



Mae'r ddogfen hon ar gael yn Gymraeg yn ogystal â Saesneg.

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COMISIYNYDD
HEDDLU A THROSEDDU
DYFED-POWYS
POLICE AND CRIME
COMMISSIONER



Heddlu Police

DYFED-POWYS

Police & Crime Commissioner for Dyfed Powys

*Statement of Accounts 2018/19
(Group Accounts)*

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Narrative Report

1.0 Introduction

- 1.1 This narrative report aims to provide information on the most significant matters reported within the Group accounts for the services provided by the Police and Crime Commissioner (Commissioner) and Chief Constable of Dyfed-Powys along with providing wider organisational context.
- 1.2 The Police Reform and Social Responsibility Act 2011 created two corporations sole within each police force area, the Commissioner and Chief Constable. Each individual has clear and separate statutory remit. The Commissioner is publicly elected and therefore, represents the public's voice on policing matters. Mr Dafydd Llywelyn was elected as Commissioner in May 2016. Mr Mark Collins was appointed by the Commissioner to the position of Chief Constable in December 2016.
- 1.3 This report details the main objective, strategies and principle risks that the Commissioner and Chief Constable of Dyfed Powys face. It provides a commentary on how resources have been used to achieve desired outcomes in line with these objectives and strategies.
- 1.4 It aims to give a fair, balanced and understandable analysis of financial and operational performance, which can be used to provide context to the financial information included with the financial statements to aid the understanding of the reader.
- 1.5 The narrative report will focus on the following areas:
 - Organisational Overview and External Environment
 - Governance and Operational Performance
 - Organisational Model
 - Financial Performance
 - Risks, opportunities and the Medium Term Financial Outlook
 - Basis of preparation and presentation

2.0 Organisational Overview and External Environment

- 2.1 *Spanning 4,188 square miles, Dyfed-Powys is the largest force area in England and Wales. With 13,842 miles of roads, 2 large ports, 350 miles of coastline and vast areas of countryside, the geography presents significant demand and resourcing challenges.*



- 2.2 The resident population of 515,870 is spread across extensive rural areas, holiday and market towns as well as more heavily populated areas. The draw of tourism presents unique seasonal demands with large numbers of tourists visiting key towns which impact levels of crime, anti-social behaviour as well as deaths and serious injuries on our roads.
- 2.3 The Welsh language is spoken by 47.2% of Dyfed-Powys residents compared with the national average of 29.9%. As a service we are committed to ensuring that the workforce is representative of the communities it serves so that members of the public are, whenever possible, afforded the opportunity to communicate with us via the medium of Welsh.
- 2.4 Police Officer headcount has remained fairly stable over the last 5 years however 2018/19 saw a planned reduction in establishment to 1120 officers (excluding seconded officers and other externally funded posts). The Medium Term Financial Plan (MTFP) included provision for a Voluntary Early Severance scheme for Police Officers which would contribute £1.2m of cost reductions. Rigorous scrutiny and consultation surrounded the implementation of this new policy aimed to assist the efficient running of the Force, allow for succession planning and ensure an optimal and effective skills mix. Police support staff posts have, however risen to 675. The workforce also includes 148 PCSOs and 98 special constables.
- 2.5 The financial landscape is challenging and Dyfed-Powys Police has seen central grant funding reductions of 22% or £14.16 million between the 2010 Comprehensive Spending Review and 2018/19. The Force has been required to make savings of £24.7million over this period and has an extensive efficiency and savings plan going forward.
- 2.6 There has been much independent commentary over the last year in relation to Police sustainability, funding, resilience and increased burdens which include increases to employer's pension contributions which all highlight and confirm the very critical and precarious position that Dyfed-Powys and the police service in general face. Both the Commissioner and Chief Constable have continued to articulate concerns and in relation to the very significant impacts and risks that threaten the communities of Dyfed-Powys and these are further detailed in the <http://www.dyfedpowys-pcc.org.uk/media/7137/1920-mtfo-and-precept-report-for-panel-v1601-final.pdf>
- 2.7 Against this challenging financial backdrop, demands continue to grow and become increasingly complex. The Force has experienced increases in recorded crime albeit that changes to way in which crimes are recorded has significantly influenced this. All forces in England and Wales have experienced similar increases with the most notable increases in relation to violent crime.
- 2.8 Police officers and staff are called upon to deal with a wide variety of important issues affecting the public.

| | | |
|-----------------------------|-------------------------------|---------------------------|
| Antisocial Behaviour | Fraud | Property crime |
| Brexit | Governance | Resources |
| CCTV | Justice | Roads policing |
| Children and young people | Mental health | Sexual crime |
| Crime investigation | Modern Day Slavery | Specialist capabilities |
| Cyber crime | Neighbourhood policing | Stop and search |
| Digital technology | Organised Crime | Terrorism |
| Domestic abuse | Police Effectiveness | Violent crime |
| Drugs and alcohol | Police legitimacy | Workforce |
| Firearms | 999 Response | Youth and Policing |

- 2.9 The service is evolving quickly to enable its response to new risks, threats and changes in technology many of which require new ways of working.
- 2.10 The Force has developed both a delivery plan for 2017-21 and Vision for 2025 with both of these high level documents being underpinned by detailed plans. The plans recognise the challenging operational and financial environment, the need for continued investment to support sustainable services and the requirement to match force resources and assets to meet force demand appropriately.
- 2.11 With the Commissioner's support, the force has invested significantly in digital policing, providing front line officers and PCSOs with access to force systems through mobile data terminals and body worn video cameras, as well as introducing vehicle based telematics to enhance incident response. CCTV has continued to be rolled out widely across the area, acting both as a deterrent but also providing a valuable and effective crime investigation tool.
- 2.12 Policing is a non-devolved service in terms of the Welsh Government, however much of the work that is undertaken across the four county areas is rightly done in partnership with Local Authorities, Fire Authorities, Local Health Boards and many other partners including the third sector. In addition a number of important services such as Armed Response and responding to the threat of Organised Crime and Terrorism are carried out in collaboration with other Forces.
- 2.13 Dyfed-Powys Police contributes to national policing activities and the Force's officers and staff have assisted with a number of high profile policing events and incidents during the year which were reimbursed including;
- Salisbury poisonings - Wiltshire Police
 - US Presidential Visit
 - Commonwealth Heads of Government Meeting
 - Western Balkans Summit (London)
 - The Royal Wedding 12th October 2018

2.14 More locally, the Force had a number of significant planned and unplanned operations and events during the year including:

- “Operation Regent” which resulted in a total of 19 people being charged with conspiracy to supply class A drugs in the North Powys area;
- The fatal blaze at the Ty Belgrave House In Aberystwyth. Nine adults and three children were rescued from the hotel after the fire broke out on July 25 last year;
- The tragic murders in the Knighton area In April 2018 and in the Pendine area on the 28th of September;
- A number of other tragic incidents which brought significant operational challenges and extraordinary resourcing requirements.
- Numerous local events and activities including the Royal Welsh Show and the Hay Book Festival

3.0 Governance and Operational Performance

3.1 The Governance arrangements by which the Commissioner and Chief Constable operate are complex and have been critically reviewed during 2018/19. An Annual Governance Statement is included as part of this Statement of Accounts and this details the arrangements in place for delivering robust scrutiny and accountability by the Commissioner and Chief Constable.

3.2 The Commissioner and Chief Constable each have a clear and separate statutory remit. The operational independence of the Chief Constable is protected in legislation. He has a statutory responsibility for the control, direction and delivery of operational policing services provided by the Force. The Chief Constable is accountable in law for the exercise of police powers and to the Commissioner for the delivery of efficient and effective policing, management of resources and force expenditure. The Chief Constable holds Office under the Crown and is responsible for maintaining the Queen’s Peace.

3.3 The Police and Crime Commissioner is statutorily responsible for securing an efficient and effective police force and holding the Chief Constable to account for the exercise of his functions. The Commissioner is responsible for setting the annual police budget (including precept level) and ensuring that public money is accounted for and that it is used economically, efficiently and effectively.

3.4 The Commissioner is responsible for setting the strategic priorities for the Force through the production of the Police and Crime Plan, ensuring business is conducted in accordance with the law and that proper standards are achieved and maintained.

3.5 The Commissioner’s Police and Crime Plan is an important document that sets out four priorities and five key delivery principles namely:

| Priorities | Delivery Principles |
|---|----------------------------|
| Keeping Communities Safe | Delivering Value for Money |
| Safeguarding the Vulnerable | Public Engagement |
| Protecting our communities from serious threats | Working Together |
| Connecting with communities | Supporting Victims |
| | Equality and Fairness |

3.6 The Commissioner and Chief Constable have continued to consolidate a solid and professional relationship between the two functions but have a single vision of improving Dyfed-Powys Police and the service it provides to the public.

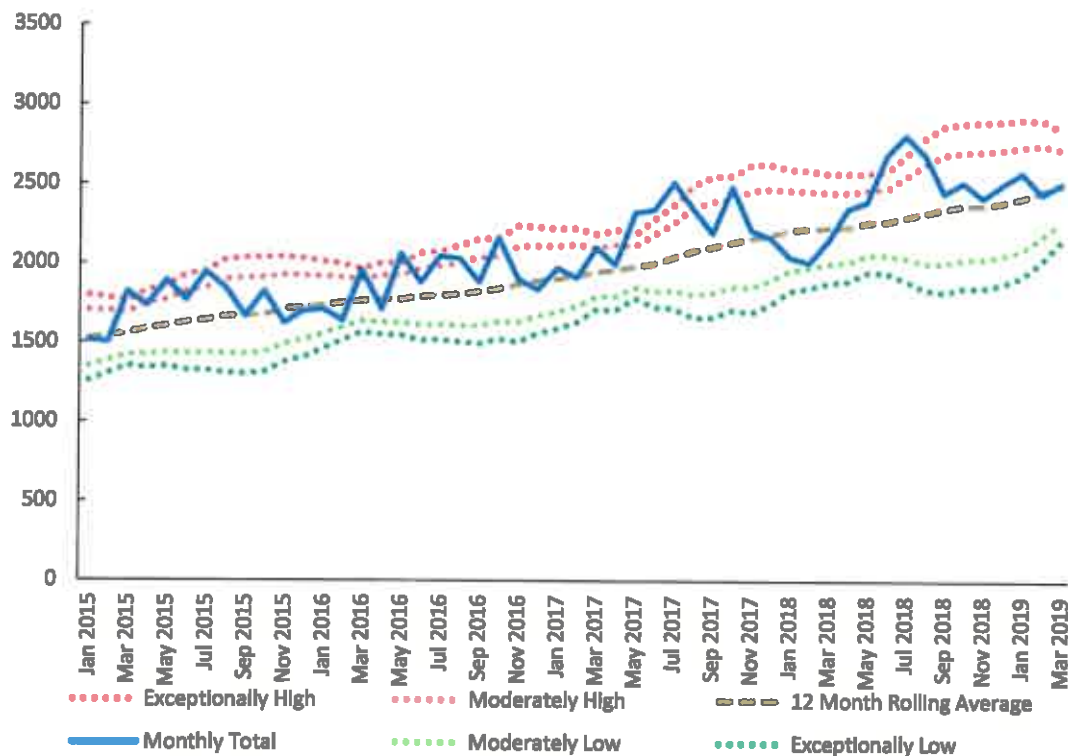
3.7 The Commissioner funded a range of services during 2018/19 to underpin the priorities outlined in his Police and Crime Plan:

- The Commissioner brought together existing services for victims of crime and antisocial behaviour to ensure a seamless delivery to victims regardless of their experience. It is acknowledged that the line between antisocial behaviour and crime is often blurred and that a victim's particular experience may include both at varying times. Existing antisocial behaviour support workers were transferred into Goleudy who now house a team of victim care officers and complex case workers who will support victims throughout their journey.
- The Commissioner was instrumental in developing a joint commissioning arrangement with the four Local Authorities within Dyfed-Powys. This resulted in the award of a new contract for provision of independent advisory services for victims of domestic abuse assessed as high risk, bringing together 5 separate arrangements across the area. The service provided by Hafan Cymru will ensure an equitable offer of service to victims across Dyfed-Powys and provides a single point of contact for commissioners to influence service delivery. In addition to this, the Commissioner secured arrangements for Goleudy to provide support to domestic abuse victims with a standard or medium risk assessment. This ensured that all victims of domestic abuse are offered appropriate support services.
- The Commissioner continued to work with partner agencies to improve the response to support victims of sexual abuse. New Pathways continued to provide a crisis support service which works closely with the police to provide forensic medical examinations and supports victims and witnesses through the complexity of the criminal justice process. The service received 335 referrals during the year, 92% of clients in 2018/19 reported feeling less depressed after receiving treatment, with 83% feeling that they were better able to cope.
- The Commissioner is an integral partner within Area Planning Boards (APBs), who are responsible for providing accountability, governance and scrutiny of substance misuse strategic planning, performance and financial management. APBs are established on a Health Board footprint, with membership consisting of the responsible authorities under the Crime and Disorder Act 1998. The PCC jointly commissions services to provide substance misuse treatment in both Hywel Dda and Powys regions. Facilities within custody to identify offenders with substance misuse issues and provide a pathway into appropriate services are also funded by the Commissioner. In 2018/19 a custody triage scheme was piloted in Pembrokeshire expanding on the previous Women's Pathfinder and seeking to identify and tackle the root cause of offending. Based on an evaluation of the outcomes achieved, the intention is that a diversionary scheme is rolled out across Dyfed-Powys at a future.
- The Wales Community Rehabilitation Company continued to provide a victim-led restorative justice service and worked closely with Goleudy to ensure that all victims are aware of their options to access restorative practice. A Restorative Justice intervention is a process where the victim and the offender collectively resolve how to deal with the aftermath of an offence.
- The Commissioner continued to commission services through Llamau providing an independent debriefing and mediation service for children and young people

who have been reported as missing and are at risk of sexual exploitation. In 2018/19, Llamau undertook 329 debrief sessions with young people and their families and provided mediation to 8 families throughout the year.

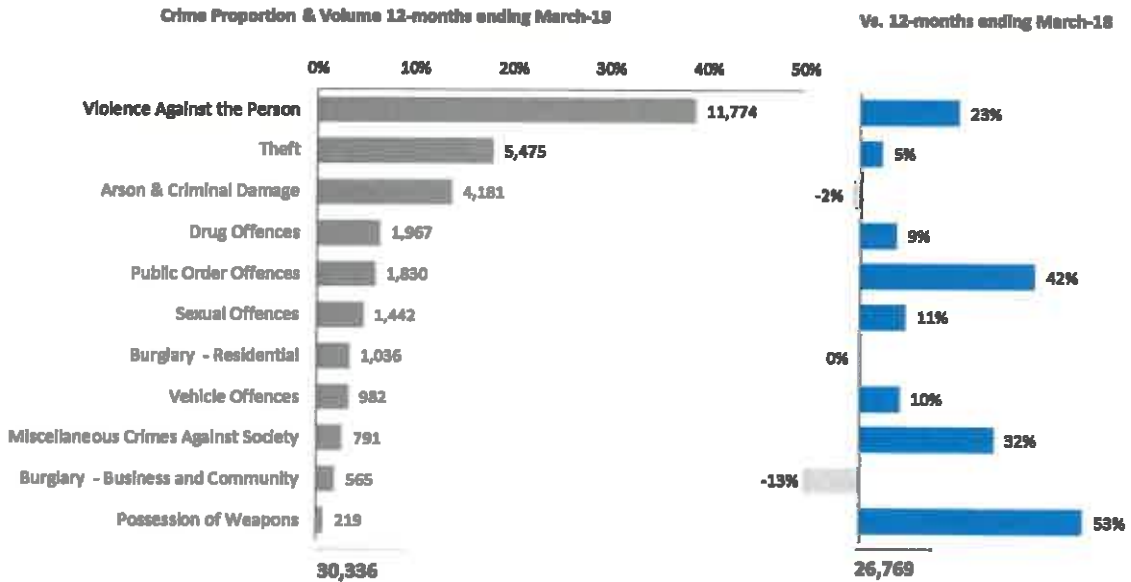
- 3.8 The Chief Constable is responsible for supporting the Commissioner in the delivery of the priorities set out in the Police and Crime Plan. His operational delivery, performance monitoring frameworks and financing decisions focus on these priorities. Progress against the plan is reported quarterly at the Policing Accountability Board; a public meeting where the Police and Crime Commissioner holds the Chief Constable and his senior team to account. The latest Performance Report can be obtained within the agenda for the last meeting at: <http://www.dyfedpowys-pcc.org.uk/en/accountability/policing-accountability-board>
- 3.9 There are a number of volume and output metrics that are monitored as part of the assurance and governance arrangements. This analysis provides indicators of progress and performance against the priorities within the Police & Crime Plan. All performance is monitored and scrutinised through the appropriate Boards within the Governance structure with a key focus on improvement.
- 3.10 Initial handling of calls for service at our Force Communications Centre is timely and efficient. Dyfed-Powys Police have continued to answer 999 calls well within the 10 seconds National Call Handling Standard. Equally, more than 90% of non-emergency number 101 calls are answered in less than 45 seconds. The number of calls for service received at our FCC has remained largely unchanged for the last 4 years and demand is not forecast to change significantly in the coming years.
- 3.11 Response times to calls for service, in accordance with the prioritisation given to them, is very good. Some geographical challenges are faced in places such as Lampeter and Radnorshire Inspector areas however, in comparison, the response times are far better than in other forces.
- 3.12 The Chart demonstrates that total crime recorded has been increasing since February 2018 however would appear to have stabilised since September 2018.

Figure 1: Total recorded crime volume over time



3.13 Within the last two years, the largest increases in recorded crime are within Violent Crime, Public Order Offences, Sexual Offences and Cyber-Related Offences. Increases are also noted within Possession of a Weapon and Robbery offences albeit, these are small in number but given the serious nature of the crimes and indeed the national focus on knife crime, it is important that the force continue to record and deal effectively with such reports.

Figure 2: Crime Category comparison 2017/18 to 2018/19



3.14 Mobile phones, computers and tablets that provide access to the Internet and Social Media has facilitated a stark change in the way some crime is committed such as stalking and harassment, sexual offences and fraud. As storage capacity increases on our digital devices, so does the resource and expertise needed to retrieve the data. In the last year, Dyfed-Powys Police's Cyber Crime Unit examined 63.4 terabytes of data compared with 2017 when 19.1 terabytes was examined, but the number of Digital Investigators has not increased. The force has reviewed how it deals with digital investigations and is due to implement a structure that will ensure a fast and efficient service.

3.15 County Lines is a term used for Organised Crime Groups that carry out drug dealing in more rural settings but run from larger population centres. Nationally, there has been a widely reported rise in County Lines offences. Dyfed-Powys Police has a relatively small number of Organised Crime Groups operating in the area. A number of police operations have been run to ensure that we effectively disrupt and dismantle County Lines activity thereby minimising impact on our communities whilst also protecting the vulnerable who are targeted by these groups.

3.16 Doing the basics brilliantly is a key commitment of the Chief Constable and this applies across all areas of work. For 2019, Neighbourhood policing and Domestic Abuse have been established as priority areas that the Chief Officer team and other senior leaders are focusing on to drive improvement in further safeguarding our communities.

- 3.17 In terms of domestic abuse, the force has introduced a vulnerability desk as part of a wider programme of work to deal more effectively with all such reports, to ensure the best possible service is provided to victims. A team of officers quality assure each call received where a domestic incident is reported to ensure the officers attending are fully equipped with all information necessary as well as ensuring that the needs of victims are met.
- 3.18 Quality and timeliness of investigations for Rape and Serious Sexual offences is of utmost importance for Dyfed-Powys Police. Action plans are in place to enable Senior Officers to scrutinise investigations and put in place robust accountability. Progress against these is reported through the force's governance structure.
- 3.19 The length of time take to deal with and close a crime¹ has reduced by 16 days over the last year² as a result of continued efforts to ensure reports are dealt with in a timely fashion and that the allocation of police to calls for service is appropriate at all times.
- 3.20 Court conviction rates at Magistrates Court are consistently better in Dyfed-Powys Police than in other forces. Generally, conviction rates at Crown Court are also better than other forces however, the numbers are lower and more sensitive to fluctuation.
- 3.21 Public opinion of local policing is gauged from two key sources of information. These are the Crime Survey for England and Wales (CSEW) which offers public perception of policing and the Victim Satisfaction Survey which provides victim experience of policing. The CSEW is carried out by the Office for National Statistics and the Victim Satisfaction Survey is carried out by police staff within DPP, a service commissioned by our Police and Crime Commissioner. Generally the Victim Satisfaction Survey suggests that victims are satisfied with the whole experience however, keeping victims informed of progress made against the investigation of the crime is an area that is consistently highlighted as one for improvement.

a. Crime Outcomes

Considering crimes that were reported and assigned an outcome (finalised) in 2018/19, 63% (17,835 crimes) were assigned an outcome within 30 days of it being reported. This is an increase of 4% when compared with 2017/18. The volume of crimes assigned an outcome within 30 days depends highly on both the type, and nature of the crime. Crimes of greater complexity, such as sexual and robbery offences (33% and 47%, respectively) are likely to take longer to assign an outcome, than crimes that are generally considered less complex, such as criminal damage and public order offences (71% and 67%, respectively).

b. Victim satisfaction

798 telephone interviews were conducted in 2018/19 to identify how satisfied victims of crime and anti-social behaviour were with policing services received. The graph below focuses on five aspects of our victims' journey.

¹ through application of an "Outcome"

² In financial year 2017/2018, it took an average of 53 days to apply an Outcome to a crime. In 2018/2019, it took 37 days to apply an Outcome to a crime.

| | | |
|----------------------|---|------------------------------|
| Effectiveness | How effectively does the force reduce crime and keep people safe? | Good |
| Efficiency | How efficiently does the force operate and how sustainable are its services to the public? | Requires Improvement. |
| Legitimacy | How legitimately does the force treat the public and its workforce? | Requires Improvement. |

- 3.26 Whilst it was disappointing to see the gradings, both the Commissioner and Chief Constable are absolutely committed to providing a first class policing service to the communities of Dyfed Powys. The Force has invested a significant amount of time in better understanding the issues highlighted and continues to focus on addressing these.
- 3.27 HMICFRS recognised the significant progress the Force is making in relation to restructuring services to deliver specialist support to communities and it is also reassuring to hear praise for the work of staff in the Force Contact Centre, who consistently identify vulnerability. The Force was graded as good for treating the public fairly which is testament to the work undertaken daily to support and safeguard the communities of Dyfed Powys.
- 3.28 Both the Commissioner and Chief Officer Group are very clear that they want a culture where everyone feels able to be heard and to challenge but it is evident that there is work to do in relation to concerns about perceived fairness. The Force undertook a staff survey during 2018/19 with a high response rate of 62.2% which provided very positive results as well as identifying a number of areas for attention.
- 3.29 The Force has continued to re-shape to meet demand and has made considerable progress in many of the delivery principles which underpin the Police and Crime Plan. The Force has the lowest level of recorded crime and is therefore the safest place to live in England and Wales with public trust and confidence remaining high. It is however, recognised that the landscape of policing is forever changing, and that there is still much work ahead to address future challenges whilst addressing the issues identified within the most recent HMICFRS Report.

4.0 The Organisational Model

- 4.1 The Force is organised on both a geographic and functional basis. The Chief Constable is supported by a Chief Officer Team which comprises the Deputy Chief Constable, the Assistant Chief Constable and the Director of Finance. The main responsibilities of the three positions supporting the Chief Constable are shown in the table below:

| Deputy Chief Constable | Assistant Chief Constable | Director of Finance |
|-------------------------------------|----------------------------------|---|
| People's Services | Local Policing | Corporate Finance |
| Legal Department | Investigations | Fleet |
| Information Management | Specialist Response | Procurement |
| Collaboration and Efficiency | Contact Centre | Information Systems and Technology |
| Corporate Communications | Scientific Support | Business Support Unit |
| Ill Health Retirements | Criminal Justice | |
| Major Operations | Partnerships | |
| Health and Safety | | |
| Professional Standards | | |

- 4.2 The Force had a budgeted establishment of 1,191 police officers 148 Police Community Support Officers and 675 police staff. A breakdown of the distribution of staffing is shown in the table below:

Breakdown of Budgeted Positions 2018-19

| | Police Officers | PCSOs | Police Staff |
|---|------------------------|--------------|---------------------|
| | FTE | FTE | FTE |
| Local Policing | 596 | 148 | 9 |
| Investigations | 320 | 0 | 162 |
| Operational Support(Including Call Handling) | 174 | 0 | 158 |
| Criminal Justice | 2 | 0 | 45 |
| Scientific Support | 0 | 0 | 21 |
| Professional Standards | 9 | 0 | 14 |
| Other headings Including Business Support | 26 | 0 | 244 |
| Seconded and Funded Areas | 64 | 0 | 22 |
| | 1,191 | 148 | 675 |

- 4.3 Recruitment intakes have been carefully planned and managed during the year to ensure optimal resourcing levels, availability of specialist skills and to allow the proportionate geographical distribution of staff. The budget for the year included provision for a Voluntary Early Severance scheme which resulted in 17.4 FTE leaving the organisation during the year. New training arrangements have been implemented from March 2019 under the Police Education Qualifications Framework which will see two intakes of student constables each year with external course providers delivering core elements of their training.
- 4.4 The Commissioner has an Office which supports him to deliver his statutory responsibilities as set out in The Policing Protocol Order 2011. In addition to the statutory roles of Monitoring Officer and Chief Finance Officer, the Commissioner has a team of professionals to advise on matters relating to estates, finance, policy, performance, engagement and partnerships. The Commissioner has a total of 41.4FTE, which includes 22 within the Estates function which transferred to the Commissioner during 2017.
- 5.0 Financial Performance**
- 5.1 The Group Statement of Accounts shows the financial performance of the Group and has been prepared on the basis of proper accounting practice which meets the requirements of the Chartered Institute of Public Finance & Accountancy's Code of Practice. This differs slightly from the budgets that are managed and monitored on a day to day basis as these exclude some elements such as depreciation and movements on pension liabilities which under statute do not need to be financed fully in the year.
- 5.2 The cost of services within the Comprehensive Income and Expenditure Statement shows that £136.1 million has been spent on providing policing services to the public of Dyfed Powys Police in 2018/19. This is around £3.6 million less than the comparable figure spent in the prior financial year. Of this reduction - some £4.9 million is attributable to changes in current service pension costs.
- 5.3 The Statement provides an analysis across the main service components and reflects organisational structural change with the prior year being restated for comparative purposes. For example, it can be seen that the largest element was spent on Local Policing which accounted for £72.7 million of the total in 2018/19.
- 5.4 The Balance Sheet provides a snap shot of the Commissioner's assets and liabilities as at 31st March 2019.
- 5.5 The Group Balance Sheet is dominated by the long term liability of £1,292 million (was £1,183 million) that exists in respect of future pension liabilities for police officers and staff. This represents the amount that would need to set aside at the balance sheet date to cover future payments of pensions of all current serving and retired officers and staff. This figure has been calculated independently on an actuarial basis and takes account

of future salary levels, inflation, mortality rates etc. This has increased by £109 million during the year predominantly due to changes in financial and demographic assumptions. All current and future police (but not staff) pension costs will be paid for by the Government.

- 5.6 The next largest item on the Balance Sheet is the £73.73 million of property, plant & equipment owned by the Commissioner. In addition to these long term assets, the Commissioner held £17.7 million of short term assets, predominately short term investments. Details of the Balance Sheet items are shown in the notes to the accounts.

Financial Performance and Variance Analysis 2018/19

- 5.7 A total net budget of £99.100 million was originally set by Commissioner for the year 2018/19 which incorporated a Council Tax increase of 5% at Band D and which relied upon the use of £2.279 million from reserves to support current spending. Of the total budget £95.651 million was set as the budget for the Chief Constable.
- 5.8 This incorporated a 2.29% pay award assumption and an assumed 2.5% increase in general inflation on non-pay costs. This assumption proved to be challenging with certain areas of pressures in relation to utilities, instability within the forensics market, impacts of uncertainty in relation to Brexit and the retail price index being over 3%.
- 5.9 Within this baseline spending level, cost reductions of £1.925 million were already identified from across a number of initiatives including workforce structures, collaborative arrangements, ICT developments, income generation and significant reductions in non-pay spending delivered through procurement and other cost reduction initiatives.
- 5.10 Having recognised the critical nature of the financial situation the Chief Constable established a Finance Gold group during 2018/19. This Gold group is chaired by the Chief Constable himself and is attended by all senior managers to ensure that there is a very clear and consistent message and understanding of financial issues across all aspects of the business.
- 5.11 Four specific sub groups have been established with focused representation:
- **medium term financial plan** to consider use of reserves, efficiencies, future funding and resourcing levels
 - **overtime** to critically review arrangements and requirements
 - **procurement** to critically review arrangements and spend for contracts and supplies & services
 - **income generation** to seek and maximise opportunities.
- 5.12 The following table sets out the final out-turn position for 2018/19 and compares this to the original budget. A revised budget is also shown in this variation statement that reflects additional budgets and movements approved during the year. Variations are processed during the year to ensure that the budget is updated on a timely basis. The changes to the budget referred to below were updated and reported at the monthly Policing Board meetings held through the year.

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

| Variation Statement | Original Budget | Revised Budget | Actual | Variance (Positive for Saving) |
|---|-----------------|----------------|---------------|--------------------------------|
| Budget Holder | £'000 | £'000 | £'000 | £'000 |
| Police and Crime Commissioner | | | | |
| Office and Commissioning Costs | 1,992 | 1,965 | 1,772 | 193 |
| Estates Costs | 3,736 | 3,736 | 3,434 | 302 |
| Total Commissioner Revenue Budget Costs | 5,728 | 5,701 | 5,206 | 495 |
| Chief Constable | | | | |
| <u>Budgets Managed Centrally</u> | | | | |
| Chief Constable's Office | 1,118 | 1,118 | 1,334 | -216 |
| Corporate Budgets and Income | -2,043 | -1,611 | -2,117 | 506 |
| Externally Funded National / Regional / Local Services | 1,447 | 1,447 | 1,706 | -259 |
| Staff Associations | 205 | 205 | 245 | -40 |
| <u>Deputy Chief Constable</u> | | | | |
| People's Services | 2,634 | 2,773 | 2,622 | 151 |
| Legal, Information, Efficiency, Health and Safety | 2,708 | 2,693 | 3,102 | -409 |
| Retirements, Major Operations & Corporate Communications | 1,136 | 1,136 | 865 | 271 |
| Professional Standards | 1,103 | 1,130 | 1,090 | 40 |
| <u>Assistant Chief Constable</u> | | | | |
| Local Policing | 55,965 | 55,639 | 55,559 | 80 |
| Investigations | 20,251 | 20,081 | 20,113 | -32 |
| Scientific Support | 1,695 | 1,705 | 1,817 | -112 |
| Criminal Justice | 1,276 | 1,276 | 939 | 337 |
| <u>Director of Finance</u> | | | | |
| Information Systems and Technology | 4,626 | 4,616 | 4,249 | 367 |
| Business Support Unit | 1,963 | 1,963 | 2,111 | -148 |
| Fleet Costs | 853 | 853 | 837 | 16 |
| Finance and Procurement | 713 | 653 | 543 | 110 |
| Total Budget – Force | 95,650 | 95,677 | 95,015 | 662 |
| Revenue Reserves – Force Surplus | -2,279 | -2,156 | -1,761 | -395 |
| Driver Retraining Scheme | 0 | 0 | 291 | -291 |
| In Year Initiatives Funded From Reserves | 0 | -123 | -147 | 24 |
| OPCC Savings to Sustainability and Transformation Reserve | 0 | 0 | 495 | -495 |
| Total Revenue Reserves Movements | -2,279 | -2,279 | -1,122 | -1,157 |
| Total Budget | 99,099 | 99,099 | 99,099 | 0 |

5.13 The final outturn positions highlighted within the Variation Statement above demonstrate that the Commissioner's budgets were £495K under budget in total. Significant savings of £144K were achieved within the Office as a result of staff vacancies and prudent financial management during the year to contain non-essential expenditure. An under-

spend of £47K was realised from lower than anticipated costs and a review of commissioned services. The Estates budgets were £302k underspent primarily due to a rates rebate which arose following a proactive review of rateable values. The Commissioner has created an earmarked reserve to support sustainability and transformational initiatives.

5.14 The Variation Statement above shows that the Chief Constable costs overall were £662K below the revised budget for the year. An explanation of the main reasons for the more material variances in budget for 2018/19 is provided below:

- i. **Chief Constable's Office:** In total, this budget overspent by £216K with around £165K of this being against pay headings. This included the cost consequences of putting two officers through the Senior Command Course and the need to backfill. Non pay budgets also over-spent by £41K as a result of additional events and subscriptions. Income was down by £10K on the budgeted position.
- ii. **Corporate Budgets:** Savings of £291K had been achieved against police staff budgets by utilising staff in the delivery of IT Capital Project Implementations. In addition savings of £481K were gained through procurement and austerity measures in respect of non-pay budgets and capital charges. Income and other minor budgets were down by £266K primarily being accounted for by reductions in Police Led Prosecution income and Mutual Aid / Special Services receipts.
- iii. **Externally Funded National / Regional / Local Services:** A net overspend of £259K was experienced predominantly against Regional Collaborative Activity.
- iv. **Staff Association:** A net overspend of £40K is recorded against this budget due to backfilling of vacancies elsewhere in the organisation.
- v. **People's Services:** People's Services budgets were £151K underspent predominantly thanks to grants received to offset additional setup costs of the new Police Education Qualification Framework.
- vi. **Legal, Information, Efficiency, Health and Safety:** An overspend of £409K has been experienced against this budget which in the main is accounted for by the additional staffing costs associated with a revised Information Management Structure and legal fees associated with past and impending proceedings .
- vii. **Retirements, Major Operations & Corporate Communications:** The Force saved £271K against these headings with the biggest contributors being ill health retirement /pension cost budgets and additional mutual aid receipts.
- viii. **Professional Standards:** A net saving of £40K is recorded against professional standards which arose across pay and non-pay headings with the biggest factor being savings against IT budgets.
- ix. **Operational Budgets Managed by the Assistant Chief Constable:** Local Policing costs came in within £80K of the budget overall despite considerable pressure on overtime budgets of around £449K. Additional Mutual Aid and Counter Terrorism Firearms Officer reimbursements and receipts and a slight saving on police pay headings brought this back within budgets at year end. Investigations and scientific support came in very slightly over budget at £32K and £112K respectively. The Criminal Justice Department underspent against the budget by £337K which mainly related to speed awareness training volumes being higher than anticipated.
- x. **Finance Directorate:** This Directorate encompasses the Corporate Finance, Fleet, ICT, Business Support and Procurement Departments of the Force. Additional income, non-pay procurement and austerity measures resulted in a large planned underspend of £367K against ICT budgets. Income receipts for Firearms Licensing and Vehicle Recovery were lower than anticipated which have resulted in an offsetting overspend of £148K against Business Support

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

headings. Fleet and Finance/ Procurement headings were under budget by £126K due to staffing vacancies and additional income receipts.

5.15 The final revenue outturn position included a number of transfers to and from reserves as shown in the following table:

| MOVEMENT IN USEABLE RESERVES VS BUDGET 2018/19 | | | | | | | |
|---|-----------------------|----------------------------|--------------------------|------------------|------------------------|-----------------------------|-----------------------------|
| | Budgeted Contribution | Actual Contribution 'from' | Actual Contribution 'to' | Net Contribution | Difference from Budget | Opening Balance in Reserves | Closing Balance in Reserves |
| | 2018/19 | 2018/19 | 2018/19 | 2018/19 | 2018/19 | 2018/19 | 2018/19 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue Reserves | | | | | | | |
| Earmarked Revenue Reserve | -2,176 | -2,159 | 0 | -2,159 | 17 | 3,495 | 1,336 |
| Drug Intervention | -40 | -35 | 0 | -35 | 5 | 170 | 135 |
| Driver Retraining Scheme | -25 | -62 | 353 | 291 | 316 | 1,002 | 1,293 |
| Proceeds of Crime Act | -38 | -39 | 17 | -22 | 16 | 241 | 219 |
| Regional Collaboration Reserve | 0 | -203 | 128 | -75 | -75 | 465 | 390 |
| CC - Operational Fund | 0 | 0 | 385 | 385 | 385 | 0 | 385 |
| Sustainability and Transformation | 0 | 0 | 493 | 493 | 493 | 0 | 493 |
| Total Revenue | -2,279 | -2,498 | 1,376 | -1,122 | 1,157 | 5,373 | 4,251 |
| General Reserve | | | | | | | |
| General Reserve | 0 | 0 | 0 | 0 | 0 | 4,032 | 4,032 |
| Total General | 0 | 0 | 0 | 0 | 0 | 4,032 | 4,032 |
| Total Revenue Reserves | -2,279 | -2,498 | 1,376 | -1,122 | 1,157 | 9,405 | 8,283 |
| Capital | | | | | | | |
| Capital Reserve | -3,412 | -3,097 | 0 | -3,097 | 318 | 8,883 | 5,786 |
| Capital Grants Unapplied | -324 | -642 | 317 | -325 | 0 | 750 | 425 |
| Total Capital Reserves | -3,736 | -3,739 | 317 | -3,422 | 318 | 9,633 | 6,211 |
| Total Capital and Revenue Reserves | -6,016 | -6,237 | 1,694 | -4,544 | 1,475 | 19,038 | 14,494 |
| Other Reserves (held on behalf of Others) | | | | | | | |
| Go Safe Reserve | 0 | 0 | 241 | 241 | 241 | 1,480 | 1,721 |
| Total Other Reserves | 0 | 0 | 241 | 241 | 241 | 1,480 | 1,721 |
| Net Reserves Movements | -6,016 | -6,237 | 1,935 | -4,302 | 1,717 | 20,518 | 16,216 |

5.16 In relation to capital schemes and expenditure, a summary of spending is shown in the Table on the following page. A sum of £4.637 million has been spent against a revised budget of £4.479 million. As shown in the Table above, a sum of £3.422 million will be transferred from reserves and grants held for the year which is £0.318 million lower than the £3.736 million that was planned due to slippage with capital schemes.

| 2018/19 | | | | | |
|---------------------------------|------------------------|-----------------------|---------------|-----------------------|---|
| Capital Expenditure | Original Budget | Revised Budget | Actual | (Over) / Under | Reason for Over / Underspend |
| | £'000 | £'000 | £'000 | £'000 | |
| Operational Land and Buildings | 5,684 | 2,309 | 1,048 | 1,261 | The refurbishment of the estate has continued but some delays were experienced with works slipping into 2019/20 |
| Vehicles | 953 | 953 | 1,036 | -83 | Savings against Safety Camera Partnership vehicles were realised along with some additional expenditure which was offset by receipts from the sale of vehicles |
| IT and Other Strategic Projects | 3,260 | 3,217 | 2,283 | 934 | Delays in replacing Digital Video Evidence Equipment (£263K), Airwave Replacement sets (£272K), In Car video equipment fitting (£243K) and CCTV Equipment (£124K). These will be delivered in 2019/20 |
| Total Spending | 9,897 | 6,479 | 4,367 | 2,112 | |
| Capital Financing | Original Budget | Revised Budget | Actual | (Over) / Under | Reason for Over / Underspend |
| | £'000 | £'000 | £'000 | £'000 | |
| Capital Receipts | -2,000 | -2,402 | -593 | -1,809 | Delay in Sale of Friars Park but increase vehicle capital receipts |
| Direct Revenue Financing | 0 | -149 | -7 | -142 | Go Safe vehicle budget - underspend |
| NPAS Capital Creditor | -23 | -23 | -23 | 0 | |
| Capital Reserves | -7,556 | -3,263 | -3,097 | -166 | Reduced reserves requirement as a result of programme slippage |
| Capital Grant and Contributions | -318 | -642 | -647 | 5 | Home Office and Mobile Data Grant |
| Total Funding | -9,897 | -6,479 | -4,367 | -2,112 | |

5.17 The final reserves position for the Commissioner shows a figure of £16.215 million held as at 31st March 2019 which incorporates a sum of £6.212 million to support future capital budget commitments, a general reserve of £4.032 million for unforeseen events and a sum of £1.336 million that is required to fund predicted future MTFP revenue contributions and deficits. This includes a balance of £1.721 million which is held on behalf of the road safety partnership "Go Safe" and £0.388 million being held for regional collaborative arrangements along with a number of earmarked reserves which are held to support specific projects including two new reserves to support sustainability/ transformational projects of £0.494 million and an operational fund of £0.385 million to assist the force in dealing with peaks and troughs in operational activity.

6 Risks, Opportunities and the Medium Term Financial Outlook.

6.1 Risks are managed at all levels of the organisations through the Governance Structure and a Corporate Risk Register is used to record, manage and mitigate the main risks which could affect the delivery of Police and Crime Plan outcomes. The Risk Register is a live document which is updated at least weekly. The main risks that remaining outstanding at the end of 2018/19 include:

- Financial resilience and management
- Governance and financial controls in respect of Collaborative activities
- Local availability of services for the forensic medical examination of children
- Sustainability of external forensics markets

6.2 The Risk Register is monitored regularly in order to ensure that risks are allocated an owner responsible for applying appropriate mitigations. Further details in relation to risk management are included in the Annual Governance Statement which is included as part of this document.

- 6.3 In terms of the Medium Term Financial Outlook, Dyfed Powys Police has faced significant financial challenges since 2010 due to reductions in funding from central government along with cost pressures and continual changes in the demand for policing services.
- 6.4 The Government have stated that a Comprehensive Spending Review (CSR) is likely in late 2019, albeit there are uncertainties as to timing due to the ongoing Brexit negotiations. A number of national working groups have been formed to gather information and data to support the submissions to the Government which will be aimed to facilitate their consideration. Albeit that the outcomes will remain to be seen, a consistent national approach to budgetary assumptions was been advocated by the Police and Crime Commissioners Treasurers Society which was to assume a cash flat settlement for 2020/21. Clearly there are risks attached to this assumption and this position will be monitored carefully.
- 6.5 The position on the Formula Funding Review is also uncertain however it is understood that the Home Office may look to implement changes to formula after the CSR. The impact of the last unimplemented review would have resulted in £8M less for Dyfed Powys and these reductions have therefore been factored into the MTFP incorporating a reduction of 4% in central grant from 2021/22 onwards.
- 6.6 As outlined previously, there has been much independent commentary over the last year in relation to Police sustainability, funding, resilience and increased burdens which include increases to employer's pension contributions which highlight and confirm the very critical and precarious position that Dyfed-Powys and the police service in general face.
- 6.7 The provisional settlement was announced by the Policing Minister on the 13th December 2018 which included headline figures of £970m additional funding with approximately £813m for local policing: £153m pension grant, £161m additional core grant funding to provide all forces with a 2.1% increase and £509m from additional precept flexibility by raising precept by £24 per year per Band D property.
- 6.8 In outlining the provisional settlements both the Home Secretary and Policing Minister recognised the police services engagement over the last year which has facilitated Governments appreciation that crime is both changing and increasing in complexity which has resultant impacts on both the demand for resources and the capabilities required to enable response.
- 6.9 The 2019/20 settlement for Dyfed-Powys was £50.348m which was £1.035m or 2.1% higher than 2018/19. However, it is vital that this increase is considered in light of the very significant and unforeseen pressures which have arisen from changes to the employer's contribution rate for Police Officer pensions. A new specific grant for pensions has also been awarded for 2019/20 amounting to £1.302m, but even in addition to the uplift in core grant, still leaves a shortfall of £535k to be met.
- 6.10 Following a rigorous process of scrutiny and deliberations over financial assumptions, risks that continue to threaten the communities and investment priorities which included a number of seminars and presentations to the Commissioner, his staff, the Force Executive Board, Wales Audit Office representatives, Joint Audit Committee, Police and Crime Panel Members and local Members of Parliament the Commissioner submitted his precept proposal for 2019/20 and assumptions that underpin the MTFP to 2024/25 to the Dyfed-Powys Police and Crime Panel on 25th January 2019.
- 6.11 This proposal was duly supported which raised the average band D property precept by £24 to £248.56, a 10.7% increase. This increase was in accordance with the flexibilities advocated by the Government and will raise a total precept of £55.247m. This will provide a total of central and local funding of £106.897m representing a 7.87% increase on funding levels in 2018/19.

- 6.12 This, once again, sees Dyfed-Powys with the lowest council tax precept in Wales of £248.56 compared with £257.52 in South Wales, £255.53 in Gwent and £278.10 in North Wales. It is also worth highlighting that Dyfed-Powys has had the fifth lowest council tax precept increases across England and Wales since 2012/13. The Commissioner has included assumptions of 5% year on year increases in precept for the MTFP.
- 6.13 The Plan incorporates an assumption of 2% growth in pay and inflationary pressures from 2020/21 onwards and has modelled known growth and cost increase pressures and potential loss of specific grants. In addition, the continued reduction in the annual contribution from reserves and an incremental increase in contribution to capital financing and charges to support the forward Capital Programme have been included. Further additional spending on a number of national, regional and local priorities along with the additional costs arising from changes to police pensions have been included.
- 6.14 The Force continues to identify efficiency measures and has a cost reduction plan which is aiming to capitalise on national, regional and local initiatives including the National Commercial Board, Police ICT Company and All Wales Collaboration activities. This plan assumes a significant reshaping of the workforce and cost base through efficiency and productivity which will enable the Commissioner and Force to set a balanced and funded Medium Term Financial position for both revenue and capital whilst protecting the standard of service for the communities of Dyfed Powys.

| MEDIUM TERM FINANCIAL PLAN – REVENUE | 19-20 | 20-21 | 21-22 | 22-23 | 23-24 | 24-25 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | £M | £M | £M | £M | £M | £M |
| Central and Local Funding | | | | | | |
| Predicted Central Funding | -51.6 | -51.6 | -49.9 | -47.7 | -45.8 | -44.0 |
| Local Precept | -55.2 | -58.1 | -61.2 | -64.4 | -67.8 | -71.4 |
| Total Funding | -106.9 | -109.8 | -110.9 | -112.1 | -113.7 | -115.5 |
| Revenue Spending | | | | | | |
| Predicted Spending | 109.8 | 111.7 | 115.9 | 110.1 | 122.1 | 125.2 |
| Efficiencies delivered for 19-20 | -2.9 | 0 | 0 | 0 | 0 | 0 |
| Cumulative Annual Deficit | 0 | 1.8 | 5.1 | 6.9 | 8.4 | 9.7 |
| Future Cost Reduction Plan | | | | | | |
| Sustainability and Capital | | -0.4 | -0.5 | -0.3 | -0.2 | -0.1 |
| Collaboration and Income | | -0.3 | -0.4 | -0.3 | -0.5 | -0.3 |
| Demand and Productivity | | -0.3 | -1.8 | -0.7 | -0.4 | -0.4 |
| Workforce Planning | | -0.6 | -0.4 | -0.4 | -0.3 | -0.4 |
| Procurement and Non Pay | | -0.2 | -0.2 | -0.1 | -0.1 | -0.1 |
| Annual Cost Reductions | | -1.8 | -3.3 | -1.8 | -1.5 | -1.3 |
| Cumulative Annual | | -1.8 | -5.1 | -6.9 | -8.4 | -9.7 |
| Anticipated Revenue Deficit | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

- 6.15 The Commissioner set a capital programme for 2019/20 to 2023/24 of £48.206 million which includes investment in Estates, Fleet and ICT infrastructure. This investment has been prioritised towards strategic priorities, unavoidable spending, areas that reduce future revenue expenditure and recognises the need to be adequately equipped to face the changing demands of 21st century policing.
- 6.16 There has been a significant reduction in core capital funding allocated by the Home office over recent years. In 2019/20 a total capital grant of £325K will be available for the Commissioner. In addition, central funding will be available to part fund the major

communication programme, although £2.6 million of the future costs will fall on the Commissioner to fund.

- 6.17 In order to meet future capital investment requirements and mitigate the reductions in capital grant funding, the MTFP and capital programme include revenue contributions to capital from 2019/20 and also includes external borrowing requirements to support the major estates developments. The Commissioner considers his Capital Strategy annually and also assesses his borrowing requirements annually to ensure they are prudent, sustainable and affordable. These documents are shown at:

<http://www.dyfedpowys-pcc.org.uk/media/7689/capital-strategy-2019-20-002.pdf>

<http://www.dyfedpowys-pcc.org.uk/media/7686/2019-03-07-agenda-13-treasury-management-strategy.pdf>

- 6.18 The Commissioner considers and publishes an annual reserves strategy which underpins the MTFP and its assessment of risk exposure and mitigation measures. The Reserves strategy considers the adequacy of general reserves and takes account of the strategic, operational and financial risks facing Dyfed Powys. These considerations also take cognisance of Home Office guidance on Police Reserves. The Reserves Strategy is shown at:

<http://www.dyfedpowys-pcc.org.uk/media/7688/reserves-strategy-2019-20-002.pdf>

- 6.19 The Force has submitted its second Force Management Statement to Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services, which comprehensively sets out the main operational and business support challenges that the Force is facing. This considers the capability and capacity of the Force in the context of dealing with current and future demand. In summary the document points to challenges which largely mirror those areas already identified in the Risk Register but also highlights challenges in relation to vulnerability, domestic abuse and violent / sexual offending in terms of anticipated future demands.

- 6.20 The Commissioner and Force also face a number of unknown potential future financial commitments which are referred to further in the contingent liabilities and pensions notes including:

- Police Pension Legal Challenge - Career Average Revalued Earnings
- Undercover Policing Inquiry
- Dedicated Source Handling Unit On-Call Allowance Claims

7.0 Basis of Preparation and Presentation

- 7.1 These are the seventh statutory accounts prepared under the new governance arrangements. Both the Commissioner and Chief Constable as separate legal entities must produce their own Statement of Accounts, with the Commissioner being responsible for production of the Group Accounts, within which the Commissioner's accounts are contained.

- 7.2 The Accounts and Audit (Wales) Regulations 2015 require local government bodies to prepare a Statement of Accounts in accordance with proper practices. The Chartered Institute of Public Finance & Accountancy's Code of Practice is identified as representing proper practices.

- 7.3 The following is an explanation of the statements that follow, their purpose and the relationship between them:

- **Independent Auditor's Report** - this sets out the opinion of the external auditor, the Wales Audit Office, on whether the Group accounts presented give a 'true and fair view' of the financial position and operations of the Commissioner for 2018/19;
- **Statement of Responsibilities for the Statement of Accounts** - this statement sets out the responsibilities of the Commissioner and his Chief Finance Officer;

- **Comprehensive Income and Expenditure Statement** - this core 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 core statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The Commissioner owns the land, buildings and other assets used by the Force. The net assets (assets less liabilities) are matched by the usable and unusable reserves;
- **Notes to the financial statements** - these provide additional information that further explains items included within the main statements with an aim of improving the readers understanding of the main financial statements and sets out the Accounting Policies used as the basis of preparing the financial statements as required by the Code of Practice;
- **Movement In Reserves Statement** - this statement shows the movement in the year on the reserves held by the Group, analysed into usable reserves (monies which can be applied to fund capital expenditure or to reduce local taxation) and unusable reserves (monies that cannot be used to provide services and exist through the application of accounting standards, for example, the pensions reserves which match the pension liability);
- **Cash Flow Statement** - this statement summarises changes to cash and cash equivalents during the reporting period;
- **Expenditure and Funding Analysis** - this statement shows how annual expenditure is used and funded by the Group from resources as reported by management, split across directorates and services in comparison with those resources consumed or earned by the Group reported in accordance with generally accepted accounting practices;
- **Police Pension Fund Account** - is a statement that shows expenditure, income, assets and liabilities pertaining to Police Pensions in the year. The account shows the top up grant due from the Group to the Pension Fund Account. Subsequently the Home Office reimburses the Group for money paid over to the account and effectively underwrites the deficit. This practice would work in reverse if the Pensions Fund Account were to show a surplus at the year-end;
- **An Annual Governance Statement** is included within this Statement of Accounts that sets out details of how the Commissioner and Chief Constable exercise governance over their affairs. The Statement is a statutory document for each corporation sole, albeit a combined statement has been produced for 2018/19 which aims to aid transparency and understanding to the reader, clearly demonstrating where arrangements are consistent and where they differ between the Commissioner and the Chief Constable. The statement includes an annual review of the adequacy of the governance arrangements, and also provides assurance on the systems of internal control.

Statement of Responsibilities

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

The Commissioner's responsibilities

The Commissioner is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs, that officer is the Chief Financial Officer;
- manage its 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 2018/19.



30th July 2019

Police & Crime Commissioner for 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 Group/Commissioner at the reporting date and of its expenditure and income for the year ended 31st March 2019.



Chief Finance Officer

30th July 2019

Date

The Independent auditor's report of the Auditor General for Wales to the Police and Crime Commissioner for Dyfed Powys

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Police and Crime Commissioner for Dyfed Powys;
- Dyfed Powys Police Pension Fund; and
- Police and Crime Commissioner for Dyfed Powys Police Group

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

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

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

The 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 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Dyfed Powys; the Dyfed Powys Police Pension Fund; and the Police and Crime Commissioner for Dyfed Powys Police Group as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

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

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and

Crime Commissioner for Dyfed Powys or the Police and Crime Commissioner for Dyfed Powys Police Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

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

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 24, the responsible financial officer is responsible for the preparation of the

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website:

www.frc.org.uk/auditorsresponsibilities.

This description forms part of my auditor's report.



Anthony J Barrett
For and on behalf of the Auditor General for Wales
31 July 2019

24 Cathedral Road
Cardiff
CF11 9LJ

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

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded by the Group from resources (government grants, rents and council tax) in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Group's Directorates/Services/Departments. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The 2017/18 Statement has been restated to reflect changes made to Force Governance Structures and Reporting Arrangements. Please refer to Note 2 'Previous Period Adjustments' for an explanation of these changes.

| Expenditure & Funding Analysis 2018/19 | Net Expenditure Chargeable to the General Fund | Adjustments between Funding and Accounting Basis – details in Note 7 | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|--|--|---|
| | £'000 | £'000 | £'000 |
| POLICE AND CRIME COMMISSIONER | | | |
| Commissioning and Office Costs | 1,925 | 92 | 2,017 |
| Estates | 3,435 | 390 | 3,825 |
| TOTAL POLICE & CRIME COMMISSIONER'S OFFICE | 5,360 | 482 | 5,842 |
| CHIEF CONSTABLE | | | |
| Budgets Managed Corporately by the Chief Constable | | | |
| Chief Constable's Office | 1,333 | 237 | 1,570 |
| Centrally Managed Corporate Budgets | 958 | (3,334) | (2,376) |
| Externally Funded National/Regional/Local Services | 1,447 | 266 | 1,713 |
| Staff Associations | 244 | 52 | 296 |
| Budgets Managed by the Deputy Chief Constable | | | |
| People's Services | 2,620 | 457 | 3,077 |
| Legal, Information, Efficiency, Health & Safety | 3,102 | 434 | 3,536 |
| Retirements, Major Operations and Communications | 666 | 66 | 934 |
| Professional Standards | 1,090 | 216 | 1,306 |
| Budgets Managed by the Assistant Chief Constable | | | |
| Local Policing | 55,480 | 13,273 | 68,753 |
| Investigations | 20,064 | 4,677 | 24,761 |
| Scientific Support | 1,816 | 208 | 2,024 |
| Criminal Justice | 939 | 279 | 1,218 |
| Budgets Managed by the Director of Finance | | | |
| Information Systems and Technology | 4,250 | 399 | 4,649 |
| Business Support Unit | 2,110 | 354 | 2,464 |
| Fleet Costs | 837 | 87 | 924 |
| Finance and Procurement | 543 | 81 | 624 |
| Potential Impact of recent Police Pension Legal Challenge (McCloud) – refer to Note 35 for further detail | 0 | 78,731 | 78,731 |
| TOTAL CHIEF CONSTABLE | 97,719 | 96,485 | 194,204 |
| NET COST OF SERVICES | 103,079 | 96,967 | 200,046 |
| Other Income and Expenditure | (99,100) | 11,640 | (87,460) |
| SURPLUS OR DEFICIT (Before Reserve Transfers) | 3,979 | 108,807 | 112,586 |
| Transfers from Earmarked Reserves | (3,979) | | |
| SURPLUS OR DEFICIT FOR THE YEAR | 0 | | |
| Opening General Fund Balance as at 1 st April 2017 | (4,032) | | |
| Less Deficit on General Fund Balance in Year | 0 | | |
| Closing General Fund Balance as at March 2018 | (4,032) | | |

| Expenditure & Funding Analysis 2017/18 (Restated) | Net Expenditure Chargeable to the General Fund | Adjustments between Accounting and Funding Basis – details in Note 7 | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|---|---|--|
| | £'000 | £'000 | £'000 |
| <u>POLICE AND CRIME COMMISSIONER</u> | | | |
| Commissioning and Office Costs | 1,798 | 105 | 1,904 |
| Estates | 3,936 | 573 | 4,508 |
| TOTAL POLICE & CRIME COMMISSIONER'S OFFICE | 5,734 | 678 | 6,412 |
| <u>CHIEF CONSTABLE</u> | | | |
| <u>Budgets Managed Corporately by the Chief Constable</u> | | | |
| Chief Constable's Office | 1,277 | 298 | 1,573 |
| Centrally Managed Corporate Budgets | 5,940 | (2,920) | 3,020 |
| Externally Funded National/Regional/Local Services | (671) | (16) | (687) |
| Staff Associations | 217 | 65 | 282 |
| <u>Budgets Managed by the Deputy Chief Constable</u> | | | |
| People's Services | 2,506 | 499 | 3,005 |
| Legal, Information, Efficiency, Health & Safety | 3,231 | 559 | 3,790 |
| Retirements, Major Operations and Corporate Communications | 875 | 84 | 959 |
| Professional Standards | 1,192 | 315 | 1,507 |
| <u>Budgets Managed by the Assistant Chief Constable</u> | | | |
| Local Policing | 52,956 | 15,273 | 68,229 |
| Investigations | 19,587 | 6,392 | 25,979 |
| Scientific Support | 1,504 | 175 | 1,679 |
| Criminal Justice | 1,007 | 295 | 1,302 |
| <u>Budgets Managed by the Director of Finance</u> | | | |
| Information Systems and Technology | 4,228 | 401 | 4,629 |
| Business Support Unit | 1,907 | 362 | 2,269 |
| Fleet Costs | 884 | 87 | 951 |
| Finance and Procurement | 600 | 83 | 683 |
| <u>Non-distributed costs</u> | 92 | 0 | 92 |
| <u>Exceptional Items -</u> | | | |
| - Abnormal Loads – Windfarms | (603) | 0 | (603) |
| - Operation Heath | 798 | 0 | 798 |
| TOTAL CHIEF CONSTABLE | 97,507 | 21,950 | 119,457 |
| NET COST OF SERVICES | 103,241 | 22,628 | 125,869 |
| Other Income and Expenditure | (98,816) | 14,603 | (82,013) |
| SURPLUS OR DEFICIT (Before Reserve Transfers) | 6,625 | 37,231 | 43,856 |
| Transfers from Earmarked Reserves | (8,157) | | |
| SURPLUS OR DEFICIT FOR THE YEAR | 488 | | |
| Opening General Fund Balance as at 1 st April 2016 | (4,500) | | |
| Less Deficit on General Fund Balance in Year | 488 | | |
| Closing General Fund Balance as at March 2018 | (4,032) | | |

Comprehensive Income and Expenditure Statement

The following Statement summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year. The 2017/18 Statement has been restated to reflect changes made to Force Governance Structures and Reporting Arrangements. Please refer to Note 2 'Previous Period Adjustments' for an explanation of these changes.

| Group | | | Comprehensive Income and Expenditure Statement 2018/19 | Note | Commissioner | | |
|-------------------|--------------|-----------------|--|------|-------------------|------------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | | £'000 | £'000 | £'000 |
| | | | POLICE AND CRIME COMMISSIONER | | | | |
| 2,418 | (401) | 2,017 | Commissioning and Office Costs | | 6,077 | (4,060) | 2,017 |
| 3,888 | (63) | 3,825 | Estates | | 3,888 | (63) | 3,825 |
| 6,306 | (464) | 5,842 | TOTAL POLICE & CRIME COMMISSIONERS OFFICE | | 9,965 | (4,123) | 5,842 |
| | | | CHIEF CONSTABLE | | | | |
| | | | Budgets Managed Corporately by the Chief Constable | | | | |
| 1,576 | (6) | 1,570 | Chief Constable's Office | | 0 | (6) | (6) |
| 1,666 | (4,042) | (2,376) | Centrally Managed Corporate Budgets | | 0 | (4,042) | (4,042) |
| 5,442 | (3,729) | 1,713 | Externally Funded National/Regional/Local Services | | 0 | (3,729) | (3,729) |
| 296 | 0 | 296 | Staff Associations | | 0 | 0 | 0 |
| | | | Budgets Managed by the Deputy Chief Constable | | | | |
| 3,357 | (280) | 3,077 | People's Services | | 0 | (280) | (280) |
| 3,772 | (236) | 3,536 | Legal, Information, Efficiency, Health & Safety | | 0 | (236) | (236) |
| 1,108 | (174) | 934 | Retirements, Major Operations and Corporate Communications | | 0 | (174) | (174) |
| 1,329 | (23) | 1,306 | Professional Standards | | 0 | (23) | (23) |
| | | | Budgets Managed by the Assistant Chief Constable | | | | |
| 70,995 | (2,242) | 68,753 | Local Policing | | 713 | (2,242) | (1,529) |
| 26,006 | (1,245) | 24,761 | Investigations | | 0 | (1,245) | (1,245) |
| 2,040 | (16) | 2,024 | Scientific Support | | 0 | (16) | (16) |
| 2,831 | (1,613) | 1,218 | Criminal Justice | | 0 | (1,613) | (1,613) |
| | | | Budgets Managed by the Director of Finance | | | | |
| 4,742 | (93) | 4,649 | Information Systems and Technology | | 0 | (93) | (93) |
| 2,774 | (310) | 2,464 | Business Support Unit | | 0 | (310) | (310) |
| 1,208 | (284) | 924 | Fleet Costs | | 0 | (284) | (284) |
| 681 | (57) | 624 | Finance and Procurement | | 0 | (57) | (57) |
| 78,731 | 0 | 78,731 | Potential Impact of recent Police Pension Legal Challenge (McCloud) | 35 | 132 | 0 | 132 |
| 208,554 | (14,350) | 194,204 | TOTAL CHIEF CONSTABLE | | 845 | (14,350) | (13,505) |
| 214,860 | (14,814) | 200,046 | COST OF SERVICES | | 10,810 | (16,473) | (7,663) |
| 538 | (19,710) | (19,172) | Other Operating Income and Expenditure | 11 | 538 | (19,710) | (19,172) |
| 32,069 | (935) | 31,134 | Financing & Investment Income & Expenditure | 12 | 625 | (935) | (310) |
| 0 | (99,422) | (99,422) | Taxation and non-specific grant income | 13 | 0 | (99,422) | (99,422) |
| 0 | 0 | 0 | Commissioning Costs (Intra-group transfer) | | 239,153 | 0 | 239,153 |
| 247,467 | (134,881) | 112,586 | (Surplus)/deficit on Provision of Services | | 251,126 | (138,540) | 112,586 |
| | | 0 | Surplus or deficit on revaluation of non-current assets | 22 | | | 0 |
| | | 81,200 | Actuarial (gains)/losses on pension assets/liabilities | 22 | | | 286 |
| | | 0 | Commissioning Costs (Intra-group transfer) | | | | 80,914 |
| | | 81,200 | Other comprehensive income and expenditure | | | | 81,200 |
| | | 193,786 | Total comprehensive income and expenditure | | | | 193,786 |

| Group | | | Comprehensive Income and Expenditure Statement 2017/18 (Restated) | Note | Commissioner | | |
|--------------|--------------|------------|---|-------|--------------|--------------|------------|
| Gross Expend | Gross Income | Net Expend | | | Gross Expend | Gross Income | Net Expend |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | |
| | | | POLICE AND CRIME COMMISSIONER | | | | |
| 2,483 | (579) | 1,904 | Commissioning and Office Costs | | 6,085 | (4,181) | 1,904 |
| 4,574 | (66) | 4,508 | Estates | | 4,574 | (66) | 4,508 |
| 7,057 | (645) | 6,412 | TOTAL POLICE & CRIME COMMISSIONERS OFFICE | | 10,659 | (4,247) | 6,412 |
| | | | CHIEF CONSTABLE | | | | |
| | | | Budgets Managed Corporately by the Chief Constable | | | | |
| 1,589 | (16) | 1,573 | Chief Constable's Office | | 0 | (16) | (16) |
| 7,011 | (3,991) | 3,020 | Centrally Managed Corporate Budgets | | 0 | (3,991) | (3,991) |
| 5,439 | (6,128) | (687) | Externally Funded National/Regional/Local Services | | 0 | (6,128) | (6,128) |
| 282 | 0 | 282 | Staff Associations | | 0 | 0 | 0 |
| | | | Budgets Managed by the Deputy Chief Constable | | | | |
| 3,094 | (89) | 3,005 | People's Services | | 0 | (89) | (89) |
| 4,034 | (244) | 3,790 | Legal, Information, Efficiency, Health & Safety | | 0 | (244) | (244) |
| 993 | (34) | 959 | Retirements, Major Operations and Corporate Communications | | 0 | (34) | (34) |
| 1,509 | (2) | 1,507 | Professional Standards | | 0 | (2) | (2) |
| | | | Budgets Managed by the Assistant Chief Constable | | | | |
| 68,756 | (527) | 68,229 | Local Policing | | 713 | (527) | 186 |
| 28,295 | (316) | 25,979 | Investigations | | 0 | (316) | (316) |
| 1,679 | 0 | 1,679 | Scientific Support | | 0 | 0 | 0 |
| 1,812 | (510) | 1,302 | Criminal Justice | | 0 | (510) | (510) |
| | | | Budgets Managed by the Director of Finance | | | | |
| 4,629 | (0) | 4,629 | Information Systems and Technology | | 0 | 0 | 0 |
| 2,638 | (369) | 2,269 | Business Support Unit | | 0 | (369) | (369) |
| 1,120 | (169) | 951 | Fleet Costs | | 0 | (169) | (169) |
| 716 | (33) | 683 | Finance and Procurement | | 0 | (33) | (33) |
| 92 | 0 | 92 | Non-distributed costs | | 2 | 0 | 2 |
| | | | Exceptional Items - | | | | |
| 187 | (790) | (603) | - Abnormal Loads – Windfarms | | 0 | (790) | (790) |
| 798 | 0 | 798 | - Operation Heath | | 0 | 0 | 0 |
| 132,873 | (13,216) | 119,457 | TOTAL CHIEF CONSTABLE | | 713 | (13,216) | (12,503) |
| 139,730 | (13,861) | 125,869 | COST OF SERVICES | | 11,372 | (17,463) | (6,091) |
| 384 | (18,815) | (18,451) | Other Operating Income and Expenditure | 11 | 364 | (18,815) | (18,451) |
| 34,325 | (955) | 33,370 | Financing & Investment Income & Expenditure | 12 | 651 | (955) | (304) |
| 0 | (96,932) | (96,932) | Taxation and non-specific grant income | 13 | 0 | (96,932) | (96,932) |
| 0 | 0 | 0 | Commissioning Costs (Intra-group transfer) | | 165,634 | 0 | 165,634 |
| 174,419 | (130,563) | 43,856 | (Surplus)/deficit on Provision of Services | | 178,021 | (134,165) | 43,856 |
| | | (20) | Surplus or deficit on revaluation of non-current assets | 22 | | | (20) |
| | | (167,488) | Actuarial (gains)/losses on pension assets/liabilities | 22 | | | (403) |
| | | 0 | Commissioning Costs (Intra-group transfer) | | | | (167,085) |
| | | (167,508) | Other comprehensive income and expenditure | | | | (167,508) |
| | | (123,652) | Total comprehensive income and expenditure | | | | (123,652) |

Movement In Reserves Statement

Financial Year 2018/19

| | Note Ref | General Fund Balance | Earmarked General Fund Reserves | Total General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Reserves |
|--|----------|----------------------|---------------------------------|----------------------------|--------------------------|--------------------------|-----------------------|-------------------|------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31st March 2018 | | (4,032) | (15,898) | (19,730) | 0 | (750) | (20,480) | 1,102,837 | 1,082,357 |
| Reclassifications | | 0 | (38) | (38) | 0 | 0 | (38) | 38 | 0 |
| Revised Balance at 31st March 2018 | | (4,032) | (15,736) | (19,768) | 0 | (750) | (20,518) | 1,102,875 | 1,082,357 |
| Movement In reserves during 2018/19: | | | | | | | | | |
| Surplus or (deficit) on the provision of services | CIES | 112,586 | 0 | 112,586 | 0 | 0 | 112,586 | 0 | 112,586 |
| Other Comprehensive Income and Expenditure | CIES | 0 | 0 | 0 | 0 | 0 | 0 | 81,200 | 81,200 |
| Total Comprehensive Income and Expenditure | | 112,586 | 0 | 112,586 | 0 | 0 | 112,586 | 81,200 | 193,786 |
| Adjustments between accounting basis and funding basis under Regulations | 9 | (108,607) | 0 | (108,607) | 0 | 323 | (108,284) | 108,284 | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | 3,979 | 0 | 3,979 | 0 | 323 | 4,302 | 189,484 | 193,786 |
| Transfers to/from earmarked reserves | 10 | (3,979) | 3,979 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease In 2018/19 | | 0 | 3,979 | 3,979 | 0 | 323 | 4,302 | 189,484 | 193,786 |
| Balance at 31st March 2019 | | (4,032) | (11,757) | (15,789) | 0 | (427) | (16,216) | 1,292,359 | 1,276,143 |

Financial Year 2017/18

| | Note Ref | General Fund Balance | Earmarked General Fund Reserves | Total General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Reserves |
|--|----------|----------------------|---------------------------------|----------------------------|--------------------------|--------------------------|-----------------------|-------------------|------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31st March 2017 | | (4,500) | (21,855) | (26,355) | 1 | (879) | (27,233) | 1,233,242 | 1,206,009 |
| Movement in reserves during 2017/18: | | | | | | | | | |
| Surplus or (deficit) on the provision of services | CIES | 43,856 | 0 | 43,856 | 0 | 0 | 43,856 | 0 | 43,856 |
| Other Comprehensive Income and Expenditure | CIES | 0 | 0 | 0 | 0 | 0 | 0 | (167,509) | (167,509) |
| Total Comprehensive Income and Expenditure | | 43,856 | 0 | 43,856 | 0 | 0 | 43,856 | (167,509) | (123,652) |
| Adjustments between accounting basis and funding basis under Regulations | 9 | (37,231) | 0 | (37,231) | (1) | 129 | (37,103) | 37,104 | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | 6,625 | 0 | 6,625 | (1) | 129 | 6,753 | (130,405) | (123,652) |
| Transfers to/from earmarked reserves | 10 | (6,157) | 6,157 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in 2017/18 | | 468 | 6,157 | 6,625 | (1) | 129 | 6,753 | (130,405) | (123,652) |
| Balance at 31st March 2018 | | (4,032) | (15,698) | (19,730) | 0 | (750) | (20,480) | 1,102,837 | 1,082,357 |

Balance Sheet

| Group 2017/18 | Commissioner 2017/18 | | Note | Group 2018/19 | Commissioner 2018/19 |
|--------------------------|---------------------------------|-------------------------------|-------------|--------------------------|---------------------------------|
| £'000 | £'000 | | | £'000 | £'000 |
| 73,892 | 73,892 | Property, plant & equipment | 14 | 73,613 | 73,613 |
| 3,904 | 3,904 | Investment property | 15 | 3,912 | 3,912 |
| 94 | 94 | Intangible assets | | 10 | 10 |
| 54 | 54 | Surplus Assets | 14 | 48 | 48 |
| 0 | 0 | Assets Under Construction | 14 | 104 | 104 |
| 6,538 | 6,538 | Long term investments | 16 | 6,414 | 6,414 |
| 84,482 | 84,482 | Long term assets | | 84,101 | 84,101 |
| 16,189 | 16,189 | Short term investments | 16 | 17,620 | 17,620 |
| 459 | 0 | Inventories | | 463 | 0 |
| 1,913 | 1,913 | Assets held for sale | 19 | 1,672 | 1,672 |
| 7,650 | 6,937 | Short term debtors | 17 | 5,371 | 4,896 |
| 2,428 | 2,428 | Cash and cash equivalents | 18 | 2,712 | 2,712 |
| 0 | 1,172 | Intra-group transfer | | 0 | 938 |
| 28,639 | 28,639 | Current assets | | 27,838 | 27,838 |
| (189) | (189) | Short term borrowing | 16 | (207) | (207) |
| (9,652) | (2,741) | Short term creditors | 20 | (13,259) | (2,935) |
| (665) | (665) | Short term provisions | 21 | (768) | (768) |
| 0 | (6,911) | Intra - group transfer | | 0 | (10,324) |
| (10,506) | (10,506) | Current liabilities | | (14,234) | (14,234) |
| (1,947) | (1,947) | Long term borrowing | 16 | (1,739) | (1,739) |
| (1,182,188) | (1,182,188) | Other long term liabilities | 35 | (1,371,157) | (1,371,157) |
| (837) | (837) | Long term provisions | 21 | (952) | (952) |
| (1,184,972) | (1,184,972) | Long term liabilities | | (1,373,848) | (1,373,848) |
| (1,082,357) | (1,082,357) | Net assets/liabilities | | (1,276,143) | (1,276,143) |
| (20,480) | (20,480) | Usable reserves | 10 | (16,216) | (16,216) |
| 1,102,837 | 1,102,837 | Unusable reserves | 22 | 1,292,359 | 1,292,359 |
| 1,082,357 | 1,082,357 | Total reserves | | 1,276,143 | 1,276,143 |

Cash Flow Statement

| Group 2017/18 | Commissioner 2017/18 | | Notes | Group 2018/19 | Commissioner 2018/19 |
|------------------|-------------------------|---|-------|------------------|-------------------------|
| £'000 | £'000 | | | £'000 | £'000 |
| 43,856 | 43,856 | Net (surplus) or deficit on the provision of services | CIES | 112,586 | 112,586 |
| (43,551) | (43,551) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 23 | (117,883) | (117,883) |
| 519 | 519 | Adjustments for Items included in the net surplus or deficit on the provision of services that are investing and financing activities | 23 | 1,151 | 1,151 |
| 824 | 824 | Net cash flows from Operating Activities | 23 | (4,146) | (4,146) |
| (1,417) | (1,417) | Investing Activities | 24 | 4,539 | 4,539 |
| 374 | 374 | Financing Activities | 25 | (677) | (677) |
| (219) | (219) | Net Increase or decrease in cash and cash equivalents | 18 | (284) | (284) |
| 2,209 | 2,209 | Cash and cash equivalents at the beginning of the reporting period | 18 | 2,428 | 2,428 |
| 2,428 | 2,428 | Cash and cash equivalents at the end of the reporting period | 18 | 2,712 | 2,712 |

Police Pension Fund

| Group 2017/18 | Commissioner 2017/18 | Fund Account | Group 2018/19 | Commissioner 2018/19 |
|------------------|-------------------------|--|------------------|-------------------------|
| £'000 | £'000 | | £'000 | £'000 |
| | | Contributions receivable: | | |
| (10,462) | 0 | • Employer contributions | (10,520) | 0 |
| (441) | 0 | • Other Income | (256) | 0 |
| (5,855) | 0 | Officers' contributions | (5,879) | 0 |
| (16,758) | 0 | | (16,655) | 0 |
| (46) | 0 | Transfers in from other pension funds | (393) | 0 |
| | | Benefits payable: | | |
| 24,823 | 0 | • Pensions | 26,483 | 0 |
| 10,053 | 0 | • Commutations and lump sum retirement benefits | 9,443 | 0 |
| 34,830 | 0 | | 35,533 | 0 |
| | | Payments to and on account of leavers: | | |
| 0 | 0 | • Transfers out to other pension funds | 39 | 0 |
| 5 | 0 | • Refunds of contributions | 12 | 0 |
| 500 | 0 | • Scheme Pays tax payments | 119 | 0 |
| 505 | 0 | | 170 | 0 |
| 18,577 | (18,577) | Net amount payable for the year | 19,048 | (19,048) |
| (18,577) | 18,577 | Additional contribution from the Police Fund (re Home Office Grant) | (19,048) | 19,048 |
| 0 | 0 | | 0 | 0 |

| Group 2017/18 | Commissioner 2017/18 | Net Assets Statement | Group 2018/19 | Commissioner 2018/19 |
|------------------|-------------------------|---|------------------|-------------------------|
| £'000 | £'000 | | £'000 | £'000 |
| | | Current Assets | | |
| 0 | 0 | Debtor – net balances owed from the Police fund | 908 | 0 |
| 0 | 0 | | 908 | 0 |
| | | Current Liabilities | | |
| 0 | 0 | Creditors – benefits payable to retiring officers end of March paid April | (908) | 0 |
| 0 | 0 | | (908) | 0 |
| 0 | 0 | | 0 | 0 |

Notes to the Accounts

1. Accounting policies

General Principles

The Statement of Accounts summarises the Group's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The Commissioner is required to prepare an annual Statement of Accounts for himself and the Group by the Accounts and Audit (Wales) Regulations 2014 (as amended), 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 2018/19 and the Service Reporting Code of Practice 2018/19, 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.

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 Group. 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.

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:

- Revenue from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Revenue from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- 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.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Overheads and Support Services

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

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 (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the financial performance of the Group.

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.

Property, plant and equipment

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it incurred.

Expenditure falling below a de-minimis level of £6,000 per item is treated as Revenue and charged when it is incurred.

Assets are initially measured at cost and are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction – depreciated historical cost;
- Operational Buildings – depreciated replacement cost;
- Surplus assets / Assets Held For Sale – Fair value – reviewed annually;
- Investment Properties – fair value (or reviewed annually or every five years);
- All other assets – fair value (revalued every five years), determined as the amount that would be paid for the asset in its existing use.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the CIES.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. The useful economic lives of assets and their residual values are summarised in the table below:

| Asset Category | Useful Economic Life | Residual Value |
|-----------------------------|----------------------|---------------------|
| PROPERTY | | |
| Land | No Depreciation | No Depreciation |
| Operational Buildings | Over Remaining Life | Over Remaining Life |
| Investment Properties | No Depreciation | No Depreciation |
| Surplus Assets | Over Remaining Life | Over remaining Life |
| Assets Held for Sale | No Depreciation | No Depreciation |
| VEHICLES & BOATS | | |
| Boat 1: | | |
| • Hull | 32 years | Nil |
| • Engine | 12 years | Nil |
| Boat 2: | 10 years | Nil |
| Vehicles | | |
| • Rapid Response / Other | 3 years | Nil |
| • Other | 5 years | Nil |
| EQUIPMENT | | |
| Computer /other equipment | 5 years | Nil |
| INTANGIBLE ASSETS | 3/5 years | Nil |

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Group has applied the following de-minimis limits, below which, the component is not separately quantified:

| Life of component (years) | 0-10 | 10-15 | 15-20 | 20-30 | 30-40 | Over 40 |
|---------------------------|------|-------|-------|-------|-------|---------|
| De-minimis (£'000) | 50 | 100 | 200 | 300 | 750 | 1,000 |

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

Surplus Assets

Surplus assets are those that are not being actively used in the business (such as vacant properties) and that cannot be classed as "assets held for sale". Surplus assets will be measured at fair value at each reporting date, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES.

Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts reserve, and can only be used for new capital investment (or set aside to reduce the Group's underlying need to borrow – the capital financing requirement).

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

Depreciation attributable to the assets used by the relevant service.

Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Gains and losses on revaluation are posted to

the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Group.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Group can be determined by reference to an active market. In practice, no intangible asset held by the Group meets this criterion, and they are therefore carried at amortised cost.

Amortisation of intangible fixed assets attributable to the service

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in his overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Financial Instruments

Financial Liabilities

These are initially measured at fair value and are carried at their amortised cost. Annual charges to the Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal plus accrued interest.

Financial Assets

Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest.

Foreign currency translation

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Inventories

Inventories are included in the balance sheet at current cost price. International Accounting Standard (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.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are short term, highly liquid investments held at the balance sheet date that are readily convertible to known amounts of cash on the balance sheet date and which are subject to an insignificant risk of changes in value.

Provisions

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

Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. Revenue reserves are available to finance expenditure. Certain capital reserves created as a result of the capital accounting scheme are not available to meet current expenditure and include:

- Revaluation Reserve which records the accumulated gains on the fixed assets held by the Group arising from increases in value, to the extent that these gains have not been consumed by subsequent downward movements in value;
- Capital Adjustment Account, which provides a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital controls system, by accumulating:
 - On the debit side – the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal;
 - On the credit side – the resources that have been set aside to finance capital expenditure.

Collaborative Arrangements

CIPFA issued new guidance on "Accounting for Collaboration" applicable for the 2014/15 financial year onwards. This 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. Further details can be found under the Collaborative Arrangements note.

Employee benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which 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 revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Commissioner and Chief Constable to terminate an officer's employment before the normal retirement date or an officer's decision to accept 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 Group 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 one of two separate 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 Group.

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 liabilities of the Local Government Scheme that are attributable to the Group 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.

Discretionary Benefits

The Commissioner and Chief Constable also have 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.

Government grants and contributions

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

- The Group will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

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

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

Leases

The rentals payable/receivable are charged to the CIES on an accruals basis.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs by the Group. VAT receivable is excluded from income.

2. Previous period adjustments**Comprehensive Income and Expenditure Statement 2017/18**

The following amendments have been made to the Comprehensive Income and Expenditure Statement for 2017/18. These changes are in respect of Custodial Services and Integrated Offender Management Expenditure which had been categorised incorrectly:

| 2017/18 (Previous) £000 | | AMENDMENTS: | | 2017/18 (Restated) £'000 |
|-------------------------------|--|--------------------------------|---|--------------------------------|
| | | Custodial Services £'000 | Integrated Offender Management £'000 | |
| | <u>Budgets Managed by the Assistant Chief Constable</u> | | | |
| 64,864 | Local Policing | 4,970 | (1,078) | 68,756 |
| 30,187 | Investigations | (4,970) | 1,078 | 26,295 |
| 95,051 | | 0 | 0 | 95,051 |

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 2019:

- amendments to IAS40 *Investment Property*: Transfers of Investment Property;
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*;
- IFRIC 23 *Uncertainty over Income Tax Treatments*;
- amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

The impact of the above changes on the Financial Statements is not known, however, in the Financial Statements for 2019/20, the effect of the changes will be assessed and if necessary, the comparative figures restated.

4. Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events.

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

There is a high degree of uncertainty about future levels of funding for the Police and Crime Commissioner for Dyfed Powys. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

5. 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 Commissioner 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 item in the Balance Sheet at 31st March 2019 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 expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, an increase of 0.1% in pay award for the police officer pension scheme would result in an increase to the pension liability of £1.250 million. |

6. Events after the Reporting Period

The Draft Statement of Accounts was authorised for issue by the Chief Financial Officer on 30th May 2019.

On 27 June the Supreme Court refused leave to appeal on the Police Pension Legal Challenge (McCloud). As a result, it is envisaged that there will be an increase in Police Pension Scheme liabilities. The increase is reflected in the IAS19 Disclosure as a Past Service Cost and a similar adjustment has been made to Past Service costs in respect of the Local Government Pension Scheme. Please refer to Note 35 for further detail.

7. Note to the Expenditure and Funding Analysis

The following note presents further detail in support of the Expenditure and Funding Analysis and provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2018/19

| ADJUSTMENTS FROM GENERAL FUND TO ARRIVE AT THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT AMOUNTS | Adjustments for Capital Purposes (Column A) | Net change for the Pensions Adjustments (Column B) | Other Differences (Column C) | Total Adjustments |
|--|--|---|-------------------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| <u>POLICE AND CRIME COMMISSIONER</u> | | | | |
| Commissioning and Office Costs | 0 | 92 | 0 | 92 |
| Estates | 0 | 83 | 307 | 390 |
| TOTAL POLICE & CRIME COMMISSIONERS OFFICE | 0 | 175 | 307 | 482 |
| <u>CHIEF CONSTABLE</u> | | | | |
| <u>Budgets Managed Corporately by the Chief Constable</u> | | | | |
| Chief Constable's Office | 51 | 186 | 0 | 237 |
| Centrally Managed Corporate Budgets | (3,185) | 95 | (245) | (3,334) |
| Externally Funded National/Regional/Local Services | 0 | 0 | 266 | 266 |
| Staff Associations | 10 | 42 | 0 | 52 |
| <u>Budgets Managed by the Deputy Chief Constable</u> | | | | |
| People's Services | 100 | 357 | 0 | 457 |
| Legal, Information, Efficiency, Health & Safety | 114 | 320 | 0 | 434 |
| Retirements, Major Operations and Communications | 30 | 38 | 0 | 68 |
| Professional Standards | 42 | 174 | 0 | 216 |
| <u>Budgets Managed by the Assistant Chief Constable</u> | | | | |
| Local Policing | 2,918 | 10,356 | 0 | 13,274 |
| Investigations | 802 | 3,840 | 34 | 4,676 |
| Scientific Support | 66 | 142 | 0 | 208 |
| Criminal Justice | 39 | 240 | 0 | 279 |
| <u>Budgets Managed by the Director of Finance</u> | | | | |
| Information Systems and Technology | 150 | 249 | 0 | 399 |
| Business Support Unit | 80 | 274 | 0 | 354 |
| Fleet Costs | 30 | 57 | 0 | 87 |
| Finance and Procurement | 20 | 61 | 0 | 81 |
| <u>Potential Impact of recent Police Pension Legal Challenge (McCloud)</u> | 0 | 78,731 | 0 | 78,731 |
| TOTAL CHIEF CONSTABLE | 1,267 | 95,163 | 55 | 96,485 |
| NET COST OF SERVICES | 1,267 | 95,338 | 362 | 96,967 |
| Other Income and Expenditure | (423) | 12,431 | (368) | 11,640 |
| SURPLUS OR DEFICIT FOR THE YEAR | 844 | 107,769 | (8) | 108,607 |

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

2017/18

| ADJUSTMENTS FROM GENERAL FUND TO ARRIVE AT THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT AMOUNTS | Adjustments for Capital Purposes (Column A) | Net change for the Pensions Adjustments (Column B) | Other Differences (Column C) | Total Adjustments |
|--|--|---|-------------------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| POLICE AND CRIME COMMISSIONER | | | | |
| Commissioning and Office Costs | 0 | 105 | 0 | 105 |
| Estates | 0 | 90 | 483 | 573 |
| TOTAL POLICE & CRIME COMMISSIONERS OFFICE | 0 | 195 | 483 | 678 |
| CHIEF CONSTABLE | | | | |
| Budgets Managed Corporately by the Chief Constable | | | | |
| Chief Constable's Office | 48 | 248 | 0 | 296 |
| Centrally Managed Corporate Budgets | (4,023) | 994 | 109 | (2,920) |
| Externally Funded National/Regional/Local Services | (16) | 0 | 0 | (16) |
| Staff Associations | 9 | 56 | 0 | 65 |
| Budgets Managed by the Deputy Chief Constable | | | | |
| People's Services | 91 | 408 | 0 | 499 |
| Legal, Information, Efficiency, Health & Safety | 115 | 444 | 0 | 559 |
| Retirements, Major Operations and Communications | 29 | 55 | 0 | 84 |
| Professional Standards | 46 | 269 | 0 | 315 |
| Budgets Managed by the Assistant Chief Constable | | | | |
| Local Policing | 2,632 | 12,641 | 0 | 15,273 |
| Investigations | 903 | 5,489 | 0 | 6,392 |
| Scientific Support | 51 | 124 | 0 | 175 |
| Criminal Justice | 39 | 256 | 0 | 295 |
| Budgets Managed by the Director of Finance | | | | |
| Information Systems and Technology | 140 | 261 | 0 | 401 |
| Business Support Unit | 69 | 293 | 0 | 362 |
| Fleet Costs | 29 | 58 | 0 | 87 |
| Finance and Procurement | 21 | 62 | 0 | 83 |
| Non-distributed costs | 0 | 0 | 0 | 0 |
| Exceptional Items - | | | | |
| - Abnormal Loads – Windfarms | 0 | 0 | 0 | 0 |
| - Operation Heath | 0 | 0 | 0 | 0 |
| TOTAL CHIEF CONSTABLE | 183 | 21,658 | 109 | 21,950 |
| NET COST OF SERVICES | 183 | 21,853 | 592 | 22,628 |
| Other income and Expenditure | (191) | 15,140 | (346) | 14,603 |
| SURPLUS OR DEFICIT FOR THE YEAR | (8) | 36,993 | 246 | 37,231 |

Column A - Adjustments for Capital Purposes

- **For Services** – adds in depreciation, impairment and revaluation gains and losses. Statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from services as these are not chargeable under generally accepted accounting practices. Capital grants are adjusted for income not chargeable under generally accepted accounting practices.
- **For Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Column B - Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For Services** – this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.
- **For Other Operating income and expenditure** – the Home Office Pensions 'Top Up ' Grant is credited to the CIES.

Column C – Other Differences

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

- **For Services** – adjusted by the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.
- **For Financing and investment income and expenditure** – adjusted by the amount by which finance costs charged to the Comprehensive Income and Expenditure Statement in relation to Financial Instruments differ from finance costs chargeable in the year in accordance with statutory requirements.
- A number of presentational adjustments have also been made between Services and Other Income and Expenditure (i.e. above and below the line). Overall, these adjustments have a nil effect.

8. Segmental Income

This note provides a segmental analysis of significant revenues received from external customers:

| | 2017/18 | 2018/19 |
|---|----------------------|----------------------|
| | Income from Services | Income from Services |
| | £'000 | £'000 |
| Commissioning and Office Costs | (176) | (349) |
| Estates | (800) | (681) |
| Centrally Managed Corporate Budgets | (312) | (373) |
| People's Services | (32) | 0 |
| Legal, Information, Efficiency, Health & Safety | (219) | (194) |
| Retirements, Major Operations and Communications | (816) | (141) |
| Local Policing | 0 | (103) |
| Criminal Justice | (258) | 0 |
| Business Support Unit | (343) | (235) |
| Fleet Costs | (146) | (213) |
| Total (significant) revenues received from External Customers. | (3,102) | (2,289) |

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group/Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Commissioner to meet future capital and revenue expenditure.

| 2018/19 | General Fund Balance | Capital Grants Unapplied | Capital Receipts Reserve | Movement in Unusable Reserves |
|---|-----------------------------|---------------------------------|---------------------------------|--------------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account | | | | |
| Reversal of items debited or credited to the CIES: | | | | |
| Charges for depreciation and impairment of non-current assets | (4,289) | 0 | 0 | 4,289 |
| Revaluation losses on property, plant and equipment | 45 | 0 | 0 | (45) |
| Amortisation of Intangible assets | (83) | 0 | 0 | 83 |
| Capital grants and contributions applied | 323 | 0 | 0 | (323) |
| Movement in the Donated Assets Account | 0 | 0 | 0 | 0 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (538) | 0 | 0 | 538 |
| Insertion of items not debited or credited to the CIES: | | | | |
| Capital expenditure charged against the General Fund | 3,104 | 0 | 0 | (3,104) |
| Adjustments primarily involving the Capital grants unapplied account | | | | |
| Capital grants and contributions unapplied credited to CIES | 0 | 0 | 0 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 323 | 0 | (323) |
| Adjustments primarily involving the Capital receipts reserve | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | (23) | 0 | 0 | 23 |
| Use of Capital receipts reserve to finance new capital expenditure | 616 | 0 | 0 | (616) |
| Adjustments involving the Financial Instruments Adjustment Account | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 0 | 0 | 0 | 0 |
| Adjustments primarily involving the Pensions reserve | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 19,048 | 0 | 0 | (19,048) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (126,817) | 0 | 0 | 126,817 |
| Adjustments primarily involving the Accumulated balances account | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 306 | 0 | 0 | (306) |
| Adjustments in respect of fair share of Collaborative Arrangements | (299) | 0 | 0 | 299 |
| Total adjustments | (108,607) | 323 | 0 | 108,284 |

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

| 2017/18 | General Fund Balance | Capital Grants Unapplied | Capital Receipts Reserve | Movement In Unusable Reserves |
|---|-----------------------------|---------------------------------|---------------------------------|--------------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account | | | | |
| Reversal of Items debited or credited to the CIES: | | | | |
| Charges for depreciation and impairment of non-current assets | (4,233) | 0 | 0 | 4,233 |
| Revaluation losses on property, plant and equipment | 200 | 0 | 0 | (200) |
| Amortisation of intangible assets | (83) | 0 | 0 | 83 |
| Capital grants and contributions applied | 318 | 0 | 0 | (318) |
| Movement in the Donated Assets Account | 0 | 0 | 0 | 0 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (364) | 0 | 0 | 364 |
| Insertion of Items not debited or credited to the CIES: | | | | |
| Capital expenditure charged against the General Fund | 3,930 | 0 | 0 | (3,930) |
| Adjustments primarily involving the Capital grants unapplied account | | | | |
| Capital grants and contributions unapplied credited to CIES | 0 | 0 | 0 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 129 | 0 | (129) |
| Adjustments primarily involving the Capital receipts reserve | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | 239 | 0 | (306) | 67 |
| Use of Capital receipts reserve to finance new capital expenditure | 0 | 0 | 305 | (305) |
| Adjustments involving the Financial Instruments Adjustment Account | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | (88) | 0 | 0 | 88 |
| Adjustments primarily involving the Pensions reserve | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 18,577 | 0 | 0 | (18,577) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (55,570) | 0 | 0 | 55,570 |
| Adjustments primarily involving the Accumulated balances account | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (157) | 0 | 0 | 157 |
| Adjustments in respect of fair share of Collaborative Arrangements | 0 | 0 | 0 | 0 |
| Total adjustments | (37,231) | 129 | (1) | 37,103 |

10. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

| Reserve | Balance at 1 April 2017 | Transfers In 2017/18 | Transfers out 2017/18 | Balance as at 1 April 2018 | Reclassifications | Revised Balance as at 1 April 2018 | Transfers in 2018/19 | Transfers out 2018/19 | Balance at 31 st March 2019 |
|---|-------------------------|----------------------|-----------------------|----------------------------|-------------------|------------------------------------|----------------------|-----------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Earmarked Revenue Reserve | (4,869) | (7) | 3,074 | (1,802) | (1,693) | (3,495) | 0 | 2,159 | (1,336) |
| Driver Retraining Scheme | (1,081) | (176) | 10 | (1,247) | 245 | (1,002) | (354) | 62 | (1,294) |
| Proceeds of Crime Act | (168) | (52) | 94 | (126) | (115) | (241) | (16) | 39 | (218) |
| Chief Constable Operational Fund | 0 | 0 | 0 | 0 | 0 | 0 | (385) | 0 | (385) |
| Sustainability and Transformation Fund | 0 | 0 | 0 | 0 | 0 | 0 | (494) | 0 | (494) |
| Drug Intervention | (170) | 0 | 0 | (170) | 0 | (170) | 0 | 35 | (135) |
| Regional Collaboration Reserve | (94) | (363) | 35 | (422) | (43) | (465) | (127) | 203 | (389) |
| 'Go Safe' Road Safety Partnership Reserve | (799) | (680) | | (1,479) | 0 | (1,480) | (241) | 0 | (1,721) |
| Capital Reserves | (15,552) | | 4,350 | (11,202) | 1,568 | (9,633) | (318) | 3,739 | (6,212) |
| General Reserve | (4,500) | | 468 | (4,032) | 0 | (4,032) | 0 | 0 | (4,032) |
| Total Reserves | (27,233) | (1,278) | 8,031 | (20,480) | (38) | (20,518) | (1,935) | 6,237 | (16,216) |

£38k has been reclassified as Unusable Reserves. This is mainly in relation to the restatement of collaborative costs that reflects the difference between the fair value of collaboration costs and actual expenditure incurred in accordance with accounting standards.

The Earmarked or Usable Reserves held by the Group are detailed below with an explanatory note regarding their use:

Earmarked Revenue Reserve

This reserve is being held to support the revenue budget over the next 3 years to mitigate future funding gaps.

Driver Retraining Scheme

To support activities in relation to road safety initiatives.

Proceeds of Crime Act

Funds awarded to the Group as a result of confiscation orders arising from proceeds of crime. The reserves are utilised to support operational activities which assist in bringing criminals to justice.

Chief Constable Operational Fund

This is a new reserve which has been established to assist in mitigating against the consequential costs of notable peaks in operational activity.

Sustainability and Transformation Fund

A new reserve established to assist in funding 'invest to save', sustainability and transformational activities.

Drug Intervention

This reserve will be utilised to support drug testing.

Regional Collaboration Reserve

This reserve represents the Group's share of funds held for collaborative police services which include the Regional Organised Crime Unit and Regional Task Force. The funds will be utilised in line with business requirements to support operational delivery.

'Go Safe' Road Safety Partnership Reserve

This earmarked reserve is held on behalf of the all Wales 'Go Safe' Road Safety Partnership and will be utilised in line with their business requirements.

Capital Reserves

This reserve will be used to support the significant capital investment in Estates, Information Technology and Fleet, including a new custody and station facility within Carmarthenshire.

General Reserve

The Commissioner maintains a General Reserve of £4.03m to act as:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- a contingency to cushion the impact of unexpected events or emergencies.

11. Other operating income and expenditure

This line contains corporate items of income and expenditure that cannot reasonably be allocated or apportioned to services.

| Group 2017/18 | Commissioner 2017/18 | | Group 2018/19 | Commissioner 2018/19 |
|--------------------------|---------------------------------|---|--------------------------|---------------------------------|
| £'000 | £'000 | | £'000 | £'000 |
| 126 | 126 | (Gain)/Loss on the disposal of non-current assets | (124) | (124) |
| (18,577) | (18,577) | Home Office Police Officers Pensions top-up grant | (19,048) | (19,048) |
| (18,451) | (18,451) | Total | (19,172) | (19,172) |

12. 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.

| Group 2017/18 | Commissioner 2017/18 | | Note | Group 2018/19 | Commissioner 2018/19 |
|------------------|-------------------------|---|------|------------------|-------------------------|
| £'000 | £'000 | | | £'000 | £'000 |
| 208 | 208 | Interest payable and similar charges | 16 | 173 | 173 |
| 33,716 | 42 | Net interest on the net defined benefit liability | 35 | 31,481 | 37 |
| 0 | 0 | Other Investment Expenditure – Helicopter Deferred Capital Receipt | 22 | 22 | 22 |
| (159) | (159) | Interest receivable and similar income | 16 | (235) | (235) |
| (483) | (483) | Income and expenditure in relation to investment properties and changes in their fair value | 15 | (307) | (307) |
| 88 | 88 | Loss on revaluation (available for sale financial instruments) | 16 | 0 | 0 |
| 33,370 | (304) | Total | | 31,134 | (310) |

13. Taxation and non-specific grant incomes

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure.

| Group 2017/18 | Commissioner 2017/18 | | Note | Group 2018/19 | Commissioner 2018/19 |
|------------------|-------------------------|-----------------------------------|------|------------------|-------------------------|
| £'000 | £'000 | | | £'000 | £'000 |
| (47,303) | (47,303) | Council tax income | | (49,787) | (49,787) |
| (8,934) | (8,934) | National Non Domestic Rates (NDR) | | (8,823) | (8,823) |
| (40,378) | (40,378) | Non ring fenced government grants | 30 | (40,490) | (40,490) |
| (317) | (317) | Capital grants and contributions | 30 | (322) | (322) |
| (96,932) | (96,932) | Total | | (99,422) | (99,422) |

14. Property, plant and equipment

Movement on balances in financial year 2018/19:

| | Land | Buildings | Boat | Vehicles | Equipment | TOTAL PROPERTY, PLANT & EQUIPMENT | SURPLUS ASSETS | ASSETS UNDER CONSTRUCTION |
|---|--------------|----------------|-------------|----------------|-----------------|--|-------------------|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation at 1st April 2018 | 4,195 | 63,762 | 294 | 7,748 | 20,963 | 96,962 | 60 | 0 |
| Additions | | 935 | 33 | 1,003 | 2,283 | 4,254 | 0 | 104 |
| <i>Revaluation increases/(decreases) recognised in the Revaluation Reserve</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Revaluation increases/(decreases) recognised in surplus/deficit on the Provision of Services</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Derecognition – disposals | 0 | 0 | 0 | (1,475) | 0 | (1,475) | 0 | 0 |
| <i>Other movements in cost or valuation</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Assets reclassified</i> | 0 | (125) | 0 | 0 | 0 | (125) | 0 | 0 |
| At 31st March 2019 | 4,195 | 64,572 | 327 | 7,276 | 23,246 | 99,616 | 60 | 104 |
| Accumulated depreciation and impairment at 1st April 2018 | 0 | (1,729) | (53) | (4,543) | (16,745) | (23,070) | (6) | 0 |
| Depreciation charge | 0 | (1,254) | (21) | (1,201) | (1,341) | (3,817) | (4) | 0 |
| Depreciation written out to Revaluation Reserve | 0 | (465) | 0 | | 0 | (465) | (2) | 0 |
| <i>Derecognition disposals</i> | 0 | 0 | 0 | 1,349 | 0 | 1,349 | 0 | 0 |
| Accumulated depreciation and impairment at 31st March 2019 | 0 | (3,448) | (74) | (4,395) | (18,086) | (26,003) | (12) | 0 |
| Net book value - at 31st March 2019 | 4,195 | 61,124 | 253 | 2,881 | 5,160 | 73,613 | 48 | 104 |
| Net book value - at 31st March 2018 | 4,195 | 62,033 | 241 | 3,205 | 4,218 | 73,892 | 54 | 0 |

Movement on balances in financial year 2017/18:

| | Land | Buildings | Boat | Vehicles | Equipment | TOTAL PROPERTY, PLANT & EQUIPMENT | SURPLUS ASSETS | ASSETS UNDER CONSTRUCTION |
|---|--------------|----------------|-------------|----------------|-----------------|--|-------------------|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation at 1st April 2017 | 4,195 | 62,304 | 314 | 7,561 | 19,244 | 93,618 | 1,497 | 0 |
| Additions | 0 | 1,798 | 0 | 1,122 | 1,762 | 4,682 | 0 | 0 |
| <i>Revaluation increases/(decreases) recognised in the Revaluation Reserve</i> | 0 | 309 | 0 | 0 | 0 | 309 | 0 | 0 |
| <i>Revaluation increases/(decreases) recognised in surplus/deficit on the Provision of Services</i> | 0 | (662) | 0 | 0 | 0 | (662) | | 0 |
| Derecognition – disposals | 0 | 0 | (20) | (935) | (43) | (998) | 0 | 0 |
| <i>Other movements in cost or valuation</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Assets reclassified</i> | 0 | 13 | 0 | 0 | 0 | 13 | (1,437) | 0 |
| At 31st March 2018 | 4,195 | 63,762 | 294 | 7,748 | 20,963 | 96,962 | 60 | 0 |
| Accumulated depreciation and Impairment at 1st April 2017 | 0 | 0 | (38) | (4,235) | (15,617) | (19,890) | 0 | 0 |
| Depreciation charge | 0 | (1,261) | (22) | (1,209) | (1,171) | (3,663) | (5) | 0 |
| Depreciation written out to Revaluation Reserve | 0 | (468) | 0 | 0 | 0 | (468) | (1) | 0 |
| <i>Derecognition disposals</i> | 0 | 0 | 7 | 901 | 43 | 951 | 0 | 0 |
| Accumulated depreciation and Impairment at 31st March 2018 | 0 | (1,729) | (53) | (4,543) | (16,745) | (23,070) | (6) | 0 |
| Net book value - at 31st March 2018 | 4,195 | 62,033 | 241 | 3,205 | 4,218 | 73,892 | 54 | 0 |
| Net book value - at 31st March 2017 | 4,195 | 62,304 | 276 | 3,326 | 3,627 | 73,728 | 1,497 | 0 |

Revaluations

The Commissioner carries out a programme that ensures assets required to be measured at fair value are normally measured once every five years for each class of asset. A full revaluation of Land and Buildings was carried out by external valuers and was effective from 31/03/17.

Valuations of some Buildings, Investment Properties and Surplus Assets were undertaken as of the 31/03/18 due to some significant expenditure on these buildings and change in use.

These were undertaken by an external valuer.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

| | Property Plant and Equipment | | | | | Investment Properties | | | | | | | Grand Total |
|-----------------------------|------------------------------|-----------|----------|-----------|-------|-----------------------|--------|-----------|-------------|----------------|---------------------------|----------------------|-------------|
| | Land | Buildings | Vehicles | Equipment | Boat | Masts | Houses | Buildings | Intangibles | Surplus Assets | Assets under Construction | Assets Held for Sale | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Carried at historical cost: | 4,195 | 41,690 | 2,881 | 5,125 | 253 | 2,375 | 0 | 1,312 | 10 | (40) | 104 | 1,665 | 59,570 |
| Valued at fair value at: | | | | | | | | | | | | | |
| 31/3/19 | 0 | (472) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1) | 0 | 7 | (466) |
| 31/3/18 | 0 | (122) | 0 | 34 | 0 | 0 | 0 | (289) | 0 | (78) | 0 | 0 | (455) |
| 31/3/17 | 0 | 7,277 | 0 | (6) | 0 | 4 | 0 | 29 | 0 | 152 | 0 | 0 | 7,456 |
| 31/3/16 | 0 | (285) | 0 | 0 | 0 | 79 | 0 | 254 | 0 | 15 | 0 | 0 | 63 |
| 31/3/15 | 0 | (285) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (285) |
| 31/3/14 | 0 | (774) | 0 | (41) | 0 | 62 | (7) | 17 | 0 | 0 | 0 | 0 | (743) |
| 31/3/13 | 0 | 14,095 | 0 | 48 | 0 | 6 | 7 | 63 | 0 | 0 | 0 | 0 | 14,219 |
| Total cost or valuation: | 4,195 | 81,124 | 2,881 | 5,160 | 253 | 2,526 | 0 | 1,386 | 10 | 48 | 104 | 1,672 | 79,359 |

15. Investment properties

The following table summarises the movement in the fair value of investment properties over the year:

| 2017/18 | | 2018/19 |
|---------|--|---------|
| £'000 | | £'000 |
| 4,232 | Balance at start of year: | 3,904 |
| 0 | Additions in the year | 8 |
| (328) | Net gains/losses from fair value adjustments | 0 |
| 3,904 | Balance at end of year | 3,912 |

Investment Properties are measured at Fair value based on market evidence.

Details of the Commissioner's investment properties and information about the fair value hierarchy as at 31 March 2019 and 31st March 2018 are as follows:-

31st March 2019

| | Quoted Prices in active markets for identical assets (Level 1) | Other significant observable inputs (level 2) | Significant unobservable inputs (level 3) | Fair Value as at 31 st March 2019 |
|------------------|--|---|---|--|
| | £'000 | £'000 | £'000 | £'000 |
| Radio Mast Sites | 0 | 2,525 | 0 | 2,525 |
| Office Units | 0 | 1,387 | 0 | 1,387 |

31st March 2018

| | Quoted Prices in active markets for identical assets (Level 1) | Other significant observable inputs (level 2) | Significant unobservable inputs (level 3) | Fair Value as at 31 st March 2018 |
|------------------|--|---|---|--|
| | £'000 | £'000 | £'000 | £'000 |
| Radio Mast Sites | 0 | 2,517 | 0 | 2,517 |
| Office Units | 0 | 1,387 | 0 | 1,387 |

Valuation Techniques used to determine level 2 and 3 Fair Values for Investment Properties

Significant observable inputs – level 2.

The fair value for the Radio Mast Units and Office Units has been based on the market approach using current market conditions, the duration of leases and rental income.

16. 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 Instrument – Balances

The following categories of financial instrument are carried in the Balance Sheet as at 31st March 2018 and 31st March 2019:

Group:

| | Long Term | | Current | |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 31 st March 2018 | 31 st March 2019 | 31 st March 2018 | 31 st March 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Borrowing (PWLB) | (1,947) | (1,739) | (189) | (207) |
| Creditors | 0 | 0 | (9,652) | (13,257) |
| Total Financial Liabilities | (1,947) | (1,739) | (9,841) | (13,464) |
| <i>Loans and receivables:</i> | | | | |
| Investments | 6,538 | 6,414 | 16,189 | 17,620 |
| Debtors | 0 | 0 | 7,650 | 5,371 |
| Total Financial Assets | 6,538 | 6,414 | 23,839 | 22,991 |

Commissioner:

| | Long Term | | Current | |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 31 st March 2018 | 31 st March 2019 | 31 st March 2018 | 31 st March 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Borrowing (PWLB) | (1,947) | (1,739) | (189) | (207) |
| Creditors | 0 | 0 | (2,741) | (2,933) |
| Total Financial Liabilities | (1,947) | (1,739) | (2,930) | (3,140) |
| <i>Loans and receivables:</i> | | | | |
| Investments | 6,538 | 6,414 | 16,189 | 17,620 |
| Debtors | 0 | 0 | 6,937 | 4,896 |
| Total Financial Assets | 6,538 | 6,414 | 23,126 | 22,516 |

Gains and Losses

Financial Instruments – Gains and Losses

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

| 2017/18 | | Financial Liabilities | Financial Assets | 2018/19 |
|---------|-------------------------------------|--|-----------------------------|-------------|
| | | Liabilities measured at amortised cost £000s | Loans and receivables £000s | Total £000s |
| £'000 | | £'000 | £'000 | £'000 |
| (208) | Interest expense | (193) | 0 | (193) |
| 151 | Interest income | 0 | 235 | 235 |
| (57) | Net gain/(loss) for the year | (193) | 235 | 42 |

Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.
- The Public Works Loan Board (PWLB) has provided the Commissioner with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Commissioner would have had to pay to extinguish the loans on these dates.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including creditors and debtors, is assumed to approximate to the carrying amount.
- For creditors and debtors, the carrying value has been used as a reasonable approximation of fair value.

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

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

There were no transfers between input levels 1 and 2 during the year and there has been no change in the valuation technique used during the year.

2018/19

| Group | | | Fair Value Level | Commissioner | |
|-----------------------------|-----------------------------|--|------------------|-----------------------------|-----------------------------|
| Carrying amount | Fair value | | | Carrying amount | Fair value |
| 31 st March 2019 | 31 st March 2019 | | | 31 st March 2019 | 31 st March 2019 |
| £'000 | £'000 | | | £'000 | £'000 |
| | | Financial Liabilities: | | | |
| (1,739) | (2,415) | Long Term Borrowing | 2 | (1,739) | (2,415) |
| | | Liabilities for which Fair Value is not disclosed | | | |
| (207) | (207) | Short Term Borrowing | | (207) | (207) |
| (13,257) | (13,257) | Creditors | | (2,933) | (2,933) |
| (15,203) | (15,879) | Total Financial Liabilities | | (4,879) | (5,555) |
| | | Financial Assets: | | | |
| 6,414 | 6,414 | Long term investments | 2 | 6,414 | 6,414 |
| | | Assets for which Fair Value is not disclosed | | | |
| 17,620 | 17,620 | Short Term Investments | | 17,620 | 17,620 |
| 5,371 | 5,371 | Debtors | | 4,896 | 4,896 |
| 29,405 | 29,405 | Total Financial Assets | | 28,930 | 28,930 |

2017/18

| Group | | | Fair Value Level | Commissioner | |
|-----------------------------|-----------------------------|--|------------------|-----------------------------|-----------------------------|
| Carrying amount | Fair value | | | Carrying amount | Fair value |
| 31 st March 2018 | 31 st March 2018 | | | 31 st March 2018 | 31 st March 2018 |
| £'000 | £'000 | | | £'000 | £'000 |
| | | Financial Liabilities: | | | |
| (1,947) | (2,956) | Long Term Borrowing | 2 | (1,947) | (2,956) |
| | | Liabilities for which Fair Value is not disclosed | | | |
| (189) | (189) | Short Term Borrowing | | (189) | (189) |
| (9,652) | (9,652) | Creditors | | (2,741) | (2,741) |
| (11,788) | (12,797) | Total Financial Liabilities | | (4,877) | (5,886) |
| | | Financial Assets: | | | |
| 6,538 | 6,538 | Long term investments | 2 | 6,538 | 6,538 |
| | | Assets for which Fair Value is not disclosed | | | |
| 16,189 | 16,189 | Short Term Investments | | 16,189 | 16,189 |
| 7,650 | 7,650 | Debtors | | 6,937 | 6,937 |
| 30,377 | 30,377 | Total Financial Assets | | 29,664 | 29,664 |

17. Short-Term Debtors

| Group | | Commissioner | | Group | | Commissioner | |
|-----------------------------|-----------------------------|-------------------|--|-----------------------------|-----------------------------|--------------|--|
| 31 st March 2018 | 31 st March 2018 | | | 31 st March 2019 | 31 st March 2019 | | |
| £'000 | £'000 | | | £'000 | £'000 | | |
| 3,439 | 3,439 | Trade receivables | | 2,091 | 2,091 | | |
| 3,498 | 3,498 | Other receivables | | 2,800 | 2,800 | | |
| 713 | 0 | Prepayments | | 480 | 5 | | |
| 7,650 | 6,937 | Total | | 5,371 | 4,896 | | |

18. Cash and Cash Equivalents

| 31 st March 2018 | | 31 st March 2019 |
|-----------------------------|-----------------------|-----------------------------|
| £'000 | | £'000 |
| 19 | Cash held | 20 |
| 409 | Bank current accounts | 692 |
| 2,000 | Short-term deposits | 2,000 |
| 2,428 | Total | 2,712 |

19. Assets held for sale

| | 31 st March 2018 | 31 st March 2019 |
|--|-----------------------------|-----------------------------|
| | £'000 | £'000 |
| Balance outstanding at start of year: | 0 | 1,913 |
| Assets newly classified as held for sale: | | |
| • Property, plant and equipment | 0 | 125 |
| Assets reclassified as Surplus assets | 1,424 | 0 |
| Revaluation gains | 901 | 45 |
| Assets sold | (316) | (411) |
| Depreciation | (96) | 0 |
| Balance outstanding at year end | 1,913 | 1,672 |

20. Short-Term Creditors

| Group | Commissioner | | Group | Commissioner |
|-----------------------------|-----------------------------|----------------|-----------------------------|-----------------------------|
| 31 st March 2018 | 31 st March 2018 | | 31 st March 2019 | 31 st March 2019 |
| £'000 | £'000 | | £'000 | £'000 |
| 1,949 | 503 | Trade payables | 1,446 | 476 |
| 7,703 | 2,238 | Other payables | 11,813 | 2,459 |
| 9,652 | 2,741 | Total | 13,259 | 2,935 |

21. Provisions***Short Term Provisions***

These are amounts which are expected to be paid within 12 months of the reporting period.

The Short Term Provision Balance of £768k (£665k for 2017/18), includes an amount of £551k (£531k for 2017/18) in respect of Statutory Funds. The Commissioner is empowered to seize monies or property used, or intended for use, for the purpose of crime. These seized monies are held pending a ruling by the Courts. Once this ruling is made the funds can be disposed of in line with relevant legislation.

Long Term Provisions

These are amounts which are expected to be paid more than 12 months after the reporting period.

The Long Term Provision Balance of £952k includes an amount of £495k (£380k for 2017/18) in respect of Insurance Claims. This is an assessment of the likely settlement of insurance claims to be made by the Commissioner.

The Commissioner has also included a Long Term Provision of £457k (£457k for 2017/18) in relation to Municipal Mutual Insurance (MMI). MMI is a former insurer of public bodies which ceased trading in 1992. The Commissioner is in a scheme of arrangement to meet all claims that were outstanding at the time the company went out of business.

22. Unusable reserves

| 31 st March 2018 | Reclassifications | Revised Balance at 31 st March 2018 | | 31 st March 2019 |
|-----------------------------|-------------------|--|--|-----------------------------|
| £'000 | | | | £'000 |
| (20,254) | 0 | (20,254) | Revaluation reserve | (19,788) |
| (59,603) | 0 | (59,603) | Capital adjustment account | (59,572) |
| 525 | 0 | 525 | Accumulated absences account | 220 |
| 1,182,188 | 0 | 1,182,188 | Pensions reserve | 1,371,157 |
| (23) | 0 | (23) | Deferred Capital Receipt | 0 |
| 4 | (4) | 0 | Available for Sale Financial Instruments Reserve | 0 |
| 0 | 42 | 42 | Collaboration Fair Share Reserve | 342 |
| 1,102,837 | 38 | 1,102,875 | Total | 1,292,359 |

Revaluation reserve

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

| 2017/18 | | 2018/19 |
|----------|--|-----------------|
| £'000 | | £'000 |
| (20,709) | Balance at 1st April: | (20,254) |
| (623) | Upward revaluation of assets | 0 |
| 603 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services | 0 |
| (20,729) | Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services | (20,254) |
| 475 | Difference between fair value depreciation and historical cost depreciation | 466 |
| (20,254) | Balance at 31st March: | (19,788) |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Commissioner as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Group/Commissioner.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007.

| 2017/18 | | 2018/19 |
|----------|--|----------|
| £'000 | | £'000 |
| (58,926) | Balance at 1st April: | (59,603) |
| | Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| 3,758 | Charges for depreciation and impairment of non-current assets | 3,822 |
| 671 | Revaluation losses on property, plant and equipment | 0 |
| (910) | Revaluation gains on property, plant and equipment | (45) |
| 83 | Amortisation of Intangible assets | 83 |
| 363 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 538 |
| (54,961) | | (55,205) |
| | Capital financing applied in the year: | |
| (305) | Use of Capital Receipts Reserve to finance new capital expenditure | (616) |
| (3,914) | Use of Reserves to finance new capital expenditure | (3,097) |
| (318) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (323) |
| (129) | Application of grants to capital financing from the Capital Grants Unapplied Account | (324) |
| (16) | Capital expenditure charged against the General Fund | (7) |
| (4,682) | | (4,367) |
| 40 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 0 |
| (59,603) | Balance at 31st March: | (59,572) |

Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2017/18 | | 2018/19 |
|---------|---|---------|
| £'000 | | £'000 |
| 368 | Balance at 1st April: | 525 |
| (368) | Settlement or cancellation of accrual made at the end of the preceding year | (525) |
| 525 | Amounts accrued at the end of the current year | 220 |
| 525 | Balance at 31st March: | 220 |

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements

require benefits earned to be financed as the Chief Constable makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Commissioner has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2017/18 | | 2018/19 |
|------------------|--|------------------|
| £'000 | | £'000 |
| 1,312,684 | Balance at 1st April: | 1,182,188 |
| (167,489) | Actuarial (gains) or losses on pensions assets and liabilities | 81,200 |
| (18,577) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (19,048) |
| 55,570 | Employer's pensions contributions and direct payments to pensioners payable in the year. | 48,109 |
| 0 | Potential impact of recent Police Pension Legal Challenge (McCloud) | 78,708 |
| 1,182,188 | Balance at 31st March: | 1,371,157 |

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Commissioner does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| 2017/18 | | 2018/19 |
|-------------|--|-------------|
| £'000 | | £'000 |
| (91) | Balance at 1st April: | (23) |
| 0 | Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | 0 |
| 68 | Transfer to the Capital Receipts Reserve upon receipt of cash | 23 |
| (23) | Balance at 31st March: | 0 |

Collaboration Fair Share Reserve

The Collaboration Fair Share Reserve has been set up to represent the restatement of collaborative costs and reflects the difference between the fair value of collaborative costs and actual expenditure incurred in accordance with accounting standards.

| 2017/18 | | 2018/19 |
|-----------|--|------------|
| £'000 | | £'000 |
| 154 | Balance at 1st April: | 42 |
| (154) | Reversal of adjustment made at the end of the preceding year | (42) |
| 42 | Amounts adjusted at the end of the current year | 342 |
| 42 | Balance at 31st March: | 342 |

23. Cash flow statement – operating activities

| 2017/18 | | 2018/19 |
|----------|---|-----------|
| £'000 | | £'000 |
| 43,856 | Net (surplus) or deficit on the provision of services | 112,586 |
| | Adjustments for non-cash movements: | |
| (4,316) | Depreciation | (4,372) |
| 8 | Investment Impairment | 0 |
| 200 | Revaluation losses on Property, Plant & Equipment | 0 |
| (36,993) | Net charges made for Retirement Benefits | (107,770) |
| (126) | Sale of Fixed Assets (NBV) | 100 |
| 125 | Contribution to Provisions | (218) |
| (88) | Loss on Revaluation of Financial Assets available for sale | 0 |
| 0 | Increase/Decrease in Interest on Investments accrual | (8) |
| 2 | Increase/Decrease in Interest on Borrowing accrual | 0 |
| 30 | Increase/Decrease in Stock | 4 |
| 523 | Increase/Decrease in Debtors | (2,281) |
| (2,916) | Increase/Decrease in Creditors | (3,338) |
| (43,551) | | (117,883) |
| | Adjustments for Items Included in the net surplus or deficit on the provision of services that are investing and financing activities: | |
| 238 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (23) |
| (202) | Other payments for financing activities – Agency arrangements | 867 |
| 483 | Payments for and Receipts from investing activities | 307 |
| 519 | | 1,151 |
| 824 | Net cash flows from operating activities | (4,146) |

24. Cash flow statement – investing activities

| 2017/18 | | 2018/19 |
|----------|--|----------|
| £'000 | | £'000 |
| 5,419 | Purchase of property, plant and equipment, investment property and intangible assets | 3,547 |
| 76,691 | Purchase of short-term and long-term investments | 87,804 |
| 312 | Other payments for Investing activities | 373 |
| (238) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 23 |
| (82,806) | Proceeds from short-term and long-term investments | (86,528) |
| (795) | Other receipts from investing activities | (680) |
| (1,417) | Net cash flows from investing activities | 4,539 |

25. Cash flow statement – financing activities

| 2017/18 | | 2018/19 |
|------------|---|--------------|
| £'000 | | £'000 |
| 172 | Repayments of short and long-term borrowing | 190 |
| 202 | Other payments for financing activities | (867) |
| 374 | Net cash flows from financing activities | (677) |

26. Agency Services

Since April 2015, The Police and Crime Commissioner for Dyfed Powys has been the strategic lead for the financial administration of the 'GoSafe' Partnership. 'GoSafe' is the public facing image of the Wales Road Casualty Reduction Partnership which comprises the 4 Welsh Police Forces, 22 Unitary Authorities for Wales and the Welsh Government (as the Trunk Road authority).

The 'GoSafe' Partnership is funded from two principal sources: a Welsh Government grant, and utilisation of income received from attendance of offenders on Speed Awareness Courses. During 2018/19, the Police and Crime Commissioner for Dyfed Powys submitted grant claims totalling £2.55m (£2.55m in 2017/18), and made creditor payments to the value of £6.31m (£6.15m in 2017/18), on behalf of the Partnership.

In accordance with the requirements of IAS 18 *Revenue*, the Code of Practice requires that where an organisation acts as an agent, transactions will not be reflected in an authority's financial statements, with the exception of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash is included in Financing Activities in the Cash Flow Statement.

27. 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 Commissioners 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.

In 2017/18 an All Wales Collaboration Team was established on a short term basis to coordinate existing activities and identify new opportunities for collaboration across the four Forces in Wales. The team is led by a Deputy Chief Constable and is funded based on agreed contributions from each Force in Wales. The total costs of the team in 2018/19

were £396k (2017/18 - £243k) and Dyfed Powys Police's contribution to these costs was £91.5k in 2018/19 (2017/18 – £61.5k).

The first table below details a summary of the Income and Expenditure Statement for the main activities of the collaborative units based on the funding contributions that each Force made to the collaborative arrangement.

Included in accounting policies under joint arrangements are definitions and an explanation of the new accounting requirements for joint operations, the latter involving shares of income, expenditure, assets and liabilities. As a result of the requirement of IFRS11, the second table below provides revised information relating to Dyfed Powys Police and for other forces to show the totals for each joint operation.

As a result of the requirements of IFRS11, gross expenditure in the CIES has been increased by £1,134k and income/grants have been increased by £792k, an increase in net expenditure of £342k. This net increase has been reversed in the Movement in Reserves Statement with no impact on the Police Fund balance.

Assets, debtors and creditors in respect of the arrangements have remained in the balance sheets of forces on the basis of materiality.

**North Wales Police are basing their Dedicated Security Post (DSP) costs on income and expenditure rather than an allocation based on population in Wales. Their income and expenditure for DSP is therefore not included in the tables below. They are not included in the Regional Task Force, which operate in the Southern Welsh Forces. For the Regional Organised Crime Unit, North Wales Police Contribute to the North West Region of England and North Wales.*

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

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

2018/19

| | Counter Terrorism Intelligence Unit | Counter Terrorism Specialist Advisors | Counter Terrorism Port/Dedicated Security | Regional Organised Crime Unit | Regional Task Force | Joint Firearms Unit | TOTAL |
|--|-------------------------------------|---------------------------------------|---|-------------------------------|---------------------|-----------------------|-----------------|
| Service Classification | National Policing | National Policing | National Policing | Intelligence/ Investigation | Intelligence | Specialist Operations | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Pay Expenditure | 7,541 | 428 | 3,805 | 4,855 | 1,720 | 11,480 | 29,829 |
| Non Pay Expenditure | 1,644 | 46 | 380 | 2,333 | 575 | 1,856 | 6,634 |
| Gross Expenditure | 9,185 | 474 | 4,185 | 7,188 | 2,295 | 13,136 | 36,463 |
| Specific Grant Income | (9,146) | (474) | (4,159) | (3,787) | 0 | (1,167) | (18,733) |
| Income | (39) | 0 | (26) | (1,512) | (21) | (245) | (1,843) |
| Total Income & Grants | (9,185) | (474) | (4,185) | (5,299) | (21) | (1,412) | (20,576) |
| (Surplus) or Deficit - to be funded from Force Contributions as follows: | 0 | 0 | 0 | 1,889 | 2,274 | 11,724 | 15,887 |
| Force Contributions (Net): | | | | | | | |
| Dyfed-Powys | 0 | 0 | 0 | (384) | (463) | (3,645) | (4,492) |
| Gwent | 0 | 0 | 0 | (491) | (590) | (2,796) | (3,877) |
| North Wales | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| South Wales | 0 | 0 | 0 | (1,014) | (1,221) | (5,283) | (7,518) |
| Total Force Contributions | 0 | 0 | 0 | (1,889) | (2,274) | (11,724) | (15,887) |

Each Force's contribution towards Expenditure and Income for 2018/19 is as follows:

| | Counter Terrorism Intelligence Unit | Counter Terrorism Specialist Advisors | Counter Terrorism Port/Dedicated Security | Regional Organised Crime Unit | Regional Task Force | Joint Firearms Unit | TOTAL |
|--|---|---|---|---|---|--|-----------------|
| Service Classification and agreed basis of apportionment | National Policing (Population – national benefit basis) | National Policing (Population – national benefit basis) | National Policing (Population – national benefit basis) | Intelligence/ Investigation (Population – national benefit basis) | Intelligence (Agreed Financial Contribution – local delivery) | Specialist Operations (Agreed Financial Contribution – local delivery) | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Dyfed-Powys | 1,519 | 78 | 409 | 1,529 | 467 | 4,084 | 8,086 |
| Gwent | 1,727 | 89 | 465 | 1,739 | 596 | 3,133 | 7,749 |
| North Wales | 2,046 | 106 | 2,262 | 0 | 0 | 0 | 4,414 |
| South Wales | 3,893 | 201 | 1,049 | 3,920 | 1,232 | 5,919 | 16,214 |
| Gross Expenditure | 9,185 | 474 | 4,185 | 7,188 | 2,295 | 13,136 | 36,463 |
| Dyfed-Powys | (1,519) | (78) | (409) | (1,127) | (4) | (439) | (3,576) |
| Gwent | (1,727) | (89) | (465) | (1,282) | (6) | (337) | (3,906) |
| North Wales | (2,046) | (106) | (2,262) | 0 | 0 | 0 | (4,414) |
| South Wales | (3,893) | (201) | (1,049) | (2,890) | (11) | (636) | (8,680) |
| Total Income & Grants | (9,185) | (474) | (4,185) | (5,299) | (21) | (1,412) | (20,576) |

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

2017/18

| | Counter Terrorism Intelligence Unit | Counter Terrorism Specialist Advisors | Counter Terrorism Port/Dedicated Security | Regional Organised Crime Unit | Regional Task Force | Joint Firearms Unit | TOTAL |
|--|-------------------------------------|---------------------------------------|---|-------------------------------|---------------------|-----------------------|----------|
| Service Classification | National Policing | National Policing | National Policing | Intelligence/ Investigation | Intelligence | Specialist Operations | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Pay Expenditure | 5,574 | 425 | 4,356 | 4,793 | 1,554 | 11,292 | 27,994 |
| Non Pay Expenditure | 1,142 | 30 | 285 | 1,201 | 411 | 1,568 | 4,637 |
| Gross Expenditure | 6,716 | 455 | 4,641 | 5,994 | 1,965 | 12,860 | 32,631 |
| Specific Grant Income | (6,772) | (455) | (4,641) | (4,320) | (500) | (1,473) | (18,161) |
| Income | 56 | 0 | 0 | (43) | (2) | (163) | (152) |
| Total Income & Grants | (6,716) | (455) | (4,641) | (4,363) | (502) | (1,636) | (18,313) |
| (Surplus) or Deficit - to be funded from Force Contributions as follows: | 0 | 0 | 0 | 1,631 | 1,463 | 11,224 | 14,318 |
| <u>Force Contributions (Net):</u> | | | | | | | |
| Dyfed-Powys | 0 | 0 | 0 | (348) | (298) | (3,457) | (4,103) |
| Gwent | 0 | 0 | 0 | (394) | (380) | (2,594) | (3,368) |
| North Wales | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| South Wales | 0 | 0 | 0 | (889) | (785) | (5,173) | (6,847) |
| Total Force Contributions | 0 | 0 | 0 | (1,631) | (1,463) | (11,224) | (14,318) |

Each Force's contribution towards Expenditure and Income for 2017/18 was as follows:

| | Counter Terrorism Intelligence Unit | Counter Terrorism Specialist Advisors | Counter Terrorism Port/Dedicated Security | Regional Organised Crime Unit | Regional Task Force | Joint Firearms Unit | TOTAL |
|--|---|---|---|---|---|--|-----------------|
| Service Classification and agreed basis of apportionment | National Policing (Population – national benefit basis) | National Policing (Population – national benefit basis) | National Policing (Population – national benefit basis) | Intelligence/ Investigation (Population – national benefit basis) | Intelligence (Agreed Financial Contribution – local delivery) | Specialist Operations (Agreed Financial Contribution – local delivery) | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Dyfed-Powys | 1,113 | 75 | 472 | 1,279 | 400 | 3,998 | 7,337 |
| Gwent | 1,260 | 85 | 535 | 1,449 | 510 | 3,067 | 6,906 |
| North Wales | 1,501 | 102 | 2,428 | 0 | 0 | 0 | 4,031 |
| South Wales | 2,842 | 193 | 1,206 | 3,266 | 1,055 | 5,795 | 14,357 |
| Gross Expenditure | 6,716 | 455 | 4,641 | 5,994 | 1,965 | 12,860 | 32,631 |
| Dyfed-Powys | (1,113) | (75) | (472) | (931) | (102) | (509) | (3,202) |
| Gwent | (1,260) | (85) | (535) | (1,054) | (130) | (390) | (3,454) |
| North Wales | (1,501) | (102) | (2,428) | 0 | 0 | 0 | (4,031) |
| South Wales | (2,842) | (193) | (1,206) | (2,378) | (270) | (737) | (7,626) |
| Total Income & Grants | (6,716) | (455) | (4,641) | (4,363) | (502) | (1,636) | (18,313) |

28. Officers' remuneration
Senior employees 2018/19

| | Year | Note | From | To | Full-time equivalent salary as at 31.03.19 or end date | Actual salary, including allowances | Benefits in kind - lease cars | | Benefits in kind - relocation expense | | Pay in Lieu of Notice / Exit Payment | Total remuneration excluding pension contribution | Pension contributions | Total remuneration |
|---|---------|------|------------|------------|--|-------------------------------------|-------------------------------|----------|---------------------------------------|----------|--------------------------------------|---|-----------------------|--------------------|
| | | | | | | | £ | Note 3 | £ | Note 4 | | | | |
| Chief Constable | 2018/19 | | 01/04/2018 | 31/03/2019 | 130,410 | 141,645 | 0 | 0 | 0 | 0 | 0 | 141,645 | 33,462 | 175,107 |
| Deputy Chief Constable | 2018/19 | | 01/04/2018 | 05/01/2019 | 116,718 | 94,875 | 0 | 0 | 0 | 0 | 0 | 94,875 | 9,231 | 104,106 |
| Assistant Chief Constable – Welsh Government | 2018/19 | 1 | 01/04/2018 | 31/12/2018 | 113,475 | 86,360 | 2,670 | 0 | 0 | 0 | 0 | 89,030 | 8,974 | 98,004 |
| T/Deputy Chief Constable | 2018/19 | | 18/11/2018 | 31/03/2019 | 116,718 | 43,121 | 0 | 0 | 0 | 0 | 0 | 43,121 | 10,435 | 53,556 |
| Assistant Chief Constable | 2018/19 | | 22/04/2018 | 17/11/2018 | 100,509 | 56,807 | 0 | 0 | 0 | 0 | 0 | 56,807 | 13,747 | 70,554 |
| T/Assistant Chief Constable (A) | 2018/19 | | 18/11/2018 | 31/03/2019 | 100,509 | 37,132 | 1,002 | 0 | 0 | 0 | 0 | 38,134 | 8,986 | 47,120 |
| T/Assistant Chief Constable (B) | 2018/19 | | 03/04/2018 | 31/03/2019 | 87,327 | 90,625 | 0 | 0 | 0 | 0 | 0 | 90,625 | 20,782 | 111,407 |
| Director of Finance/ Chief Financial Officer to the Chief Constable | 2018/19 | | 01/04/2018 | 31/03/2019 | 86,106 | 86,420 | 0 | 0 | 0 | 0 | 0 | 86,420 | 11,667 | 98,087 |
| Commissioner* | 2018/19 | | 01/04/2018 | 31/03/2019 | 66,300 | 66,192 | 0 | 0 | 0 | 0 | 0 | 66,192 | 8,877 | 75,069 |
| Chief Financial Officer to the Commissioner* | 2018/19 | | 01/04/2018 | 31/03/2019 | 77,187 | 53,004 | 0 | 0 | 0 | 0 | 0 | 53,004 | 7,156 | 60,160 |
| Chief of Staff | 2018/19 | | 01/04/2018 | 31/03/2019 | 77,187 | 77,506 | 0 | 0 | 0 | 0 | 0 | 77,506 | 10,463 | 87,969 |
| Director of Estates* | 2018/19 | 2 | 01/04/2018 | 31/03/2019 | 62,091 | 62,519 | 0 | 0 | 0 | 0 | 0 | 62,519 | 8,440 | 70,959 |
| Total 2018/19 | | | | | | 896,206 | 3,672 | 0 | 0 | 0 | 0 | 899,878 | 152,220 | 1,052,098 |

*staff under the direction and control of the Commissioner

Note 1: 50% of these costs were recharged to Welsh Government.

Note 2: The Director of Estates has been in post since 15/06/2015, however he did not previously meet the criteria for inclusion in this note.

Note 3: A backdated pay award was paid to support staff employees (excluding the Commissioner, who is not an employee) in May 2018, which covered the period September 2017 - April 2018. The portion of this relating to 17/18 was accrued back in the accounts but is included here in accordance with the Code of Practice.

Note 4: The Chief Constable and Deputy Chief Constable are provided with vehicles, however no liability to income tax arises in respect of the benefit as these two officers are on call at all times. This is in accordance with Section 248A of the ITEPA, which states: "1) This section applies where a) an emergency vehicle is made available to a person employed in an emergency service for the person's private use and b) the terms on which it is made available prohibit its private use otherwise than when the person is on call or engaged in on-call commuting and c) the person does not make private use of it other than in such circumstances, 2) No liability to income tax arises by virtue of Chapter 6 or 10 or Part 3 (taxable benefits: cars, vans etc and residual liability to charge) in respect of the benefit.."

Senior employees 2017/18

| | Year | Note | From | To | Full-time equivalent basic salary as at 31.03.18 or finish date | Actual salary, including allowances | Benefits in kind - lease cars (Note 4) | Benefits in kind - relocation expenses | Pay in Lieu of Notice / Exit Payment | Total remuneration excluding pension contributions | Pension contributions | Total remuneration including pension contributions |
|---|---------|------|------------|------------|---|-------------------------------------|--|--|--------------------------------------|--|-----------------------|--|
| | | | | | £ | £ | £ | £ | £ | £ | £ | £ |
| Chief Constable | 2017/18 | | 01/04/2017 | 31/03/2018 | 136,677 | 139,487 | 0 | 0 | 0 | 139,487 | 32,939 | 172,426 |
| Deputy Chief Constable | 2017/18 | | 01/04/2017 | 31/03/2018 | 114,429 | 120,441 | 0 | 0 | 0 | 120,441 | 27,577 | 148,018 |
| Assistant Chief Constable | 2017/18 | 1 | 01/04/2017 | 30/09/2017 | 111,249 | 56,620 | 2,420 | 0 | 0 | 59,040 | 15,594 | 74,634 |
| Assistant Chief Constable - Welsh Government | 2017/18 | 1 | 01/10/2017 | 31/03/2018 | 111,249 | 57,079 | 2,420 | 0 | 0 | 59,499 | 11,218 | 70,717 |
| Deputy Chief Constable - Gwent Police | 2017/18 | 2 | 24/07/2017 | 06/12/2017 | 115,363 | 42,664 | 832 | 0 | 0 | 43,516 | 9,386 | 52,902 |
| T/Assistant Chief Constable (A) | 2017/18 | | 01/04/2017 | 23/07/2017 | 103,851 | 34,347 | 697 | 0 | 0 | 35,044 | 8,377 | 43,421 |
| T/Assistant Chief Constable (B) | 2017/18 | | 01/04/2017 | 31/03/2018 | 98,536 | 41,007 | 0 | 0 | 0 | 41,007 | 8,234 | 49,241 |
| Director of Finance/ Chief Financial Officer to the Chief Constable | 2017/18 | | 01/04/2017 | 31/03/2018 | 81,723 | 75,121 | 0 | 0 | 0 | 75,121 | 10,141 | 85,262 |
| Director of Resources | 2017/18 | 3 | 01/04/2017 | 27/10/2017 | 70,893 | 41,691 | 0 | 0 | 16,154 | 58,045 | 5,655 | 63,700 |
| Commissioner* | 2017/18 | | 01/04/2017 | 31/03/2018 | 65,000 | 65,000 | 0 | 0 | 0 | 65,000 | 8,775 | 73,775 |
| Chief Financial Officer to the Commissioner* (A) | 2017/18 | | 19/02/2018 | 31/03/2018 | 73,308 | 4,974 | 0 | 0 | 0 | 4,974 | 672 | 5,646 |
| Chief Financial Officer to the Commissioner* (B) | 2017/18 | | 01/04/2017 | 09/03/2018 | 74,040 | 53,975 | 0 | 0 | 0 | 53,975 | 7,287 | 61,262 |
| Chief of Staff* | 2017/18 | | 01/04/2017 | 31/03/2018 | 73,308 | 68,521 | 0 | 0 | 0 | 68,521 | 9,250 | 77,771 |
| Total 2017/18 | | | | | | 801,147 | 6,369 | 0 | 16,154 | 823,670 | 155,105 | 978,775 |

*staff under the direction and control of the Commissioner

Note 1: The Assistant Chief Constable was seconded to Welsh Government for part of the year with 50% of her costs being recharged.

Note 2: The Temporary Assistant Chief Constable was promoted to DCC of Gwent Police on a secondment basis, after which she formally transferred to the employment of Gwent Police. Her costs while seconded were recharged to Gwent Police in full.

Note 3: The Director of Resources took early retirement and received payment in lieu of notice as part of his exit package. The post was then removed from the structure.

Note 4: The Chief Constable and Deputy Chief Constable are provided with vehicles, however no liability to income tax arises in respect of the benefit as these two officers are on call at all times. This is in accordance with Section 248A of the ITEPA, which states: "1) This section applies where a) an emergency vehicle is made available to a person employed in an emergency service for the person's private use and b) the terms on which it is made available prohibit its private use otherwise than when the person is on call or engaged in on-call commuting and c) the person does not make private use of it other than in such circumstances, 2) No liability to income tax arises by virtue of Chapter 6 or 10 or Part 3 (taxable benefits: cars, vans etc and residual liability to charge) in respect of the benefit".

Other employees – (excludes senior officers – Itemised above)

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

| 2017/18 | | 2018/19 |
|---------------------|--------------------|----------------------|
| Number of employees | | Number of employees* |
| 10 | £60,000 - £84,999* | 10 |
| 2 | £65,000 - £69,999 | 6 |
| 4 | £70,000 - £74,999 | 3 |
| 1 | £75,000 - £79,999 | 3 |
| 5 | £80,000 - £84,999 | 2 |
| 1 | £85,000 - £89,999 | 2 |
| 0 | £90,000 - £94,999 | 1 |
| 0 | £95,000 - £99,999 | 0 |

No other staff employed by the Commissioner received remuneration of more than £60,000 in 2018/19.

Ratio of Chief Constable Remuneration/Chief of Staff Remuneration

The revision to the Accounts and Audit Regulations (Wales) in 2014 has added a new requirement to report the following remuneration ratio information:

- a. the remuneration of the body's Chief Constable/Chief of Staff during the year to which the accounts relate;
- b. the median full-time equivalent remuneration of all the body's employees in post at 31st March 2019; and
- c. the ratio of the amount in sub-paragraph (a) to the amount in sub-paragraph (b);

Remuneration includes basic salary, overtime, allowances and benefits in kind.

Commissioner:

The remuneration of the Chief of Staff for 2018/19 was £77,505.

The median full-time equivalent remuneration of all the Commissioner's employees as at 31st March 2019 was £25,785.

The ratio of the Chief of Staff's remuneration to the median Commissioner employee's remuneration was 3.01:1 (3.18:1 in 2017/18)

Chief Constable:

The remuneration of the Chief Constable for 2018/19 was £141,645 (the Chief Constable received no benefits in kind in 2018/19, please refer to note 4 of the Officers' Remuneration table, above).

The median full-time equivalent remuneration of all the Chief Constable's employees as at 31st March 2019 was £35,176..

The ratio of the Chief Constable's remuneration to the median Chief Constable employee's remuneration was 4.03:1 (3.93:1 in 2017/18)

Members

The following amounts were paid to members in 2018/19 and 2017/18.

| Group | Commissioner | | Group | Commissioner |
|---------|--------------|--------------|----------|--------------|
| 2017/18 | 2017/18 | | 2018/19 | 2018/19 |
| £'000 | £'000 | | £'000 | £'000 |
| 0 | 0 | Salaries | 0 | 0 |
| 1 | 1 | Allowances | 3 | 3 |
| 0 | 0 | Expenses | 0 | 0 |
| 1 | 1 | Total | 3 | 3 |

29. External audit costs

In 2018/19 the Commissioner and Chief Constable jointly incurred costs of £79k 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 Force's external auditors (2017/18: £79k).

30. Grant Income

The Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18 and 2018/19:

| 2017/18 | | 2018/19 |
|-----------------|---|-----------------|
| £'000 | | £'000 |
| | Credited to Taxation and Non-specific grant income | |
| (32,861) | Police Revenue Grant | (33,579) |
| (3,582) | Welsh Floor Grant | (2,633) |
| (3,935) | Revenue Support Grant | (4,278) |
| (317) | Capital Grants and Contributions | (322) |
| (40,695) | Total | (40,812) |
| | Credited to services | |
| | <i>Revenue grants</i> | |
| (1,941) | Grants Receivable from the Home Office | (1,531) |
| (2,442) | Police Community Support Officers | (2,479) |
| (605) | Victim Support Services | (600) |
| (364) | Private Finance Initiative | (351) |
| (303) | All Wales Schools Liaison Programme | (320) |
| (195) | Capital Loans Grant | (195) |
| (77) | Other Revenue Grants | (26) |
| | <i>Collaborative Grants</i> | |
| (472) | Dedicated Security Posts (Ports Unit) | (403) |
| (6,399) | Total | (5,905) |

In 2017/18, £1,985k of income was included in respect of the Group's fair share of other Collaborative Grants. These amounts are no longer being recognised as Grant Income in the Group's Statement of Accounts but are, instead, being recognised as 'contributions from other police forces'. South Wales Police as the lead force on these Collaborative Arrangements, receive and sign off the Grant Agreements, submit the grant claims and recognise the amounts as grants in their accounts.

31. Related parties

The Group/Commissioner is required to disclose material transactions with related parties, i.e. bodies or individuals that have the potential to control or influence the Group/Commissioner or to be controlled or influenced by the Group/Commissioner. Disclosure of these transactions allows readers to assess the extent to which the Group/Commissioner may have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Group/Commissioner.

Central Government and Other Public Bodies

Central government has significant influence over the general operations of the Group/Commissioner – it is responsible for providing the statutory framework within which the Group/Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group/Commissioner has with other parties. Grants received from central government departments are set out in note 30, 'Grant Income', most of which have strict terms and conditions.

Senior Officers

The Commissioner sits on the board of the Police ICT Company. The Police ICT Company is a company limited by guarantee and is wholly owned by Police and Crime Commissioners across England and Wales. It was established to support policing to make people safer through better ICT and through seeking to act as a bridge between the policing, technological and commercial worlds. During the 2018/19 financial year, the Police and Crime Commissioner for Dyfed-Powys paid a total to the Police ICT Company of £99,592 (2017/18: £92,458). There were no creditor or debtor balances with the Police ICT Company at the year end.

No other senior officers declared any related party relationships for 2018/19.

Entities Controlled or significantly Influenced by the Group/Commissioner

The Commissioner, Chief Constable and both Chief Financial Officers are trustees of the "Safer Dyfed Powys Diogel" trust. Further information about the Trust is included in note 38, 'Trust Funds'. During 2018/19 The Police and Crime Commissioner for Dyfed-Powys did not undertake any financial transactions with Safer Dyfed-Powys Diogel (2017/18: £0).

Members

The total allowances and expenses paid to Members during the year are shown in note 28.

None of the members, or parties related to them, have undertaken any material transactions with the Commissioner in 2018/19.

32. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the

Group/Commissioner, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Group/Commissioner that has yet to be financed. In 2015/16 reserves were utilised to repay the Capital Financing Requirement.

| 2017/18 | | 2018/19 |
|----------|---|----------|
| £'000 | | £'000 |
| 0 | Opening capital financing requirement: | 0 |
| (4,682) | Property, Plant and Equipment | (4,367) |
| | Sources of finance: | |
| 305 | Capital receipts | 616 |
| 447 | Government grants and other contributions | 647 |
| 3,914 | Capital Reserves | 3,097 |
| 16 | Direct revenue contributions | 7 |
| 0 | Closing capital financing requirement: | 0 |

33. Leases

Group/Commissioner as Lessee

Operating Leases

The Group/Commissioner leases property from other property owners where appropriate and affordable, to provide suitable accommodation for operational policing and support. The Group/Commissioner 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 st March 2018 | | 31 st March 2019 |
|-----------------------------|---|-----------------------------|
| £'000 | | £'000 |
| 90 | Not later than one year | 148 |
| 357 | Later than one year and not later than five years | 544 |
| 838 | Later than five years | 1,346 |
| 1,285 | Total | 2,038 |

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

| 2017/18 | | 2018/19 |
|------------|------------------------|------------|
| £'000 | | £'000 |
| 168 | Minimum lease payments | 187 |
| 168 | Total | 187 |

Group/Commissioner as Lessor

Operating Leases

The Group/Commissioner leases out part of its property portfolio to provide suitable and affordable accommodation for other Public Sector Authorities.

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

| Group | Commissioner | | Group | Commissioner |
|-----------------------------|-----------------------------|---|-----------------------------|-----------------------------|
| 31 st March 2018 | 31 st March 2018 | | 31 st March 2019 | 31 st March 2019 |
| £'000 | £'000 | | £'000 | £'000 |
| 53 | 53 | Not later than one year | 53 | 53 |
| 212 | 212 | Later than one year and not later than five years | 212 | 212 |
| 89 | 89 | Later than five years | 89 | 89 |
| 354 | 354 | Total | 354 | 354 |

34. Termination benefits

The number of exit packages with total cost per band and total cost of the departures agreed during 2018/19 is set out in the tables below.

Group:

| Exit package cost band | 2017/18 | | 2018/19 | |
|------------------------|-----------------------------|--|-----------------------------|--|
| | Number of Departures agreed | Departure cost (Including payment in lieu of notice) | Number of Departures agreed | Departure cost (Including payment in lieu of notice) |
| | | £'000 | | £'000 |
| £0 - £20,000 | 0 | 0 | 2.0 | 39 |
| £20,001 - £40,000 | 0 | 0 | 12.7 | 477 |
| £40,001 - £60,000 | 1 | 47 | 2.7 | 130 |
| | 1 | 47 | 17.4 | 646 |

The above costs in 2018/19 relate to a voluntary severance scheme that was made available to police officers to apply to exit the organisation prior to their pension age.

Commissioner:

No exit packages were charged to the Commissioner's accounts in 2018/19.

The total cost of exit packages is charged to the Group's Comprehensive Income and Expenditure Account in the current year. The cost of the departures is included in the Service Analysis and the Pension Strain as a Non Distributed Cost.

35. Defined benefit pension schemes

Participation in Pension schemes

As part of the terms and conditions of employment of its officers, the Group makes

contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Group participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by Carmarthenshire County Council – this is a funded defined benefit CARE (Career Average Revalued Earnings) scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Police Officer Pension Scheme – this is an unfunded defined benefit CARE 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.

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

| Local Government Pension Scheme | | Police Pension Scheme | | | Local Government Pension Scheme | | Police Pension Scheme | |
|---------------------------------|--------------|-----------------------|---------------|---|---------------------------------|-----------------|-----------------------|------------------|
| Group | Commissioner | Group | Commissioner | | Group | Commissioner | Group | Commissioner |
| 2017/18 | 2017/18 | 2017/18 | 2017/18 | | 2018/19 | 2018/19 | 2018/19 | 2018/19 |
| £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 |
| | | | | Comprehensive Income and Expenditure Statement (CIES): | | | | |
| | | | | <i>Cost of services:</i> | | | | |
| (7,050) | (305) | (28,048) | 0 | Current service cost | (6,926) | (280) | (23,230) | 0 |
| (47) | 0 | 0 | 0 | Past service cost | (3,278) | | (75,453) | 0 |
| (130) | 0 | 0 | 0 | Other | (116) | 0 | 0 | 0 |
| | | | | <i>Financing and Investment Income and Expenditure:</i> | | | | |
| (980) | (42) | (32,736) | 0 | Net interest expense | (904) | (36) | (30,577) | 0 |
| (8,207) | (347) | (60,784) | 0 | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | (11,224) | (316) | (129,280) | 0 |
| | | | | <i>Other Post Employment Benefit Charged to the CIES</i> | | | | |
| | | | | Remeasurement of the net defined benefit liability comprising: | | | | |
| 1,241 | 0 | 0 | 0 | Return on plan assets (excluding the amount included in the net interest expense) | 4,500 | 0 | 0 | 0 |
| 0 | 0 | 53,017 | 0 | Remeasurement gains and losses arising on changes in demographic assumptions | 0 | 0 | 0 | 0 |
| 8,072 | 403 | 50,973 | 0 | Remeasurement gains and losses arising on changes in financial assumptions | (11,576) | (286) | (74,124) | 0 |
| 0 | 0 | 54,186 | 0 | Other – experience (gain)/loss | 0 | 0 | 0 | 0 |
| 1,106 | 56 | 97,392 | 0 | Total Post Employment Benefit Charged to the CIES | (18,300) | (602) | (203,384) | 0 |
| 0 | 1,050 | 0 | 97,392 | Commissioning Costs (Intra-group transfer) | 0 | (17,698) | 0 | (203,384) |
| 1,106 | 1,106 | 97,392 | 97,392 | Total net cost | (18,300) | (18,300) | (203,384) | (203,384) |
| | | | | <i>Movement in Reserves Statement:</i> | | | | |
| 8,207 | 8,207 | 60,784 | 60,784 | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post - employment benefits in accordance with the Code | 11,224 | 11,224 | 129,280 | 129,280 |
| | | | | <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | | | |
| (3,070) | (3,070) | (28,928) | (28,928) | Employers' contributions payable to scheme | (3,240) | (3,240) | (29,475) | (29,475) |

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.

However, the charge the Group is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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

The cumulative amount of actuarial gains and losses recognised in the Group and Commissioner Comprehensive Income and Expenditure Statements to the 31 March 2019 is a loss of £7,076k (2017/18: £9,313k gain).

Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

| | Local Government Pension Scheme | | Police Pension Scheme | |
|--|---------------------------------|-----------------|-----------------------|--------------------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £'000 | £'000 | £'000 | £'000 |
| Present value of the defined benefit obligation | (161,629) | (186,877) | (1,147,093) | (1,321,002) |
| Fair value of plan assets | 126,534 | 136,722 | 0 | 0 |
| Net liability arising from defined benefit obligation | (35,095) | (50,155) | (1,147,093) | (1,321,002) |

Pensions Liability

The Pensions Liability which is disclosed on the Group Balance Sheet reflects the underlying commitments that the Chief Constable has in the long run to pay retirement benefits. In 2018/19 this amounts to £1,371,157k compared to £1,182,188k in 2017/18.

Recognition of the total liability has a substantial impact on the net worth as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy. This is because to finance the liability the Chief Constable makes a pension contribution of 21.3% for police officers and 13.5% for police staff, with the actual pensions and commuted lump sums being met directly by the Police Pension Fund Account, which is funded by the Home Office via the Commissioner.

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

| | Local Government Pension Scheme | | Police Pension Scheme | |
|---|---------------------------------|----------------|-----------------------|----------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £'000 | £'000 | £'000 | £'000 |
| Opening fair value of scheme assets | 119,772 | 126,534 | 0 | 0 |
| Interest income | 3,147 | 3,448 | 0 | 0 |
| Remeasurement gain / (loss) | | | | |
| <ul style="list-style-type: none"> The return on plan assets excluding the amount included in the net interest expense | 1,241 | 4,500 | 0 | 0 |
| Contributions from employer | 3,070 | 3,240 | 28,928 | 29,475 |
| Contributions from employees into the scheme | 1,408 | 1,501 | 5,854 | 5,879 |
| Benefits paid | (1,974) | (2,385) | (34,782) | (35,354) |
| Other (if applicable) | (130) | (116) | 0 | 0 |
| Closing fair value of scheme assets | 126,534 | 136,722 | 0 | 0 |

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 and Group accounts.

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

| | Funded Liabilities: Local Government Pension Scheme | | Unfunded Liabilities: Police Pension Scheme | |
|---|---|------------------|---|--------------------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £'000 | £'000 | £'000 | £'000 |
| Opening Balance at 1st April: | (159,043) | (161,629) | (1,273,413) | (1,147,093) |
| Current service cost | (7,050) | (6,926) | (28,048) | (23,230) |
| Interest cost | (4,127) | (4,352) | (32,736) | (30,577) |
| Contributions from scheme participants | (1,408) | (1,501) | (5,854) | (5,879) |
| <i>Remeasurement gains and (losses)</i> | | | | |
| <ul style="list-style-type: none"> Remeasurement gains/ (losses) arising from changes in demographic assumptions | 0 | 0 | 53,017 | 0 |
| <ul style="list-style-type: none"> Remeasurement gains / (losses) arising from changes in financial assumptions | 8,072 | (11,576) | 50,973 | (74,124) |
| <ul style="list-style-type: none"> Other (if applicable) | 0 | 0 | 54,186 | 0 |
| Past service cost | (5) | (3,278) | 0 | (75,453) |
| Losses/ (gains) on curtailment | (42) | 0 | 0 | 0 |
| Benefits Paid | 1,974 | 2,385 | 34,782 | 35,354 |
| Closing balance at 31st March | (161,629) | (186,877) | (1,147,093) | (1,321,002) |

Local Government Pension Scheme assets comprised:

| | Fair value of Scheme assets | |
|---------------------------|-----------------------------|----------------|
| | 2017/18 | 2018/19 |
| | £'000 | £'000 |
| Cash and cash equivalents | 760 | 820 |
| Equity Instruments | 89,333 | 94,475 |
| Bonds | 24,547 | 22,833 |
| Property | 11,894 | 18,594 |
| Total Assets | 126,534 | 136,722 |

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 2017.

The significant assumptions used by the actuary have been:

| | Local Government Pension Scheme | | Police Pension Scheme | |
|--|---------------------------------|---------|-----------------------|---------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| Mortality assumptions: | | | | |
| Longevity at 65 (60 for police scheme) for current pensioners: | | | | |
| • Men | 22.9 | 23.0 | 26.4 | 26.5 |
| • Women | 25.6 | 25.7 | 28.4 | 28.4 |
| Longevity at 65 (60 for police scheme) for future pensioners: | | | | |
| • Men | 25.1 | 25.2 | 28.3 | 28.4 |
| • Women | 27.9 | 28.1 | 30.3 | 30.4 |
| Other assumptions: | | | | |
| Rate of inflation | 2.1% | 2.2% | 2.1% | 2.2% |
| Rate of increase in salaries | 3.6% | 3.7% | 3.5% | 3.7% |
| Rate of increase in pensions | 2.2% | 2.3% | 2.2% | 2.3% |
| Rate for discounting scheme liabilities | 2.7% | 2.5% | 2.7% | 2.5% |

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 2018/19 | Impact on the defined benefit obligation in the scheme | |
|--|--|------------------------|
| | Increase in assumption | Decrease in assumption |
| | £'000 | £'000 |
| Longevity (Increase or decrease by 1 year) | 3,542 | 0 |
| Rate of inflation (Increase or decrease by 0.1%) | 4,148 | 0 |
| Rate of increase in salaries (Increase or decrease by 0.1%) | 855 | 0 |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 0 | 4,059 |
| Police Pension Scheme 2018/19 | Impact on the defined benefit obligation in the scheme | |
| | Increase in assumption | Decrease in assumption |
| | £'000 | £'000 |
| Longevity (Increase or decrease by 1 year) | 35,534 | 0 |
| Rate of inflation (Increase or decrease by 0.1%) | 27,192 | 0 |
| Rate of increase in salaries (Increase or decrease by 0.1%) | 5,169 | 0 |
| Rate for discounting scheme liabilities (Increase or decrease by 0.1%) | 0 | 26,588 |

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 31st March 2017 and details of the future employers' rates are shown below:

| Year | Employer rate |
|---------|---------------|
| 2017/18 | 13.5% |
| 2018/19 | 13.5% |
| 2019/20 | 13.5% |

Police Pension Legal Challenge - Career Average Revalued Earnings (McCloud/Sargeant).

The Chief Constable of Dyfed-Powys Police, along with other Chief Constables and the Home Office, currently has 50 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination.

On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (Mercers)

using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for Dyfed-Powys Police to be approximately 6.5% or £75.4m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure has been made for the McCloud judgment . This corresponds to a 3.2% or £3.2m increase in liabilities. The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

As 'transitional protection' was offered to members of all the main public service pension schemes, the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. Continuing to resist the full implications of the judgment in Court would only add to the uncertainty experienced by members.

The matter will be remitted to the Employment Tribunal in respect of the litigants in the firefighters and judicial pension schemes. It will be for the Tribunal to determine a remedy. Alongside this process, government will be engaging with employer and member representatives, as well as the devolved administrations, to help inform their proposals to the Tribunal and in respect of the other public service pension schemes.

36. Contingent Liabilities

Undercover Policing Inquiry

The purpose of this inquiry is to investigate and report on undercover police operations conducted by English and Welsh police forces in England and Wales since 1968. The inquiry will examine the contribution undercover policing has made to tackling crime, how it was and is supervised and regulated, and its effect on individuals involved – both police officers and others who came into contact with them.

A liability has been established and along with 11 other Forces, external solicitors are engaged to represent serving officer(s). There is an agreement for Dyfed Powys Police to meet a 5% share of generic preparation costs incurred by the legal firm. All other legal matters to date involving Dyfed Powys Police have been dealt with in-house.

At this stage, the inquiry is not far enough progressed to reliably estimate future costs therefore no provision has been made in the 2018/19 Accounting Statements.

Dedicated Source Handling Unit On-Call Allowance Claims

The Chief Constable of Dyfed Powys along with other Chief Constables have had claims lodged against them in relation to "on Call Allowance" under Regulation 34 Annex U Police Regulations 2003.

The claimants are serving, and/or retired police officers and are members of the "Dedicated Source Handling Unit (Covert Human Intelligence Sources)". They claim that their roles require them to answer mobile telephones and deal with those who wished to provide covert intelligence to the police. They also claim to have supervised source handlers and these tasks required them to monitor their phones on a daily basis.

At this stage, liability has not been established and therefore it would not be appropriate to make a provision in the 2018/19 Accounting Statements. In addition it is not possible to provide a reasonable estimate of liability at this stage.

37. Nature and extent of risks arising from financial instruments

The Commissioner has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with the Revised Prudential Code of Capital Finance for Local Authorities (both updated in 2017).

As part of the adoption of the Treasury Management Code, the Commissioner approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Commissioner also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Commissioner's Treasury Management Strategy, together with his Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

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

Credit Risk

Investments

The Commissioner manages credit risk by ensuring that investments are placed with Banks and Building Societies having sufficiently high credit worthiness as set out in the Annual Investment Strategy. These include commercial entities with a high minimum long-term

credit rating of A-, the UK Government, other Local Authorities, and organisations without credit ratings upon which the Commissioner has received independent investment advice.

A limit of £2m is placed on the amount of money that can be invested with a single counterparty (other than the UK government).

The Commissioner's maximum exposure to credit risk in relation to 'non-specified' investments of £40m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Commissioner's deposits, but there was no evidence at the 31st March 2019 that this was likely to crystallise.

The table below summarises the nominal value of the Commissioner's investment portfolio at 31st March 2019, and confirms that all investments were made in line with the Commissioner's approved credit rating criteria:

| Counterparty | Credit Rating Criteria Met When Investment Placed? | Credit Rating Criteria Met on 31 st March 2019? | Balance invested as at 31 March 2019 £'000s | | | | | Over 12 months | Total |
|-------------------------|--|--|--|--------------------------|---------------------------|----------------------------|--------------|----------------|-------|
| | | | Up to 1 month | > 1 month and < 3 months | > 3 months and < 6 months | > 6 months and < 12 months | £'000 | | |
| | Y/N | Y/N | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| UK Banks | Y | Y | 0 | 2,000 | 0 | 0 | 0 | 2,000 | |
| Foreign Banks | Y | Y | 2,000 | 1,500 | 0 | 0 | 0 | 3,500 | |
| UK Building Societies | N/A | N/A | 0 | 1,000 | 2,000 | 0 | 0 | 3,000 | |
| Bonds | Y | Y | 0 | 0 | 0 | 120 | 6,414 | 6,534 | |
| Certificates of Deposit | Y | Y | 2,000 | 0 | 0 | 0 | 0 | 2,000 | |
| DMO – treasury bill | Y | Y | 1,000 | 0 | 0 | 0 | 0 | 1,000 | |
| Local Authorities | N/A | N/A | 6,000 | 2,000 | 0 | 0 | 0 | 8,000 | |
| Total | | | 11,000 | 6,500 | 2,000 | 120 | 6,414 | 26,034 | |

The above analysis shows that all deposits outstanding as at 31st March 2019 met the Commissioner's credit rating criteria on the 31st March 2019.

Trade Receivables

The following analysis summarises the Commissioner's potential maximum exposure to credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors.

Only those receivables meeting the definition of a financial asset are included, i.e. debtors that have arisen as a result of trading activities.

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

| | 31 st March 2018 | 31 st March 2019 |
|---|-----------------------------|-----------------------------|
| Gross Debtors (£'000) | 3,439 | 2,091 |
| Bad Debt Provision as a % of Group Trade Debtors | 1.09 | 2.45 |
| Credit risk exposure | 38 | 51 |

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

| 31 st March 2018 £'000 | Loans maturing within: | 31 st March 2019 £'000 |
|--------------------------------------|--|--------------------------------------|
| 189 | Under 1 Year | 207 |
| 189 | Total Current Borrowing | 207 |
| 207 | 1 – 2 years | 227 |
| 747 | 2 – 5 years | 818 |
| 982 | 5 – 10 years | 684 |
| 0 | 10 – 15 years | 0 |
| 0 | 15 + years | 0 |
| 1,936 | Total Long Term Borrowing more than 12 months | 1729 |

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at fixed rates – the fair value of the assets will fall.

Price Risk

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

Foreign Exchange Risk

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

38. Trust Funds

Safer Dyfed-Powys Diogel was formerly known as the Dyfed-Powys Crime Prevention Trust.

On 1st August 2017 the Trust was formally re-named Safer Dyfed-Powys Diogel.

Safer Dyfed-Powys Diogel is a registered charity which has been invigorated by the Police and Crime Commissioner, with the objective to promote crime prevention and community safety advice, reduce the fear of crime and provide education and information on community safety amongst all the communities within Dyfed-Powys. The charity, in time, will develop lots of community focused projects to meet these objectives and will support the delivery of community safety in Dyfed-Powys.

Safer Dyfed-Powys Diogel is currently in a period of transition. At present, the Trust does not proactively fundraise and is utilising it's existing balances to fund expenditure. The Trustees will be making a decision on how best the Trust can move forward in the future.

Joint Annual Governance Statement 2018-19

Introduction and Scope of Responsibilities

The Police and Crime Commissioner and the Chief Constable are responsible for ensuring their business is conducted in accordance with the law, to proper standards and that public money is safeguarded, properly accounted for and used effectively, efficiently and economically. They also have a duty to make arrangements to secure continuous improvement in the way in which their functions are exercised.

In discharging their overall responsibility, the Police and Crime Commissioner and the Chief Constable are also responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

This Statement explains how the Police and Crime Commissioner and Chief Constable have complied with the Code of Corporate Governance, which reflect the principles in the Chartered Institute of Public Finance and Accountancy's guidance (CIPFA) *Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales 2016 Edition*. It also meets the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended), in relation to the statement of internal control and the publication of the annual governance statement. The approach taken this year differs to that of previous in that this document sets out evaluation findings to governance arrangements and is supported by a matrix of evidence detailing how the Police and Crime Commissioner and Chief Constable demonstrate the principles and behaviours of good governance.

Principles of Good Governance

A joint [Corporate Governance Framework](#) comprises the systems, processes, culture and values by which both the Office of Police and Crime Commissioner and Dyfed-Powys Police will govern their activities, both jointly and separately. The Framework enables the Police and Crime Commissioner and Chief Constable to monitor achievement against the Police and Crime Plan and to consider whether they have led to the delivery of appropriate, cost effective services, including achieving value for money.

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

The CIPFA/Solace Framework *Delivering Good Governance in Local Government* that covers policing bodies sets out the seven principles which underpin effective governance arrangements to ensure that the intended outcomes are defined and achieved. This Statement provides an assessment against each of these principles.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Both Corporations Sole operate in an open and transparent way, with processes in place to support the core principle of ethics and integrity which are in accordance with the College of Policing's Code of Ethics. The Police and Crime Commissioner and the Chief Constable have policies and procedures in place that comply with the law and conform to appropriate ethical standards and standards of professional behaviour. Declarations of interests and registers of gifts and hospitality for both the Police and Crime Commissioner and Chief Constable are published and procedures are in place to enable any conflicts of interest to be recorded if required.

A review of police effectiveness, efficiency, legitimacy (PEEL) undertaken by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in 2018 highlighted Dyfed-Powys as being 'Good' at encouraging ethical decision-making, with leaders promoting the Force's Code of Ethics and setting an ethical tone. Training is provided for leaders which includes ethical dilemmas.

The Police and Crime Commissioner and the Chief Constable have a whistleblowing policy in place and a newly implemented and widely accessible Fairness at Work policy and process. It also has a programme of random drug-testing against substance misuse.

The Ethics Committee which meets monthly includes representatives from both the Office of the Police and Crime Commissioner and the Force and benefits from having an independent chair from academia. It gets referrals from the workforce through the force intranet, which can be made anonymously. When it receives the referrals, the committee decides whether a topic constitutes an ethical issue. If it does, it commissions further research and obtains legal advice, if needed, to determine the response with escalation to the Force's People Board if deemed appropriate.

However, overall HMICFRS assessed Dyfed-Powys Police's legitimacy as 'Requiring Improvement'. Areas for improvement outline the following:

- The limited capability and capacity for counter corruption to effectively and fully monitor all systems to proactively identify breaches and misuse.
- A requirement to improve access to and transparency of the fairness at work procedures,
- The need to establish processes to identify any disproportionality in recruitment, retention and progression of the workforce together with fair and accessible promotion processes.

The recommendations will be progressed by the appropriate governance boards, with oversight from the HMICFRS Governance Group.

B. Ensuring openness and comprehensive stakeholder engagement

Effective public engagement is a statutory responsibility of Police and Crime Commissioners, who must seek the views of the community in order to act as the bridge between policing and the public. This engagement informs local policing priorities set by the Police and Crime Commissioner as detailed with the Dyfed-Powys Police and Crime Plan 2017-2021, to which the Chief Constable is held to account.

The Police and Crime Commissioner and Chief Constable regularly publish information on the Commissioner and Chief Constable's work and achievements through the respective

websites, social media and local and national news reports. This includes the publication of an Annual Report, the Commissioner's bi-monthly newsletters, papers and minutes of public meetings, as well as records of any decisions taken by the Police and Crime Commissioner.

Public consultation is undertaken on an on-going basis to inform decision-making and support the Police and Crime Commissioner's scrutiny activity. Targeted consultation takes place for specific decisions such as the public consultation on the council tax precept and for scrutiny of Force activity such as the use of force and their approach to tackling the use of illegal drugs. The Police and Crime Commissioner is scrutinised by the Police and Crime Panel which consists of members from local authorities who also consult their local communities and offer feedback to the Police and Crime Commissioner. Two primary responsibilities of the Police and Crime Panel are to review the precept level sought as well as approve the appointment of the Chief Constable and statutory roles within the OPCC.

'Connecting with Communities' is a priority within the Police and Crime Plan and whilst there is evidence of good practice, there is a lack of co-ordination between Force and Office of the Police and Crime Commissioner activity. This has been recognised as an area for improvement and changes have been proposed to the organisational governance arrangements to address this which will facilitate the alignment of the Police and Crime Commissioner's and the Chief Constable's engagement strategies in a jointly chaired Board.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Police and Crime Plan is the five year corporate plan set by the Police and Crime Commissioner for delivery by the Chief Constable. In support of this, the Chief Constable has developed a Delivery Plan, progress against which is reported to the Police and Crime Commissioner. The OPCC communicates activity to the public through the website and by various engagement activities such as the council tax leaflet which is sent to every household within the Dyfed-Powys area.

Improving the way it plans for the future is however an area for improvement for the Force according to the HMICFRS PEEL inspection. There is a need for the Force to have a better understanding of demand and what affects it, so that it can use its resources efficiently and plan for the future effectively. With a clear understanding of current and future demand, the organisation would be in a position of strength of having a sound evidence base to inform organisational strategy, for example in relation to estates, IT and agile working. In so doing, the Force should better itself to ensure that business benefits and return on investment in capital schemes is captured and realised, a matter that HMICFRS criticised the force for recently.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

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

Governance arrangements introduced during 2018/19 support robust decision making in order to achieve the required outcomes. The revised structure sought to bring together a number of disparate meetings and provide a clear reporting line for decisions and actions to

be taken. In distilling down the number of meetings, governance arrangements are predominantly led by Chief Officers however, decision-making has been devolved to enable flexible and responsive action and better outcomes. Accountability is supported by the governance structure and processes in place. Mechanisms for performance monitoring are currently under review to support evidenced based decision-making.

Within the structure, risks are managed and progressed during meetings as depicted within the Corporate and Dynamic Risk Registers; recommendations borne out of HMICFRS thematic and ad hoc inspections; along with any actions arising from the annually produced and forward looking Force Management Statement (FMS).

Learning the lessons is a fundamental mechanism to ensure continuous improvement to the delivery of an efficient and effective service that is dynamic and responsive to community need. However, our assessment suggests that there are opportunities to cascade learning in a more structured and consistent manner, by introducing processes which are driven through the governance structure and therefore do not wholly depend on individuals.

There is a formal business case process whereby projects are considered and project boards are in place which monitor the implementation and achievement of agreed initiatives and plans.

Demonstrable progress has been made to explore opportunities to work in collaboration with others to increase efficiency and provide better, more resilient services. However, concerns have been raised in relation to governance arrangements relating to some regional police based collaborative activity and how assurance can be achieved that such activity is delivering value for money. To ensure appropriate focus is given to establishing good governance and financial management of all collaborative arrangements, this has been placed on the Corporate Risk Register and is regularly monitored through the governance structures. Furthermore, the Police and Crime Commissioner will become the Chairman for the All Wales Policing Group and intends to focus on good governance in the collaborative arena.

During 2018, a review was undertaken of the Police and Crime Commissioner's Commissioning Board, which resulted in a change of membership, Terms of Reference and emphasis. The renamed Commissioning Advisory Board now acts as the reviewing body for Dyfed Powys Police and Crime Commissioner advising him in relation to the awarding of grant funding or the tendering for services. This includes ensuring that there is a return on investment and evaluation of services impact. The Board, which includes a member of the Police and Crime Panel and representatives from the Commissioner's volunteering schemes, focus on scrutinising services and holding service providers to account. This has been a significant development in supporting the evaluation of commissioned services, but there is more to be done to ensure that there is a clear understanding of the impact and return on investment of such services.

E. Developing the entity's capacity, including the capability of its leadership and individuals within it

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

In October 2018, a new development system was introduced to track individual performance and progression. The Development Assessment Profile (DAP) replaced a previous

performance system which was no longer meeting organisational needs. It will enable an individual's performance to be monitored throughout their career and will facilitate talent management and the development of skills. However, the system is currently in its infancy and needs to be embedded throughout the organisations.

The Organisational Transformational Leadership programme has supported a culture shift towards a coaching style and continuous improvement approaches within the Force and Office of the Police and Crime Commissioner. The continued roll out of this programme will ensure all officers ranked Inspector and above and police staff equivalents receive training to further embed the ethos of transformational leadership.

Improved demand analysis, strategic workforce planning and future forecasting will enable recruitment and training to be undertaken so that the Force's capacity remains appropriate and sustainable to meet future demand.

The Force's Professional Standards Department continues to work hard to improve timeliness of complaint handling, a matter that has been subject to close scrutiny by the Independent Office of Police Complaints (IOPC). It is positive to note that significant improvements have been made over the last few years, and in respect of the time taken to finalise cases by way of local resolution and proportionate investigation, the Force's performance is either better than, or on par with, the Most Similar Force (MSF) and national averages. In respect of recording complaints within 10 working days, performance is consistently better than the MSF and national averages. A previous backlog in vetting identified by HMICFRS has also been cleared.

Clearly therefore, the Department has made considerable progress in respect of timeliness overall and this is the consequence of significant improvements in complaint handling over the last few years. One of the key problems the Department has faced in respect of timeliness has been the build-up of 'legacy cases' which have distorted the overall performance of the Department. There are only a small number of these cases left to be finalised.

The Professional Standards Department hold bi-annual meetings with the IOPC liaison officer during which, the Force are held to account for performance in relation to complaint and conduct handling. In 2018/19 there were no significant recommendations from the IOPC.

F. Managing Risks and Performance through Robust Internal Control and Strong Public Financial Management

There is an embedded risk management culture across both organisations and at all levels, with robust processes in place to ensure that risks are identified and monitored via corporate and dynamic risk registers. The consideration of risk is a standing agenda item on all boards across the Force, and they are regularly reviewed both at Force Executive Board and Policing Board. The Joint Audit Committee oversees risk management arrangements and provides advice and guidance on a regular basis.

Force assurance arrangements comprise of the three lines of defence. The first line of defence being supervisory responsibility; the second line of defence being dip sampling and quality assurance checks carried out by management and internal audit; and the third line being independent assurance through scrutiny at the governance boards, office of the Police and Crime Commissioner, and external audit and other inspectorates.

The system of internal control is a significant part of the Corporate Governance Framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can only provide reasonable, and

not absolute, assurance of effectiveness. Findings of the annual review of the system of internal control are considered by the Commissioner and Chief Constable and independently reviewed by the Joint Audit Committee (JAC).

Governance arrangements support timely and targeted performance monitoring at various levels of the organisations. In discharging his statutory responsibilities, the Police and Crime Commissioner publically holds the Chief Constable to account for Force performance at the quarterly Policing Accountability Board, where he constructively challenges and encourages debate on organisational performance. In turn, the Police and Crime Panel hold the Police and Crime Commissioner to account for discharging his statutory responsibilities on a quarterly basis.

Whilst arrangements are in place to monitor performance, there is scope to improve our understanding of business benefits. There are examples of good practice within business realisation plans, but this needs to be embedded throughout the organisation, to ensure that decisions are being made based on accurate and robust information. Work is ongoing to redefine departmental structures to support this.

G. Implementing good practices in transparency reporting and audit to deliver effective accountability

The Police and Crime Commissioner and the Chief Constable ensure that decision-makers involved in service delivery are accountable to them through the governance arrangements in place in both organisations. Both of their websites publish information which is pertinent to the public and stakeholders in line with legalisation. The Commissioner has been awarded the Transparency Quality Mark by Comparing Police and Crime Commissioners (CoPaCC), a national organisation which monitors police governance, in recognition for the level and breadth of information contained on the website.

Decisions made by the Police and Crime Commissioner are published on his website in a timely manner and publically reported to the Police and Crime Panel for their scrutiny on a quarterly basis.

The Joint Audit Committee advises on the annual programme of internal audit and produces an annual report summarising key findings of all audit activity and outcomes. Recommendations for service improvements are acted upon and reported to the Committee, although there are at times concern in relation to the timeliness of progressing actions. As such, arrangements are now in place for Internal Audit activity findings to be monitored by the Joint Force and Commissioner's Office Audit and Quality Assurance Group, which will encourage timely progression of actions.

Furthermore the Joint Audit Committee have assumed more responsibility in terms of independent scrutiny and opinion on HMIC Recommendations and Risk Identification and Management.

Capacity within the force to audit and quality assure many aspects of policing processes is limited which in turn has impacted the ability to utilise audit outcomes to drive improvement.

Review of Effectiveness

The Chief Constable and Commissioner have responsibility for conducting, at least annually, a review of the effectiveness of their governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group, senior managers within the organisations 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. The Corporate Governance Group is predominantly responsible for the review of governance, with minutes and actions being reviewed by the Joint Audit Committee. The Chair of the Joint Audit Committee sits within the Corporate Governance Group, the Minutes to which are reported to the Joint Audit Committee.

The Corporate Governance Group met four times in the last year to collate evidence and assess progress against a matrix of evidence designed to demonstrate the Policing Services' compliance with the Core Principles. This matrix forms the evidence base for this Annual Governance Statement.

In accordance with regulation, the Police and Crime Commissioner and the Chief Constable have reviewed the effectiveness of its internal audit service. The service has complied with all Public Sector Internal Auditing Standards (PSIAS).

The primary role of Internal Audit is to give an assurance to the Commissioner and Chief Constable 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 of the Internal Auditor, is one of the key sources of evidence in support of the Annual Governance Statement. With reference to 2018/19 the internal auditor, TIAA Ltd expressed the following opinion:

"TIAA is satisfied that for the areas reviewed during the year that the Police and Crime Commissioner for Dyfed-Powys and Chief Constable Dyfed-Powys Police has reasonable and effective risk management, control and governance processes in place. Also, there was evidence to support the achievement of value for money with regard to economy, efficiency or effectiveness of the systems reviewed. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability which must be obtained by the Police and Crime Commissioner and the Chief Constable from the various sources of assurance".

The Wales Audit Office issued unqualified audit opinions in respect of the 2017/18 accounts to both the Commissioner and Chief Constable, and were satisfied that the Commissioner and Chief Constable had appropriate arrangements in place in the year to secure economy, efficiency and effectiveness in their use of resources.

Both the Police and Crime Commissioner and Chief Constable have complied with the new statutory requirement for closure of accounts to be finalised by the end of July. The reduced deadline has significantly impacted timescales for the production of the statement of accounts and annual governance statement, however these have been adequately prepared for and delivered against.

A summary of the actions that were endorsed as in progress, within the Annual Governance Statement for 2017/18 are provided below:

| Action | Progress |
|---|--|
| Consider sustainable development principles for all key developments as part of a new front door process for ideas, business cases and future planning | In progress: Business case models are being rolled out within Dyfed-Powys. All cases for resource must be submitted in a reasoned business case, aligned to the Treasury Green Book Model. A corporate template for business cases has been developed and will ensure reference to sustainable development principles. |
| Embed the Police and Crime Plan (PCP) Delivery Plan into the organisation through appropriate governance arrangements including performance structures | Complete: The police and crime delivery plan is fully embedded in throughout the organisation and within the governance arrangements. |
| Complete the Historic Areas for Improvement included in HMICFRS Police Efficiency Effectiveness and Legitimacy (PEEL) inspections to improve the grading across the four strands. | In progress: There is a rolling programme in place to scrutinise all outstanding Areas For Improvement (AFIs) resulting from HMICFRS inspections and considerable progress has been made with closing these. Responsibility for addressing these rests with the various Governance Boards and Groups and further oversight is delivered by the HMICFRS Governance group to ensure progress. |
| Establish and publish a plan of our own audit of processes and systems and compliance testing. Link corporate governance action plan to risk register. | In progress: An audit plan is in development following an exercise to understand what audit and testing already takes place throughout the Force. Overseeing progress in relation to this work is the Audit and Quality Assurance Group. |

A summary of the actions for 2018/19 together with detail as to the progress made is provided in the table on the next page:

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

| Action | |
|---|--|
| Embed the HMICFRS Force Management Statement (FMS) process and utilise this as a strategic planning tool to identify gaps in force capability to and address policing priorities. | Complete: This is fully in place. A working group chaired by the DCC was held monthly and the development of chapters for FMS 2019/20 is underway. The submission of FMS2 2019/20 is due on 31 st May 2019. |
| Establish a 'Front door process' to corporately identify and prioritise emerging major change projects, initiating the required capacity to implement these programmes. | Complete: A 'Front door process' has been established, initially through the Change Oversight Forum for reporting to Finance, Efficiency and Futures Board. |
| Establish and consistently embed audit and quality assurance mechanisms to drive up data quality and improve the force's approach to information management | <p>In progress: progress has been made however, it is unlikely that this will be fully resolved with the current IT systems. Improvements made so far in terms data quality and information management are detailed below</p> <ul style="list-style-type: none"> • Data quality presentation (Fill it, check it, match it) • Review of auto matching procedures within Police National Intelligence (PNI) • Identification of Management Of Police Information 1 nominals and rectifying of duplicate records • Changes to mobile data processes to encourage early checks against PNI records and matching where appropriate. • Undertaking procurement process for new Records Management System (RMS) • Information Commissioner's Officer (ICO) inspection in early February 2019. <p>More needs to be done from an information security perspective. The force has recruited a Data Protection Auditor. Audit plans around Information management will become more developed when resources are embedded. Limited capacity to undertake and coordination of internal quality assurance checks and dip-sampling impacts the flow of information via the governance structure, thus limiting the ability to drive improvement.</p> |
| Improve financial management arrangements to ensure early identification of financial pressures to facilitate robust mitigation plans. | <p>In progress: The Finance Gold Group has been established to which 4 sub-groups report. The 4 sub-groups are Overtime Working, Income Generation, Medium Term Financial Plan and Procurement.</p> <p>In addition, recruitment has taken place for extra capacity within the finance team within the force. Two additional Accountants started in November 2018 as well as the Assistant Director – Finance in December 2018.</p> |

| | |
|---|--|
| | <p>Monitoring of the financial position continues through both the formal governance structure and the Finance Gold Group which has continued to meet monthly.</p> <p>The Annual Finance Seminar was held on the 30th November 2018 and building upon this, the Police & Crime Panel 'accepted' the Commissioner's proposal to increase the precept by 10.7% at its meeting on 25th January 2019. Discussion has continued in relation to financial resilience and sustainability over the medium term and this will focus the work of the Medium Term Financial Planning sub group and the Demand & Efficiency Group over coming months.</p> <p>Work is ongoing within the Finance Department to review and streamline financial reporting arrangements and consideration is also being given to the timing and sequencing of financial reporting through the governance structure. Considerations are also currently being given to the optimal resourcing structure for the Finance Department.</p> |
| <p>Develop a comprehensive Force Strategy in line with Policing Vision 2025 and regional priorities, clearly setting out force priorities in relation to Estates, ICT, People and service delivery.</p> | <p>Complete: The Force Strategy has been integrated with future long term strategic planning. This has been presented in the HMIC Strategic Presentation.</p> <p>The document and one page summary was submitted to the Policing Board for agreement.</p> |
| <p>Undertake a review of governance structures to ensure effectiveness and robust accountability and communication.</p> | <p>In progress: A report was submitted to Chief Officers and considered more widely at Force Executive Board in May 2019. A revised structure was agreed and will be implemented from 3rd June 2019.</p> |
| <p>Establish and embed assurance mechanisms to compliment and support force audit and assurance activity, providing independent, public focussed scrutiny of performance</p> | <p>In progress: Scrutiny deep dives and scrutiny panels are embedded. Public feedback is used to focus future scrutiny themes. Enhanced scrutiny framework, once approved, will increase the OPCC's variety of assurance mechanisms, involving wider stakeholders including the public.</p> |
| <p>Establish and embed internal performance monitoring activity within the OPCC to provide focus and demonstrate accountability and effectiveness.</p> | <p>Complete: The OPCC has developed a performance indicator framework based on the Policing Protocol 2011. This has been populated with data for quarters two to four of 2018/19 and reported to the Police and Crime Panel on a quarterly basis to demonstrate the office's delivery against the Commissioner's statutory responsibilities.</p> |

Opinion

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

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


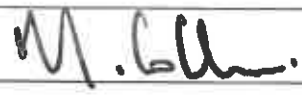
Conclusion


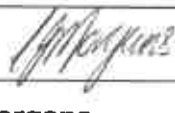
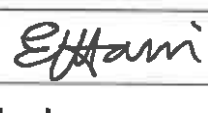
The review of governance arrangements for the Police and Crime Commissioner and Chief Constable over the last year has identified a number of areas of Policing Services that, if achieved, would demonstrate enhanced accountability, transparency and effective working arrangements as well as strengthening further the governance arrangements in place.

The Commissioner and Chief Constable are committed to a process of continual improvement of governance and will take steps to address the areas for improvement identified. The monitoring of their implementation and operation will form part of the next annual review.

Next Steps

| Action | Owner |
|---|---|
| Capability and capacity to counter corruption effectively and fully monitor systems to proactively identify breaches and misuse | DCC, Ch Supt PSD |
| Accessibility and transparency of a number of HR processes | AD People Services |
| Co-ordination of engagement activity between the Office of the Police and Crime Commissioner and Force | Chief of Staff OPCC & DCC |
| Improved understanding of current and future demand to support future planning and inform organisational strategy | DCC |
| A more structured and consistent approach to learning from problem solving, mistakes and lessons learned. | DCC |
| Governance and financial management of collaboration arrangements. | AD Collaboration |
| Embedding of the Development Assessment Profile (DAP) within the organisation | DCC, AD People Services. |
| Improved understanding of business benefits | DCC |
| Timeliness of auctioning Internal Audit recommendations | AD Collaboration & OPCC Chief of Staff |
| Evaluation of commissioned services | Chief of Staff OPCC |
| Purdah for elections of Police and Crime Commissioner – relationship management and ensuring fairness and equity. | Chief of Staff (and Monitoring Officer), OPCC |

| | |
|---|---|
| Signed:  | Signed:  |
| Dafydd Llŷwelyn | Mark Collins |
| Police and Crime Commissioner | Chief Constable |
| Date: 30 th July 2019 | Date: 30.7.19 |

| | | |
|---|---|---|
| Signed:  | Signed:  | Signed:  |
| Beverley Peatling | Carys Morgans | Edwin Harries |
| Chief Financial Officer, OPCC | Chief of Staff and Monitoring Officer | Director of Finance |
| Date: 30 th July 19 | Date: 30-07-2019 | Date: 30/7/2019 |

