.

The Force has been advised on the implications of the results of the review of the effectiveness of the governance framework by the Corporate Governance Group, the Joint Audit Committee and that the arrangements continue to be regarded as fit for purpose. The areas already addressed during the year and those to be specifically addressed with new actions planned are outlined below.

Governance area	Action
<u>Risk Management Arrangements</u> The Force has adopted new Risk Management arrangements based around the completion of a Dynamic and Corporate Risk Management reporting and monitoring.	To embed the new risk management framework over the course of the next year and fully implement the processes across all areas of activity.
<u>Public First</u>	



The "Public First" programme had been delivered successfully and concluded, however some learning needs to be captured.	To undertake a high level post implementation assessment of "Public First".
<u>Code of ethics, leadership and culture</u> To progress the work on-going around ethics, leadership and culture.	To progress further the work that is being undertaken to embed the "Code of Ethics" document into the Force and to complete the work on mission, vision and values and leadership development in this context.
<u>Governance of Collaboration and Partnerships</u> To reconsider corporate governance arrangements appropriate for collaboration following the publication of the findings of the Capita Review into further collaboration. To monitor and consider potential governance issues that could result from local government restructuring in Wales.	For Corporate Governance Group to monitor developments and consider the adequacy of corporate Governance arrangements over collaboration and partnerships and collaboration.
<u>Business Continuity</u> The outstanding recommendation in relation to Business Continuity needs to be addressed during 2015/16.	That the Force put in place a formalised force wide business continuity plan that reflects the staff systems and accommodation changes made during the Public First Programme.

#### Declaration

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our reviews of effectiveness over the year and will monitor their implementation and operation as part of our next annual review.

Signed:



**Simon Prince**  
**Chief Constable**

Signed



**Edwin Harries**  
**Chief Finance Officer**

Signed:



**Alasdair Kenwright**  
**Chair of the Joint Audit Committee**



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

I have audited the accounting statements and related notes of:

- Chief Constable for Dyfed Powys; and
- Dyfed Powys Police Pension Fund

for the year ended 31<sup>st</sup> March 2015 under the Public Audit (Wales) Act 2004.

The Chief Constable for Dyfed Powys's accounting statements comprises the Comprehensive Income and Expenditure Statement, the Balance Sheet, and related notes.

Dyfed Powys Police Pension Fund's accounting statements comprise the Fund Account, the Net Assets Statement and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts and Dyfed Powys Police Pension Fund's accounting statements, which gives a true and fair view.

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

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

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

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

### **Opinion on the accounting statements of the Chief Constable for Dyfed Powys**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Chief Constable for Dyfed Powys as at 31 March 2015 and of his income and expenditure for the year then ended; and



- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

#### **Opinion on the accounting statements of the Dyfed Powys Police Pension Fund**

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

- give a true and fair view of the financial transactions for Dyfed Powys Police Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date, and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

#### **Opinion on other matters**

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

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

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

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

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

I certify that I have completed the audit of the accounts of Chief Constable for Dyfed Powys and Dyfed Powys 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.



**For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road  
Cardiff CF11 9LJ  
29<sup>th</sup> September 2015**

The maintenance and integrity of the Dyfed Powys Police Force website is the responsibility of the Chief Finance Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



## Comprehensive Income and Expenditure Statement

2013/14				2014/15			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
58,986	0	58,986	Local Policing		59,752	0	59,752
6,080	0	6,080	Dealing with the Public		6,560	0	6,560
9,977	0	9,977	Criminal Justice Arrangements		10,544	0	10,544
7,612	0	7,612	Road Policing		8,053	0	8,053
4,032	0	4,032	Community Intelligence		4,117	0	4,117
7,574	0	7,574	Specialist Operations		7,909	0	7,909
10,651	0	10,651	Special Investigation		11,250	0	11,250
3,160	0	3,160	Investigative Support		3,190	0	3,190
5,279	0	5,279	National Policing		5,779	0	5,779
933	0	933	Non Distributed Costs		325	0	325
42	0	42	Corporate and Democratic Core		41	0	41
114,326	0	114,326	Cost of Services		117,520	0	117,520
0	0	0	Other operating expenditure		0	0	0
38,733	0	38,733	Financing and investment income and expenditure	6	39,221	0	39,221
0	(153,059)	(153,059)	Commissioning Costs (intra-group transfer)		0	(156,741)	(156,741)
153,059	(153,059)	0	(Surplus)/deficit on Provision of services		156,741	(156,741)	0
		(48,292)	Actuarial (gains)/losses on pension assets/liabilities				126,037
		48,292	Commissioning Costs (intra-group transfer)				(126,037)
		0	Other comprehensive income and expenditure				0
		0	Total comprehensive income and expenditure				0



**Balance Sheet**

<b>31<sup>st</sup> March 2014 - Restated</b>		<b>Note</b>	<b>31<sup>st</sup> March 2015</b>
<b>£'000</b>			<b>£'000</b>
0	Property, plant & equipment		0
0	Investment property		0
0	Intangible assets		0
0	Assets held for sale		0
883,923	Long term debtors	<b>19</b>	1,046,972
<b>883,923</b>	<b>Long term assets</b>		<b>1,046,972</b>
	Short term investments		0
444	Inventories	<b>8</b>	402
429	Short term debtors	<b>9</b>	273
0	Cash and cash equivalents		0
(873)	Intra-group transfer		(675)
	<b>Current assets</b>		
0	Bank Overdraft		0
0	Short term borrowing		0
(3,608)	Short term creditors	<b>10</b>	(3,835)
0	Provisions		0
3,608	Intra - group transfer		3,835
	<b>Current liabilities</b>		
0	Long term creditors		0
0	Long term borrowing		0
(883,923)	Other long term liabilities	<b>19</b>	(1,046,972)
0	Provisions		0
0	Grant receipts in advance		0
<b>(883,923)</b>	<b>Long term liabilities</b>		<b>(1,046,972)</b>
<b>0</b>	<b>Net assets/liabilities</b>		<b>0</b>
0	Usable reserves		0
0	Unusable reserves		0
<b>0</b>	<b>Total reserves</b>		<b>0</b>



**Police Pension Fund**

Chief Constable 2013/14		Fund Account	Chief Constable 2014/15	
	£'000		£'000	£'000
		<b>Contributions receivable:</b>		
(10,026)		• Employer contributions	(10,249)	
(5,470)		• Member contributions	(5,849)	
(242)		Transfers in from other pension funds	(800)	
(463)		Other income	(739)	
	(16,201)			(17,637)
		<b>Benefits payable:</b>		
20,346		• Pensions	21,507	
6,307		• Commutations and lump sum retirement benefits	7,713	
		• Interest payable on back-dated lump sums	595	
	26,653			29,815
		<b>Payments to and on Account of Leavers:</b>		
414		Transfers out to other pension funds	425	
4		Refunds of contributions	0	
47	465	Other expenditure	159	584
	10,917	<b>Net amount payable for the year</b>		<b>12,762</b>
	(10,917)	Home Office Grant		(12,762)
	0			0

Chief Constable 2013/14	Net Assets Statement	Chief Constable 2014/15
£'000		£'000
0	Short term debtors	3,238
0	<b>Net Current Assets</b>	<b>3,238</b>
0	Provisions	(3,238)
0	<b>Net Current Liabilities</b>	<b>(3,238)</b>
0		0

Details on how the Police Pension Fund is administered are included in the Explanatory Foreword and in the Accounting Policies Section of these accounts.

**New Factors for Pension Commutation Lump Sum & Interest**

A provision of £3.238m has been made in the Pension Fund Account which reflects a reasonable estimate of the likely payment due to retired police officers as a result of the Milne v Government Actuary's Department (GAD) court ruling. See note 5 for further details. A debtor for the same amount has also been included as a contribution from the PCC for income reimbursement which is expected from the Government to cover this cost in full.



## Notes to the Accounts

### 1. Accounting policies

#### General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2014/15 financial year and the position at the year-end of 31st March 2015. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which require them 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

#### Accruals of Income and Expenditure

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### 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 an understanding of the financial performance of the Chief Constable.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in 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 only 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 of the Chief Constable. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and 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.



Employee benefitsBenefits 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 the employees render service. An accrual is made for the cost of holiday entitlements (including time off in lieu and flexi leave) 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 salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to the revenue budget 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 Chief Constable to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy or early retirement and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Chief Constable is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Chief Constable to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in 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 debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Police officers and police staff have the option of belonging to the pension schemes relevant to them:

- Police Officers Pension Scheme, administered through a Police Pension Fund
- Local Government Pensions Scheme, administered by Carmarthenshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Chief Constable.

This Police Officer Pension scheme is "unfunded" which means that no investment assets are built up to pay pensions and other benefits in the future, and therefore no provision to meet the liability for future payments of benefits is included in the balance sheet. The relevant service is charged with the employer's contributions payable to Police Officer Pensions in the year. Information on the long term pensions liability can be found in Note 19.

Local Government Pension Scheme

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



The liabilities attributable to the Chief Constable 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 projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.4% (based on the indicative rate of return on a high quality corporate bond).

The assets attributable to the Chief Constable are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unlisted securities – current bid price
- Property – market value.

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

- Current service cost: the increase in liabilities as a result of years of service earned this year – allocated in the appropriate Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- 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 – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), ie net interest expense for the Chief Constable – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Chief Constable to the pension fund or directly to pensioners in the year, not the amount calculated according to the



relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such 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 Chief Constable also 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 Pension Scheme.

#### Events after the Balance Sheet date

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 – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not 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.

#### Inventories

Inventories are included in the balance sheet at current cost price. IAS 2 states that inventories should be measured at the lower of cost and net realisable value. The policy does not therefore comply with IAS 2 but the difference is not material.

#### Leases

##### The Chief Constable as Lessee (Operating Leases)

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property, plant or 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. where there is a rent-free period at the commencement of the lease).

#### Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Office of the Police and Crime Commissioner's status as a multi-functional, democratic organisation



- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

## 2. Previous Period Adjustments

### Resource allocation Note

The Resource Allocation note for 2013/14 has been amended to reflect changes in financial reporting and operating structures which were implemented in the 2014/15 financial year. All police staff costs were charged to a central budget during the implementation of Public First. In addition operational policing structures were organised across two main departments of Territorial Policing and Investigations rather than the three Operational Departments that existed in 2013/14. The format of the note has been amended with the comparatives for 2013/14 being restated to allow for a like for like comparison between the two financial years.

## 3. 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 2015:

- IFRS 13 *Fair Value Measurement*
- *Annual Improvements to IFRSs 2011 – 2013 Cycle*
- IFRIC 21 *Levies*

The issues included in the *Annual Improvements to IFRSs 2011 – 2013 Cycle* are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

In the Financial Statements for 2015/16, the effect of the changes will be assessed and where necessary, the comparative figures restated, however, it is anticipated that the changes will not have a material impact.

## 4. Assumptions made about future and other major sources 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.

The items in the Chief Constable's Balance Sheet at 31<sup>st</sup> March 2015 for which there is a significant risk of material adjustment in the forthcoming financial 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 returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Chief Constable with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase of 1 year in the life expectancy assumption for the police officer pension scheme would result in an increase to the pension liability of £20.825 million.
Effect of Police Ombudsman Decision	The Force has received revised commutation factors from the Government Actuary Department in relation to Pension Commutation paid between 2001 and 2006. It is believed that this will be funded by Government. There is uncertainty over the exact amount of the liability and the extent to which these costs will be funded by Government.	Although a reasonable estimate of the liability has been included in the accounts, the final figures are still in the process of being calculated and there is a possibility that the accounts could be misstated.

#### 5. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30<sup>th</sup> June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The following confirms the existence of conditions at the 31st March 2015:

#### Pension Ombudsman's final Determination – Milne v Government Actuary's Department (GAD)

Tony King, the Pensions Ombudsman, published his final determination in the case of Mile v GAD during May 2015. Mr William Milne was a Scottish firefighter who served with the Strathclyde Fire and Rescue Authority until he retired in 2005. Mr Milne claimed that GAD had a statutory duty to review the tables of commutation factors and as such a review would have led to him having a larger lump sum. The Final Determination finds in Mr Milne's favour. An opportunity to review the commutation factors was lost in 2001/2 and again between 2002 and 2004.

This was a lead case and as such the Final Determination has a direct read across to members of the police pension scheme who retired between 1 December 2001 and 20 November 2006. The Home Office has been discussing with HM Treasury how the costs of making these payments are to be met and GAD has produced guidance for scheme administrators on calculating the payments that are due. Although the exact calculation will not be completed for a number of months, a reasonable estimate of the obligation that existed at the balance sheet date has been provided for, along with an income reimbursement which is expected from the Government to cover this cost in full, in the 2014/15 financial statements.

It is understood at this stage that the full costs are likely to be met by the Government and therefore a corresponding income entry has been included in the accounts.



Cost Category	Pensions Account (£'000)
Commutation Costs Estimate	2,643
Interest Costs Estimate	595
Income Estimate	-3,238
Estimated Net Impact	0

A provision and a debtor for these amounts are included in the Pension Fund Account.

## 6. Financing and investment income and expenditure

This line contains corporate items of income and expenditure arising from involvement in financial instruments and similar transactions involving interest.

2013/14 £'000		2014/15 £'000
0	Interest payable and similar charges	0
38,733	Pensions interest cost and expected return on pensions assets	39,221
0	Interest receivable and similar income	0
0	Investment Properties income and expenditure	0
0	Specific capital grants available during year	0
38,733	<b>Total</b>	<b>39,221</b>

## 7. Financial Instruments

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 Chief Constable and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Chief Constable.

The Chief Constable's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- Trade Payables (Creditors),
- Liability related to Defined Benefit Pension Scheme.

### Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Chief Constable that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Chief Constable during the year are held under the following classification:

- Loans and receivables (financial assets that have fixed or determinable payments and not quoted in an active market) comprising:
  - Trade Receivables (Debtors)

Financial Instruments – Balances

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

	Long Term		Current	
	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015
	£'000	£'000	£'000	£'000
Trade Payables (Creditors)*	0	0	(965)	(1,293)
Liability related to Defined Benefit Pension Scheme**	(883,675)	(1,047,283)	0	0
<b>Total Financial Liabilities</b>	<b>(883,675)</b>	<b>(1,047,283)</b>	<b>(965)</b>	<b>(1,293)</b>
<b>Loans and receivables:</b>				
Trade Receivables (Debtors)*	0	0	391	273
<b>Total Financial Assets</b>	<b>0</b>	<b>0</b>	<b>391</b>	<b>273</b>

\*An intra-group transfer will take place from the Chief Constable's Accounts to the Commissioner's accounts based on the net current asset position as the Chief Constable is unable to hold cash balances.

\*\*An intra-group transfer will take place from the Chief Constable's Accounts to the Commissioner's accounts for the pensions liability related to the Chief Constable's staff.

Income, Expense, Gains and Losses

No gains and losses have been recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments.

Fair Values

The Chief Constable's long-term financial liabilities are carried in the Balance Sheet at amortised cost.

The 2010 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in Financial Reporting Standard 26 (FRS 26) as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price.

Carrying amount	Fair value		Carrying amount	Fair value
31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2015
£'000	£'000		£'000	£'000
		<b>Financial Liabilities:</b>		
(883,675)	(883,675)	Liability related to Defined Benefit Pension Scheme	(1,047,283)	(1,047,283)
(248)	(248)	Actuarial (gains)/losses on pension assets/liabilities	311	311
(965)	(965)	Trade Payables (Creditors)	(1,293)	(1,293)
<b>(884,888)</b>	<b>(884,888)</b>	<b>Total Financial Liabilities</b>	<b>(1,048,265)</b>	<b>(1,048,265)</b>



		<i>Financial Assets:</i>		
391	391	Trade Receivables (Debtors)	273	273
391	391	<b>Total Financial Assets</b>	<b>273</b>	<b>273</b>

### Financial Liabilities

The liability related to the Defined Benefit Pension Scheme has been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The fair value of this liability at the Balance Sheet date is therefore the same as the carrying amount.

For trade payables, the carrying value has been used as a reasonable approximation of fair value therefore the fair value at the Balance Sheet date is the same as the carrying amount.

### Financial Assets

For trade receivables, the carrying value has been used as a reasonable approximation of fair value therefore the fair value at the Balance Sheet date is the same as the carrying amount.

## 8. Inventories

	Franking and uniform consumable stores		Fleet maintenance materials		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year:</b>	309	358	87	86	396	444
Purchases	415	362	279	229	694	591
Recognised as an expense in the year	(366)	(372)	(280)	(225)	(646)	(597)
Written off balances	0	(26)	0	(10)	0	(36)
Reversals of write offs in previous year/average price adjustment	0	0	0	0	0	0
<b>Balance outstanding at year end</b>	<b>358</b>	<b>322</b>	<b>86</b>	<b>80</b>	<b>444</b>	<b>402</b>

## 9. Short-term Debtors

31 <sup>st</sup> March 2014 - Restated		31 <sup>st</sup> March 2015
£'000		£'000
0	Central Government Bodies	0
4	Local authorities	0
1	Other public bodies	8
351	Limited Companies	242
35	Other entities and individuals	0
0	Value added tax claims	0
38	Other Police authorities	23
429	<b>Total</b>	<b>273</b>

**10. Short-term Creditors**

31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2015
£'000		£'000
500	Central Government bodies	658
538	Local authorities	577
452	Other Police Authorities	418
7	Other Public Bodies	45
630	Limited Companies	1,071
1,481	Other entities and individuals	1,066
<b>3,608</b>	<b>Total</b>	<b>3,835</b>

**11. Amounts reported for resource allocation decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice (SeRCOP)*. However, decisions about resource allocation are taken by the Chief Constable on the basis of budget reports analysed across subjective headings.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Divisions and Departments.

The income and expenditure of the Chief Constable's principal directorates recorded in the budget reports for the year is as follows:

**Directorate Income and Expenditure 2014/15**

	Territorial Policing	Investigations	Central	Total Directorate Analysis
	£'000	£'000	£'000	£'000
Fees, charges & other service income	0	0	0	0
Government grants	0	0	0	0
<b>Total Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Employee costs	43,235	12,361	21,935	77,531
Premises costs	347	97	97	541
Transport costs	1,207	170	166	1,543
Supplies & services	2,049	1,465	127	3,641
Agency & contracted services	54	145	1,192	1,391
<b>Total Expenditure</b>	<b>46,892</b>	<b>14,238</b>	<b>23,517</b>	<b>84,647</b>
<b>Net Expenditure</b>	<b>46,892</b>	<b>14,238</b>	<b>23,517</b>	<b>84,647</b>



**Directorate Income and Expenditure 2013/14 – Restated**

	Territorial Policing	Investigations	Central	Total Directorate Analysis
	£'000	£'000	£'000	£'000
Fees, charges & other service income	0	0	0	0
Government grants	0	0	0	0
<b>Total Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Employee costs	47,590	18,320	4,665	70,575
Premises costs	284	185	934	1,403
Transport costs	1,284	196	65	1,545
Supplies & services	1,911	1,321	3	3,235
Agency & contracted services	46	159	939	1,144
<b>Total Expenditure</b>	<b>51,115</b>	<b>20,181</b>	<b>6,606</b>	<b>77,902</b>
<b>Net Expenditure</b>	<b>51,115</b>	<b>20,181</b>	<b>6,606</b>	<b>77,902</b>

**Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Chief Constable 2013/14 - Restated		Chief Constable 2014/15
£'000		£'000
77,902	Net expenditure in the Directorate Analysis	84,647
22,732	Net amounts of services and support services not included in the Analysis	21,175
13,692	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	11,698
0	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
<b>114,326</b>	<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>117,520</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the Directorate Analysis of Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

### Financial year 2014/15

Chief Constable						
	Directorate Analysis	Net amounts of services and support services not included in the Analysis	Amounts in the CIES not reported to management in the analysis	Cost of Services in the Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus/Deficit on provision of services
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	0	0	0	0		
Interest & investment income	0	0	0	0		
Income from council tax	0	0	0	0		
Government grants & contributions	0	0	0	0		
Gain or loss on disposal of non-current assets	0	0	0	0		
Intra-Group Transfer	0	0	0	0	(156,741)	(156,741)
<b>Total Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(156,741)</b>	<b>(156,741)</b>
Employee costs	77,531	12,954	1,288	91,773	0	91,773
Premises costs	541	2,787	149	3,477	0	3,477
Transport costs	1,543	840	179	2,562	0	2,562
Supplies & services	3,641	4,037	438	8,116	0	8,116
Agency & contracted services	1,391	557	(840)	1,108	0	1,108
Pension costs	0	0	7,178	7,178	39,221	46,399
Charge for Use of Non-Current Assets	0	0	3,306	3,306	0	3,306
Icelandic bank impairment	0	0	0	0	0	0
Other	0	0	0	0	0	0
Interest payments	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>84,647</b>	<b>21,175</b>	<b>11,698</b>	<b>117,520</b>	<b>39,221</b>	<b>156,741</b>
<b>Surplus or deficit on the provision of services</b>	<b>84,647</b>	<b>21,175</b>	<b>11,698</b>	<b>117,520</b>	<b>(117,520)</b>	<b>0</b>



Chief Constable						
	Directorate Analysis	Net amounts of services and support services not included in the Analysis	Amounts in the CIES not reported to management in the analysis	Cost of Services in the Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus/Deficit on provision of services
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income				0		0
Interest & investment income				0		0
Income from council tax				0		0
Government grants & contributions				0		0
Gain or loss on disposal of non-current assets				0		0
Intra-Group Transfer				0	(153,059)	(153,059)
<b>Total Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(153,059)</b>	<b>(153,059)</b>
Employee costs	70,575	15,667		86,242		86,242
Premises costs	1,403	1,711		3,114		3,114
Transport costs	1,545	992		2,537		2,537
Supplies & services	3,235	3,562		6,797		6,797
Agency & contracted services	1,144	800		1,944		1,944
Pension costs			10,793	10,793	38,733	49,527
Charge for use of Non-Current Assets			3,390	3,390		3,390
Icelandic bank impairment			0	0		0
Other			(491)	(491)		(491)
Interest payments				0		0
<b>Total Expenditure</b>	<b>77,902</b>	<b>22,732</b>	<b>13,692</b>	<b>114,326</b>	<b>38,733</b>	<b>153,059</b>
<b>Surplus or deficit on the provision of services</b>	<b>77,902</b>	<b>22,732</b>	<b>13,692</b>	<b>114,326</b>	<b>(114,326)</b>	<b>0</b>

## 12. Agency services

### Pension services provided by Carmarthenshire County Council

The council administer the Local Government and Police Pension schemes and levy an annual fee based on the number of active and deferred members, as well as actual pensioners. A cost is also incurred for maintenance and the annual benefit statements.

2013/14		2014/15
£'000		£'000
46	Expenditure incurred in administering the Police and Local Government Pension Schemes	62
46	Net surplus arising on the agency arrangements	62

## 13. Collaborative Arrangements

Police forces in Wales have a long, successful history of collaborating to develop specialist areas of policing. This included those under the remit of the former Police Authorities of Wales Joint Committee. Future collaboration will be driven by the need to satisfy the Strategic Policing Requirement and by the outcomes of the Regional Strategic Assessment of threats, risks and harm to the southern region of Wales.

The Police and Crime Commissioner for each Police Force will be responsible for ensuring the Strategic Policing Requirement is met. As part of this, he will look to work in collaboration with other Commissioner's and forces to provide the most effective service possible. Such agreements are regulated by Section 22A of the Police Act 1996, as amended by the Police Reform and Social Responsibility Act 2011.

The collaborative services and their funding continue under revised Commissioner and Force Governance arrangements. These are in effect considered as 'Pooled Budgets' with agreements for Funding Contributions, made and varied from time to time, and certain Specific Government Grants. The pooled budgets are effectively hosted by the Commissioner and Force for South Wales Police on behalf of the four police forces in Wales.

CIPFA has issued new guidance on "Accounting for Collaboration". This has required the Commissioner and Force to assess all collaborative activity and categorise these into either joint operations or joint ventures and account for their fair share of expenditure income, assets and liabilities in their individual accounts. As a result of the requirement of IFRS11, the following tables provide revised information relating to Collaborative Arrangements.

The Expenditure and Income Statements for the main collaborative arrangements are provided on the following page:



2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
<b>Service Classification</b>	National Policing	National Policing	Intelligence/ Investigation	Intelligence	Specialist Operations	
	£'000	£'000	£'000	£'000	£'000	£'000
Pay Expenditure	3,925	466	3,470	1,913	10,523	20,297
Non Pay Expenditure	815	17	694	708	1,278	3,512
Gross Expenditure	4,740	483	4,164	2,621	11,801	23,809
Specific Grant Income	(4,639)	(483)	(2,852)	(500)	0	(8,474)
Income	(101)		(34)	(27)	0	(162)
Total Income & Grants	(4,740)	(483)	(2,886)	(527)	0	(8,636)
Force Contributions (Net)	0	0	(1,278)	(2,094)	(11,801)	(15,173)
(Surplus) or Deficit	0	0	0	0	0	0

Finance representatives from all Forces in Wales met with representatives of the Wales Audit Office on the 30<sup>th</sup> of March 2015. At this meeting, the cost apportionment method for each Collaborative Arrangement was agreed. The tables below show each Force's contribution towards Expenditure and Income:

2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
<b>Service Classification and agreed basis of apportionment</b>	National Policing (Population)	National Policing (own spending)	Intelligence/ Investigation (Population)	Intelligence (Agreed Financial Contribution)	Specialist Operations (Agreed Financial Contribution)	
	£'000	£'000	£'000	£'000	£'000	£'000
Dyfed-Powys	796	81	832	551	3,143	5,403
Gwent	891	91	931	655	2,892	5,460
North Wales	Note 1	Note 1	321	0	0	321
South Wales	1,991	203	2,080	1,415	5,766	11,455
Gross Expenditure excluding North Wales	3,678	375	4,164	2,621	11,801	22,639
North Wales Police (Note 1)	1,062	108	0	0	0	1,170
Gross Expenditure including North Wales	4,740	483	4,164	2,621	11,801	23,809



2014/15	Counter Terrorism Intelligence	Counter Terrorism Specialist Advisors	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
Service Classification and agreed basis of apportionment	National Policing (Population)	National Policing (own spending)	Intelligence/ Investigation (Population)	Intelligence (Agreed Financial Contribution)	Specialist Operations (Agreed Financial Contribution)	
	£'000	£'000	£'000	£'000	£'000	£'000
Dyfed-Powys	(796)	(81)	(584)	(111)	0	(1,572)
Gwent	(891)	(91)	(653)	(132)	0	(1,767)
North Wales	Note 1	Note 1	(189)	0	0	(189)
South Wales	(1,991)	(203)	(1,460)	(285)	0	(3,939)
<b>Total Income &amp; Grants excluding North Wales</b>	<b>(3,678)</b>	<b>(375)</b>	<b>(2,886)</b>	<b>(527)</b>	<b>0</b>	<b>(7,466)</b>
North Wales Police (Note 1)	(1,062)	(108)	0	0	0	(1,170)
<b>Total Income &amp; Grants including North Wales</b>	<b>(4,740)</b>	<b>(483)</b>	<b>(2,886)</b>	<b>(527)</b>	<b>0</b>	<b>8,636</b>

**Note 1:** North Wales Police are basing their costs and income on actual costs rather than an allocation on Welsh population. Furthermore, they are not included in the Regional Task Force, which operates in the Southern Welsh Forces and for the Regional Organised Crime Unit, they contribute to the North West region of England and North Wales.

#### Further information:

In addition to the above arrangements, the Force collaborates with other Welsh Forces in the provision of Counter Terrorism Port Security. For this arrangement, costs and income are based on own Force spending rather than being allocated on Welsh population. For 2014/15, Gross expenditure of £1,568k and Income and Grants for the same amount has been included in the accounts.

A Regional and Organised Crime Unit was established in 2013/14 which encompasses the previous Regional Intelligence Unit, Regional Asset Recovery Team, Witness Protection, along with a number of new capabilities in line with the ACPO core Regional Organised Crime Unit capabilities model.

The Joint Firearms Unit became fully operational in November 2012 and includes both firearms operations and firearms training.

Any capital items/fixed assets are accounted for as procured and financed from use of grants and force revenue contributions. No assets are recognised in this note and which otherwise would be accounted for through usable capital reserves. There are no charges for depreciation. Assets are recognised on Force/Commissioner Balance Sheets, CIES, and MIRS Statements.

Each force may hold their own reserves for collaborative purposes.



## 14. Officers' remuneration

Senior employees - The remuneration paid to the Chief Constable's senior employees is as follows:

	Year	Note	Salary (including fees and allowances)	Discretionary Allowance	Benefits in kind - medical cover	Benefits in kind - lease cars	Benefits in kind - house loan interest	Other payments	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
Chief Constable	2014/15		126,237	0	0	4,425	0	0	130,662	29,733	160,395
	2013/14		125,020	0	0	5,994	0	0	131,014	29,439	160,453
Deputy Chief Constable	2014/15	4	113,978	0	0	4,106	0	5,593	123,677	26,766	150,443
Temporary Deputy Chief Constable	2013/14	4	61,705	0	0	0	0	0	61,705	14,488	76,193
Assistant Chief Constable	2013/14	4	45,663	7,259	583	4,737	1,500	0	59,742	10,679	70,421
Assistant Chief Constable (A)	2014/15	5	46,628	0	0	1,943	0	0	48,571	11,284	59,855
	2013/14	5	49,889	0	0	2,262	0	0	52,151	12,073	64,224
Assistant Chief Constable (B)	2014/15	6	50,130	0	0	2,184	0	0	52,314	11,765	64,079
	2014/15		64,647	0	0	0	0	0	64,647	7,499	72,146
Director of Finance / Chief Financial Officer	2013/14	7	5,310	0	0	0	0	0	5,310	791	6,101
Temporary Director of Finance & Resources/Chief Financial Officer to Chief and Commissioner	2013/14	8	44,017	0	0	0	0	0	44,017	6,502	50,519
Director of Resources	2014/15	9	42,065	0	0	0	0	0	42,065	4,846	46,911
	2014/15	10	68,175	0	0	0	0	0	68,175	0	68,175
Director of Legal and Compliance	2013/14		5,667	0	0	0	0	0	5,667	0	5,667
Total 2014/15			511,860	0	0	12,658	0	5,593	530,111	91,893	622,004
Total 2013/14			337,271	7,259	583	12,993	1,500	0	359,606	73,972	433,578

**Note 1:** A discretionary allowance of 7.5% of pensionable pay has been paid to some senior employees. Dyfed Powys Police Authority approved the Chief Officers Benefits Policy but nationally, concerns have been raised over the legality of these allowances. Legal advice has confirmed that the discretionary payments could be unlawful and in light of this, such allowances were stopped until such time as the legal position is fully clarified. Chief Officers who have been in receipt of these allowances have been informed of this and that potential recovery action could be taken if the allowances are subsequently confirmed as being unlawful. This remains an open issue that will be progressed during 2015/16.

**Note 2:** Some senior employees benefitted from free medical insurance cover, paid for by the organisation. The Commissioner and the Chief Constable received legal advice in 2013/14 to the effect that providing free medical cover to police officers is unlawful, as it breaches Police Regulations. No decision had been made by 31/03/2015 on whether to recover the costs of the medical cover from the individuals concerned and this remains an open issue that will be progressed during 2015/16.

**Note 3:** Under the Chief Officer Relocation Package Policy dated 19<sup>th</sup> March 2012, Chief Officers who relocated their main home to the force area were entitled to receive a house loan of up to £300,000, for a period of up to 18 months, on which interest was chargeable at the Bank of England base rate prevailing at the time the loan was entered into. If this rate was lower than the official HMRC rate of interest, a benefit in kind tax liability arose. This policy was revised on 17<sup>th</sup> January 2013 and interest on any future loans will be charged at a rate equivalent to the official HMRC rate.

**Note 4:** The Assistant Chief Constable acted as temporary Deputy Chief Constable during the period 15/09/2013 – 31/03/2014. He was appointed to this role permanently on 01/04/2014. The figure in the 'Other Payments' column relates to reimbursement of the benefit in kind tax liability that was incurred as a result of relocation expenses claimed 2012/13 and the resultant change in tax code. This was in accordance with the Windsor Recommendation which states that Police and Crime Commissioners should pay all reasonable costs arising from the sale and purchase of a chief officer's house and should pay all tax liabilities arising from any relocation packages. The Assistant Chief Constable repaid his house loan in full on 26/07/2014.

**Note 5:** The Temporary Assistant Chief Constable (A) was appointed on 15/09/2013 and remained in this post until 27/09/2014. The annualised salary for this post was £91,632 for 2013/14 and £95,245 for 2014/15

**Note 6:** The Temporary Assistant Chief Constable (B) was appointed on 28/09/2014. The annualised salary for this post was £95,245

**Note 7:** The temporary Director of Finance and Resources was appointed to the new, permanent, role of Director of Finance/Chief Financial Officer to the Chief Constable from 01/03/2014. The annualised salary for this post was £63,714 in 2013/14.

**Note 8:** A temporary Director of Finance and Resources/Chief Financial Officer to the Commissioner and Chief Constable was appointed from 18/07/2013 to 28/02/2014. Included in the salary, fees and allowances figure of £44,017 is an honorarium of £6,216 for undertaking the additional duties of the role of Chief Financial Officer to the Commissioner during this period.

**Note 9:** The Director of Resources was appointed on 11/08/2014. The annualised salary for this post was £65,229 in 2014/15

**Note 10:** The Director of Legal and Compliance was appointed on 01/03/2014. This is a new post. The annualised salary for this post was £68,001 in 2013/14.



Other employees

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

2013/14		2014/15
Number of employees		Number of employees
9	£60,000 - £64,999*	6
1	£65,000 - £69,999	5
1	£70,000 - £74,999*	1
7	£75,000 - £79,999	4
1	£80,000 - £84,999	3
0	£85,000 - £89,999	1
1	£195,000 - £199,999**	0

\*The remuneration paid to two individuals one in £60,000 - £64,999 and the other in £70,000 - £74,999 includes redundancy. If this payment were to be excluded for the both individuals they would not be included in the table for receiving more than £60,000 remuneration for the year.

\*\* The remuneration paid to the individual in this banding includes redundancy. If this payment were to be excluded the individual would fall into the banding £95,000 - £99,999.

Ratio of Chief Constable Remuneration

The revision to the Accounts and Audit Regulations (Wales) in 2014 has added a new requirement to report the following remuneration ratio information. Remuneration includes Basic salary, overtime, allowances and benefits in kind:

- the remuneration of the body's Chief Constable during the year to which the accounts relate
- the median full-time equivalent remuneration of all the body's employees in post at 31<sup>st</sup> March 2015; and
- the ratio of the amount in sub-paragraph (a) to the amount in sub-paragraph (b);

The remuneration of the Chief Constable during 2014/15 was £130,662.

The median full-time equivalent remuneration of all the Chief Constable's employees as at 31<sup>st</sup> March 2015 was £35,105.

The ratio of the Chief Constable's remuneration to the median Chief Constable employee's remuneration was 3.72:1.

Exit Packages

The number of exit packages with total cost per band and total cost of the redundancies during 2014/15 is set out in the table below:

Exit package cost band	Number of Voluntary Redundancies in each band	Cost of Redundancies in each band		
	No.	Redundancy	Pension Strain	Total
		£'000	£'000	£'000
£0 - £20,000	28	321	84	405
£20,001 - £40,000	13	374	91	465
£40,001 - £60,000	1	45	0	45
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
£150,000+	0	0	0	0
	42	740	175	915

The total cost of the exit packages in the table above have been charged to the Comprehensive Income and Expenditure Account in the current year. The cost of the Redundancies is included in the Service Analysis and the Pension Strain as a Non Distributed Cost.

In comparison, the number of exit packages with total cost per band and total cost of the redundancies during 2013/14 is set out in the table below:

Exit package cost band	Number of Voluntary Redundancies in each band	Cost of Redundancies in each band		
	No.	Redundancy	Pension Strain	Total
		£'000	£'000	£'000
£0 - £20,000	1	19	0	19
£20,001 - £40,000	2	10	56	66
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
£150,000+	2	214	359	573
	5	243	415	658

#### Audit Committee members

The Commissioner and Chief Constable have appointed a Joint Audit Committee to provide an additional source of assurance to the Commissioner and the Chief Constable that systems of internal control are working effectively, and that internal audit is operating within their Code of Practice. Payments made to these members are included within this note.

The Scheme of Governance states that the Joint Audit Committee members' expenses should be split equally between the Commissioner and Chief Constable. In 2014/15 50% of the cost of allowances and expenses paid is not material and has not been accounted for in the Chief Constable's accounts.



**15. External audit costs**

The Chief Constable has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Chief Constable's external auditors:

2013/14		2014/15
£'000		£'000
41	Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	41
0	Fees payable to the Wales Audit Office in respect of statutory inspections	0
0	Fees payable to the Wales Audit Office for the certification of grant claims and returns for the year	0
0	Fees payable in respect of other services provided by the Wales Audit Office during the year	0
41	<b>Total</b>	<b>41</b>

In 2014/15 the Group received a payment of £15,772 as a result of a redistribution of reserves to local government / police bodies and a refund of £3,381 in respect of the 2013/14 performance fee. These amounts have not been reflected in the figures above.

**16. Related parties**

The Chief Constable is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Chief Constable or to be controlled or influenced by the Chief Constable. Disclosure of these transactions allows readers to assess the extent to which the Chief Constable might have been constrained in his ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable.

**Central Government**

Central government has significant influence over the general operations of the Chief Constable – it is responsible for providing the statutory framework within which the Chief Constable operates and prescribes the terms of many of the transactions that the Chief Constable has with other parties.

The Chief Constable has business relationships with Central Government Bodies, giving rise to income and expenditure transactions as follows:

2013/14			2014/15	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
0	528	Home Office	0	455
0	6	Welsh Government	0	0

Joint Audit Committee Members

The Joint Audit Committee provides an additional source of assurance to the Commissioner and the Chief Constable that systems of internal control are working effectively and that internal audit is operating within their Code of Practice.

None of the Joint Audit Committee members, or parties related to them, have undertaken any material transactions with the Chief Constable in 2014/15.

Officers

None of the Senior Officers, or parties related to them have undertaken any material transactions with the Chief Constable in 2014/15.

Other Public Bodies (subject to common control by central government)

The Chief Constable has business relationships with the Precepting Bodies, giving rise to income and expenditure transactions as follows:

2013/14			2014/15	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
0	1,276	Carmarthenshire County Council	0	930
0	148	Ceredigion County Council	0	146
0	160	Pembrokeshire County Council	0	175
0	140	Powys County Council	0	142

Entities Controlled or Significantly Influenced by the Chief Constable

There are no entities controlled or significantly influenced by the Chief Constable.

**17. Leases****Chief Constable as Lessee**Finance Leases

The Chief Constable does not have any Finance Leases.

Operating Leases

The Chief Constable of Dyfed Powys leases property from other property owners where appropriate and affordable, to provide suitable accommodation for operational policing and support. Dyfed Powys also has operating leases for plant and equipment which includes photocopiers.

The future minimum lease payments due under non-cancellable leases in future years are:

31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2015
£'000		£'000
158	Not later than one year	181
488	Later than one year and not later than five years	551
1,160	Later than five years	1,146
1,806	Total	1,878



The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2013/14		2014/15
£'000		£'000
225	Minimum lease payments	292
0	Contingent rents	0
0	(Sublease payments receivable)	0
225	Total	292

### Chief Constable as Lessor

#### Finance Leases

The Chief Constable does not have any finance leases.

#### Operating Leases

The Chief Constable does not have any operating leases.

### 18. Termination benefits

During 2014/15 a total of 42 staff exited the organisation under redundancy, which cost the Chief Constable £915k, funded from the recurring revenue budget.

Further details regarding exit packages payable to senior officers are included within note 14.

### 19. Defined benefit pension schemes

#### Participation in Pension schemes

As part of the terms and conditions of employment of its officers, the Chief Constable makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Chief Constable has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Chief Constable participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Carmarthenshire County Council – this is a funded defined benefit final salary scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. It should be noted that all staff are employed by the PCC, however for the majority of staff direction and control lies with the Chief Constable. Costs have been apportioned to reflect this.
- The Police Officer Pension Scheme – this is an unfunded defined benefit final salary scheme, consequently the fund has no investment assets. Benefits payable are funded by contributions from employers and employees with any difference between benefits payable and contributions receivable being met by the top-up grant from the Home Office via the Commissioner.

#### Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

These costs are reversed out of the Chief Constable's accounts into the Commissioner's accounts as the Chief Constable is not responsible for holding any reserves. This is shown below as an intra-group transfer:

	Local Government Pension Scheme		Police Pension Scheme	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
<i>Cost of services:</i>				
• Current service cost	(3,947)	(2,949)	(20,947)	(19,153)
• Past service cost	(511)	(230)	(0)	(0)
• Other	(94)	(92)	(0)	(0)
<i>Financing and Investment Income and Expenditure:</i>				
• Net interest cost	(1,215)	(596)	(37,535)	(38,625)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(5,767)</b>	<b>(3,867)</b>	<b>(58,482)</b>	<b>(57,778)</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>				
<i>Re-measurement of the net defined benefit liability comprising:</i>				
• Return on plan assets (excluding the amount included in the net interest expense)	7,396	8,348	(0)	(0)
• Experience (gain)/loss	(0)	(0)	(0)	35,173
• Re-measurement gains and losses arising on changes in demographic assumptions	(613)	0	(11,970)	(0)
• Re-measurement gains and losses arising on changes in financial assumptions	10,484	(23,160)	43,243	(146,398)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>11,500</b>	<b>(18,679)</b>	<b>(27,209)</b>	<b>(169,003)</b>
<b>Commissioning Costs (Intra-group transfer)</b>	<b>(11,500)</b>	<b>18,679</b>	<b>27,209</b>	<b>169,003</b>
<b>Total net cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Movement in Reserves Statement:</i>				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	0	0	0	0
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• Employers' contributions payable to scheme	0	0		
• Employers' contributions payable to scheme			0	0

An intra-group transfer has been processed to the Chief Constable's accounts, as the Chief Constable is not responsible for managing reserves.



**Pensions Assets and Liabilities recognised in the Balance Sheet**

The majority of the employment costs are incurred by the Chief Constable, therefore assets and liabilities relating to post-employment benefits remain within the Chief Constable accounts.

The net liability arising from the defined benefit obligation:

	Local Government Pension Scheme		Police Pension Scheme	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(95,019)	(124,805)	(869,128)	(1,016,308)
Fair value of plan assets	80,472	93,830	0	0
Net liability arising from defined benefit obligation	(14,547)	(30,975)	(869,128)	(1,016,308)

The total liability recorded in the Chief Constable's accounts is £1,046,972 million. Due to materiality levels no split is available between the Chief Constable's and Commissioner's accounts, therefore the figure stated above is for the Group.

**Reconciliation of the movements in the Fair value of Scheme (Plan) Assets:**

	Local Government Pension Scheme		Police Pension Scheme	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	72,851	80,472	0	0
Interest income	3,249	3,733	0	0
Re-measurement gain / (loss)				
• The return on plan assets, excluding the amount included in the net interest expense	2,470	8,348	0	0
Contributions from employer	3,142	2,641	0	0
Contributions from employees into the scheme	1,225	1,205	0	0
Benefits paid	(2,371)	(2,477)	0	0
Other (if applicable)	(94)	(92)	0	0
Closing fair value of scheme assets	80,472	93,830	0	0

## Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Scheme	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
<b>Opening Balance at 1<sup>st</sup> April:</b>	<b>(102,040)</b>	<b>(95,019)</b>	<b>(863,930)</b>	<b>(869,128)</b>
Current service cost	(3,947)	(3,011)	(20,947)	(19,153)
Interest cost	(4,464)	(4,341)	(37,535)	(38,625)
Contributions from scheme participants	(1,225)	(1,205)	(5,463)	(5,849)
<i>Actuarial gains and (losses)</i>				
• Actuarial gains / losses arising from changes in demographic assumptions	(613)	0	(11,970)	0
• Actuarial gains / losses arising from changes in financial assumptions	10,484	(23,471)	43,243	(146,398)
• Other (if applicable)	4,926	0	(0)	35,173
Past service cost	(274)	0	(0)	0
Losses / (gains) on curtailment (where relevant)	(237)	(235)	(0)	0
Benefits Paid	2,371	2,477	27,474	27,672
Liabilities extinguished on settlements (where relevant)	(0)	(0)	(0)	(0)
<b>Closing balance at 31<sup>st</sup> March</b>	<b>(95,019)</b>	<b>(124,805)</b>	<b>(869,128)</b>	<b>(1,016,308)</b>

## Local Government Pension Scheme assets comprised:

	Fair value of Scheme assets	
	2013/14	2014/15
	£'000	£'000
Cash and cash equivalents	(266)	695
Equity instruments	58,038	64,104
Bonds	15,072	19,385
Property	7,628	9,646
<b>Total Assets</b>	<b>80,472</b>	<b>93,830</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.

Both the LGPS and Police Officer pension scheme liabilities have been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the LGPS Fund being based on the latest full valuation of the scheme as at 31 March 2014.

The significant assumptions used by the actuary have been:



	Local Government Pension Scheme		Police Pension Scheme	
	2013/14	2014/15	2013/14	2014/15
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity investments	7.0%	6.5%		
Bonds	7.7%	5.1%		
Other	6.7%	6.4%		
<b>Mortality assumptions:</b>				
Longevity at 65 (60 for police scheme) for current pensioners:				
• Men	23.2	23.3	27.1	27.2
• Women	25.7	25.8	29.6	29.7
Longevity at 65 (60 for police scheme) for future pensioners:				
• Men	25.4	25.5	29.5	29.7
• Women	28.0	28.1	32.1	32.2
<b>Other assumptions:</b>				
Rate of inflation	2.4%	2.1%	2.4%	2.0%
Rate of increase in salaries	3.9%	3.6%	3.9%	3.5%
Rate of increase in pensions	2.4%	2.1%	2.4%	2.0%
Rate for discounting scheme liabilities	4.6%	3.4%	4.5%	3.3%

The estimation of the defined benefit obligation is sensitive to actuarial assumptions set out in the table above.

The sensitivity analyses 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 analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Local Government Police Scheme 2014/15	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	2,325	0
Rate of inflation (increase or decrease by 0.1%)	2,905	0
Rate of increase in salaries (increase or decrease by 0.1%)	1,025	0
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	0	2,839

Police Pension Scheme 2014/15	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	20,825	0
Rate of inflation (increase or decrease by 0.1%)	20,693	0
Rate of increase in salaries (increase or decrease by 0.1%)	5,240	0
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	0	20,250

### Impact on the Group's Cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. The triennial valuation was completed on 31<sup>st</sup> March 2014 and details of the future employers' rates are shown below:

Year	Employer rate
2015/16	11.6%
2016/17	11.6%

## 20. Contingent Liabilities

The Chief Constable has a contingent liability in relation to overtime payments. Recent court and employment tribunal cases have ruled that employees of private companies are entitled to have overtime payments included in the calculation of holiday pay. As a result companies and public sector bodies may be liable to claims from employees for underpaid holiday pay. The Police and Crime Commissioner for Dyfed-Powys have not received any claims from officers or staff and the amount of the contingent liability cannot be reliably estimated.

## 21. Nature and extent of risks arising from financial instruments

### Credit Risk

#### *Trade Receivables*

The following analysis summarises the Chief Constable's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. As per the Code of Practice requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e. tax and NNDR payments) are excluded from this disclosure note, as they have not arisen from contractual trading activities.

Group Gross Debtors £'000	Average % Default based on Previous 5 Years' Experience for the Group (2009/10 to 2013/14)	Bad Debt Provision for the Group 2014/15 £'000	Bad Debt Provision for 2014/15 as a % of Group Gross Debtors
1,542	1.24	112	7.26



## Glossary of Terms

Term	Definition
2014/15	This refers to the period covered by these accounts – 1 April 2014 to 31 March 2015
2013/14	This refers to the period covered by these accounts - 1 April 2013 to 31 March 2014.
Accounting policies	These are a set of rules and codes of practice the used when preparing the accounts.
Actuarial gains and losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made in the last valuation ;or</li> <li>• The actuarial assumptions have changed.</li> </ul>
Carrying value	The carrying value of an asset is the value of the asset included in the Balance Sheet.
CIPFA	The Chartered Institute of Public Finance and Accountancy, one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services.
Commissioning	The entire cycle of assessing the needs of people in a local area, designing services, and then securing them.
Consumer Price Index (CPI)	Official measure of the general level of inflation as reflected in the retail price of goods and services – excludes mortgage interest payments, council tax and other housing costs.
Contingent liabilities	These exist where: <ul style="list-style-type: none"> <li>• a possible obligation arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisations control; or</li> <li>• a present obligation arises from past events but is not recognised because: <ol style="list-style-type: none"> <li>i. it is not probable that a transfer of economic benefits will be required to settle the obligation, or</li> <li>ii. the amount of the obligation cannot be measured with sufficient reliability.</li> </ol> </li> </ul>
Corporate and democratic core costs	These represent the costs of delivering public accountability and representation in policy-making and meeting the Commissioner's statutory reporting obligations.
Corporation sole	A corporation sole is a legal entity consisting of a single ("sole") incorporated office, occupied by a single ("sole") man or woman i.e. the Commissioner and Chief Constable are both corporations sole under the PRSRA.
Current assets	Current assets are items that can be readily converted into cash. By convention the items are ordered by reference to the ease that such conversion into cash can be carried out.



Term	Definition
Current liabilities	Current liabilities are items that are due immediately or in the short – term.
Current service cost (Pensions)	The increase in the present value of a defined benefit scheme's liability expected to arise from employee service in the current period.
Curtailment	Changes in liabilities relating respectively to actions that relieve the employer of primary responsibility for a pension obligation (e.g. a group of employees being transferred to another scheme) or events that reduce the expected years of future service of employees or reduce the accrual of defined benefits over their future service for some employees (e.g. closing a business unit).
Defined benefit scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The schemes may be funded or unfunded.
Defined contribution scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Delegation	Is the partnership of authority and responsibility to another person to carry out specific activities. The person who delegated the work remains accountable for the outcome of the delegated work.
Fair value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase of the asset.
Finance lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
Financial instrument	Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A derivative financial instrument is a financial contract that derives its value from changes in underlying assets or indices.
FRS	Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board. These include Statements of Standard Accounting Practice (SSAPs).
Group accounts	The financial statements of the group i.e. the two corporations sole, presented as a single economic entity.



<b>Term</b>	<b>Definition</b>
Interest cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Merger accounting	Merger accounting should be applied where there is a transfer of functions in full from the responsibility of one authority to another. Where merger accounting applies it is assumed that the merger took place at the beginning of the accounting period.
National Non Domestic Rates (NNDR)	The non-domestic rates, or business rates, collected by local councils are the means by which businesses and others who occupy non-domestic property make a contribution towards the cost of local services. The rates are pooled by central government and redistributed to local councils and Commissioner according to a formula.
Past service cost	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Police Reform and Social Responsibility Act (PRSRA)	An Act of the Parliament of the United Kingdom which transferred the control of police forces from police authorities to elected Police and Crime Commissioners
Prudential borrowing	Borrowing by local authorities without government financial support, but in accordance with the CIPFA prudential code of local authority borrowing
Retail Price Index (RPI)	Official measure of the general level of inflation as reflected in the retail price of a basket of goods and services, including mortgage costs, council tax and other household costs.
Revenue Budget	The estimate of annual income and expenditure requirements, which sets out the financial implications of policies and the basis of the annual precept to be levied on collection funds.
Revenue Support Grant (RSG)	A general government grant in support of local authority expenditure (including Commissioners) and fixed each year in relation to spending levels.
Senior Employee	An employee whose salary is more than £150,000 per year, or one whose salary is at least £60,000 per year (calculated pro rata for a part-time employee) and who is the designated head of paid service, chief of staff or a statutory chief officer. Typically the Commissioner's Chief of Staff and statutory Chief Officers.
Single entity accounts	The individual accounts of each corporation sole.

