Comisiynydd Heddlu a Throseddu
Dyfed-Powys
Police and Crime Commissioner

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

This document is available in Welsh as well as English.

Police & Crime Commissioner for Dyfed Powys

Statement of Accounts 2013/14

(Group Accounts)

Contents

Explanatory Foreword

Introduction

On 15th November 2012 Mr Christopher Salmon was elected as Police and Crime Commissioner for Dyfed-Powys (hereafter referred to as the Commissioner) and took up office on the 22nd November 2012, at which time Dyfed-Powys Police Authority ceased to exist. The primary role of the Commissioner is to secure the maintenance of an efficient and effective police force across Carmarthenshire, Pembrokeshire, Ceredigion and Powys and to hold the Chief Constable of Dyfed-Powys to account for the exercise of operational police duties under the Police Act 1996.

The purpose of the foreword is to provide an insight into the most significant aspects of the Commissioner's performance and financial position and which are presented in detail in the Statement of Accounts that follow.

Statement of Accounts

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

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 2013/14;

- **Statement of Responsibilities for the Statement of Accounts** - this statement sets out the responsibilities of the Commissioner and his Chief Finance Officer;

- **Annual Governance Statement -** this statement is not a part of the Statement of Accounts but is published alongside the Statement of Accounts. This statement describes how the Group conducts business in accordance with proper standards and presents the findings from the annual review of the effectiveness of the systems of internal control;

- **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 pension reserve that matches the pension liability);

- **Comprehensive Income and Expenditure Statement -** this statement summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year;

- **Balance Sheet** – this shows the value as at the Balance Sheet date of assets and liabilities recognised by the Group. The net assets (assets less liabilities) are matched by the usable and unusable reserves;

- **Cash Flow Statement –** this statement summarises changes to cash and cash equivalents during the reporting period;

- **Police Pension Fund -** this summarises the income and expenditure during the reporting period relating to police pensions. 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 Pension Fund Account and effectively underwrite the deficit on the Pension Fund Account. This practice would work in reverse if the Pensions Fund Account were to show a surplus at the end of the year;

- **Notes to the Accounts** – these provide additional information that further explains items included within the main financial statements with an aim of improving the reader's understanding of the main financial statements;

- **Glossary of Terms** – this is not a part of the Statement of Accounts but is included to assist the reader's understanding of the Statement of Accounts.

Financial Performance of the Group

In February 2013, the Police and Crime Commissioner set a revenue budget for the financial year 2013/14 of £98.179m. After receiving a Home Office Grant of £39.828m, National Non-Domestic Rates of £14.034m and a Revenue Support Grant of £0.943m, £43.374m was raised from Council Tax.
The Table below sets out the final out-turn position for 2013/14 compared with the revised budget for the Chief Constable and for the Group as a whole. Overall the Group delivered a balanced budget.

This report is in a subjective analysis format which is used by internal management for reporting purposes against the budget. The format differs to the Comprehensive Income and Expenditure Statement and a reconciliation between the two formats is shown in Note 30.

Key points to note on the table that follows are:

Chief Constable

- The under spend against employee cost is attributable principally to police officers being under strength in the early part of the financial year. The Force also experienced high turnover in terms of police officer retirements during 2013/14 and this resulted in it being under its establishment despite recruiting at full capacity during the second half of the financial year. A review of priorities and operational requirements was carried out and, as a result, it was determined that an additional 30 officer posts would be created. These could be afforded from within the existing budget.

- Police staff positions were also down on profile for 2013/14 with a number of posts being held vacant. This was in line with reductions planned as part of the "Public First" cost reduction programme.

- Non-pay expenditure is also down on the profile reflecting continued scrutiny and restraint being applied to all expenditure headings.

- The Force has received some significant unbudgeted income from mutual aid and, special services of police worked by officers in policing national and local events which is a further one off saving against the budget. This was applied to capital Automatic Number Plate Recognition (ANPR) and equipment purchases. Additional income had also been received in respect of interest receipts and against the prosecution costs recovered.

- As a result of the significant underspends that occurred during the year an amount of approximately £5.9m has been transferred to reserves.

Commissioner

- The Commissioner's Office over spent a small amount on a number of different cost categories but also received more income than originally anticipated when the budget was set. The income was in the form of two new grants issued by the Home Office.
- The combined effect of the above was for the Commissioner's Office to make a larger than expected contribution to reserves.

	Group			**Commissioner**			**Chief Constable**		
	Revised Annual Budget	**Actual**	**(Over)/ Under spend**	**Revised Annual Budget**	**Actual**	**(Over)/ Under spend**	**Revised Annual Budget**	**Actual**	**(Over)/ Under spend**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Employee Costs	90,053	86,390	3,663	614	619	(5)	89,439	85,771	3,668
Premises Costs	3,436	3,313	123	0	0	0	3,436	3,313	123
Transport Costs	3,000	2,544	456	13	7	6	2,988	2,537	451
Supplies & Services	7,935	7,053	882	266	281	(15)	7,669	6,772	897
Agency & Contracted Services	3,775	2,981	794	996	1,034	(38)	2,779	1,947	832
Total operating expenses	**108,199**	**102,281**	**5,918**	**1,888**	**1,941**	**(53)**	**106,311**	**100,340**	**5,971**
Capital Financing Costs	1,098	2,085	(987)	0	0	0	1,098	2,085	(987)
Impairment	0	(61)	61	0	0	0	0	(61)	61
Gain/Loss on disposal of non-current assets	0	0	0	0	0	0	0	0	0
Interest payments on external borrowing	564	620	(56)	0	0	0	564	620	(56)
Capital Financing and impairment	**1,662**	**2,644**	**(982)**	**0**	**0**	**0**	**1,662**	**2,644**	**(982)**
Appropriations to/from pensions fund	0	0	0	0	0	0	0	0	0
Contributions to/from reserves	(416)	6,075	(6,491)	12	193	(181)	(428)	5,882	(6,310)
Appropriations	**(416)**	**6,075**	**(6,491)**	**12**	**193**	**(181)**	**(428)**	**(5,882)**	**(6,310)**
Fees, charges & other service income	(3,820)	(4,968)	1,148	0	0	0	(3,820)	(4,968)	1,148
Government grants (Revenue & Capital)	(7,446)	(7,853)	407	(856)	(1,090)	234	(6,590)	(6,763)	173
Total Income	**(11,266)**	**(12,821)**	**1,555**	**(856)**	**(1,090)**	**234**	**(10,410)**	**(11,731)**	**1,321**
Net Expenditure	**98,179**	**98,179**	**0**	**1,044**	**1,044**	**0**	**97,135**	**97,135**	**0**
Financed By:									
Police Grant	(39,828)	(39,828)	0	0	0	0	0	0	0
National Non- Domestic Rates	(14,034)	(14,034)	0	0	0	0	0	0	0
Revenue Support Grant	(943)	(943)	0	0	0	0	0	0	0
Council Tax	(43,374)	(43,374)	0	0	0	0	0	0	0
Total Financing	**(98,179)**	**(98,179)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Capital Expenditure and Capital Financing

In addition to revenue expenditure, money is incurred on capital assets such as buildings and vehicles which have a long term value to the Commissioner.

Each year the Commissioner approves a capital programme which details where capital expenditure will be incurred. In 2013/14 the capital budget of £6.014m was adopted by the Commissioner.

This capital budget for 2013/14 was financed as follows:

- Direct Revenue Financing £1.390m
- Capital Grant Contributions £1.172m
- Capital Reserves £2.752m
- Borrowing £0.52m
- Capital Receipts £0.18m

During 2013/14 actual capital expenditure amounted to £3.654 million. The main variations from the budget are shown below:

Category	Capital Programme	Expenditure	(Over) / Under	Reason for over/under spend
	£'000	£'000	£'000	£'000
Land and Buildings	2,164	510	1,654	Slippage against the following schemes: £681 – Llandrindod Wells Station £339 – HQ and Police station refurbishments £198 – Property store £58 – Boiler replacement £378 – Other Minor
Vehicles	1,486	1,507	(21)	Additional spend on helicopter equipment
Furniture and Equipment	2,364	1,637	727	Slippage against the following schemes: £161 – Business systems £117 – Mobile Data, £76 – IT and server replacements £63 – Digital Video Evidence. £310 – Other Minor
Total	**6,014**	**3,654**	**2,360**	

This capital expenditure was financed as follows:

Category	Capital Programme	Funding	(Over) / Under	Reason for over/under spend
	£'000	£'000	£'000	
Capital Receipts	180	296	(116)	Additional proceeds received for helicopter equipment
Direct Revenue Financing	1,390	1,363	27	Utilisation of Funding received
Borrowing	520	520	0	-
Capital Reserves	2,752	368	2,384	Lower than anticipated spend on capital programme
Capital Grant and Contributions	1,172	1,107	65	Grant funded mobile data spend less than budgeted
Total	**6,014**	**3,654**	**2,360**	

Discretionary Payments

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

Further legal advice obtained by the Commissioner appears to confirm that the discretionary payments could be unlawful. Prompt action has been taken to stop any further discretionary allowances being paid until such time as the legal position is fully clarified. Some of these payments related to amounts paid in 2012/13 and 2013/14 and these are highlighted in Note 33, Officers' remuneration.

Looking Ahead

The grant settlement for the 2014/15 financial year was particularly challenging with a reduction in funding of 4.8% being applied to central grants. In setting the police element of council tax (known as the precept) the Commissioner was conscious of balancing the pressures on household budgets against the need to provide an effective public policing service. This resulted in a precept rise of 2.1% for the 2014/15 year which was in line with inflation.

The outline budget allocated for 2014/15 has included annual recurring cost reductions of £3.747 million, being the target set by the Commissioner for the Chief Constable for 2014/15. The Medium Term Financial Plan covering the period 2014/15 to 2017/18 was published alongside the budget for 2014/15 and this highlights a significant degree of uncertainty pertaining to the funding which will be available to the Force over this period.

It is expected that a similar reduction in grant of around -5% will be applied by the Home Office in 2015/16. The financial position thereafter will affected by Home Office Ministerial decisions around formula funding methodology, the outcome of the next Comprehensive Spending Review (which follows the General Election) as well as local decisions made by the Police and Crime Commissioner on Precept and Policing priorities. In addition some significant cost increases could arise from April 2016 as a result of changes to National Insurance that are planned as part of wider Government Pensions Reforms. This could add around £1.3 million to the Group's Budget requirement in 2016/17.

Given the significant uncertainty in the future funding position the Commissioner and Chief Constable have engaged in a "Public First" programme which is aimed at making significant reductions in the costs of supporting front line policing activities. That said, even if the Public First programme is successfully implemented further cost reductions will be required post April 2016 should the funding assumptions prove correct.

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 2013/14.

Christopher Salmon

19th Sept 2014

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 2014.

18th Sept 2014

Chief Financial Officer **Date**

Annual Governance Statement

The annual governance statement is a statutory document which explains the processes and procedures in place to enable the Dyfed-Powys Police and Crime Commissioner (Commissioner) to carry out his functions effectively.

This statement explains how the Commissioner has complied with the CIPFA/SOLACE Framework: "Delivering Good Governance in Local Government (Guidance Note for Police)" and also meets the requirements of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2010 in relation to the publication of a statement of internal control.

The statement is produced following a review of the governance arrangements and includes an action plan to address any significant governance issues identified.

Scope of Responsibility

Both the Commissioner and the Chief Constable are corporations sole and the Policing Protocol Order 2011 sets out the policing governance arrangements, clarifying the role and responsibilities of the Commissioner, the Chief Constable and the Police and Crime Panel and how they should work together to address crime and improve policing.

The Commissioner is responsible for performing his functions as set out in the Police Reform and Social Responsibility Act 2011 and must hold the Chief Constable to account for the exercise of their functions. This includes ensuring that a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

In discharging their respective responsibilities, both the Commissioner and the Chief Constable adopted an interim Scheme of Governance (incorporating the Scheme of Delegation, Financial Regulations and Standing Orders Relating to Contracts) which was in place throughout the whole of the 2013/14 financial year.

During 2013/14 a joint Code of Corporate Governance was written. This was adopted on 1st April 2014 and is included within the Corporate Governance Framework.

Copies of the above documents are available on the Commissioner's website at www.dyfed-powys.pcc.gov.uk or can be obtained from the Office for the Dyfed-Powys Police and Crime Commissioner at PO Box 99, Llangunnor, Carmarthen SA31 2PF.

The Purpose of the Corporate Governance Framework

The governance framework comprises the systems and processes, culture and values by which the force is directed and controlled by the Chief Constable and its activities through which it accounts to, engages with and leads its communities. It enables the Commissioner to monitor the achievement of his strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework

The key elements of the governance framework that are explained below:

The Commissioner

Before commencing in office, the Commissioner took an oath to represent all of the people of Dyfed-Powys impartially, without fear or favour and in making his decisions, he signs off that he has no personal or prejudicial interest in the matter. Both the

Commissioner and Deputy Commissioner have agreed to abide by a Code of Conduct providing guidance on ethical standards and behaviour.

A Memorandum of Understanding between the Commissioner and Chief Constable defines the nature of their relationship, providing details of respective responsibilities and expected conduct.

Registers of gifts and hospitality and interests are maintained and the Commissioner's expense claims are disclosed. Staff are subject to vetting, the level of which reflects their access to information.

Police and Crime Plan

In May 2013, the Commissioner issued a five year Police and Crime Plan (Plan). The Plan is updated annually and outlines the vision, police and crime objectives and the strategic direction for policing. The Plan identifies six priorities focusing on making safe neighbourhoods, protecting victims and spending wisely. The Plan was launched via a series of events to ensure that the Commissioner's vision was clearly communicated to the Force, partners and to the public.

Police and Crime Panel

The Police and Crime Panel scrutinises, challenges and monitor's the work of the Commissioner on an ongoing basis. The Panel carries out its work through public meetings that are recorded with the agenda and minutes made available to the public via the Commissioner's website. The Panel reviews complaints against the Commissioner and none were upheld during the year. The Panel comprises twelve County Councillors and two Independent Members. Further information about the Police and Crime Panel, including its terms of reference are available online.

Joint Audit committee

The Joint Audit Committee (JAC) comprises five members and exists to provide independent assurance that there are adequate controls in place to mitigate key risks and to provide assurance that the Commissioner and Chief Constable are operating effectively. The JAC met four times during 2013/14 and their judgements may be informed by the results of scrutiny activity by Internal Audit, Wales Audit Office, Her Majesty's Inspectorate of Constabulary (HMIC) and other ad-hoc reviews or inspections. The Joint Audit Committee's terms of reference are available on the Commissioner's website.

A presentation focusing on the governance arrangements that are now in place following the commencement of the Police and Crime Commissioner in office was delivered in September 2013 to answer concerns that members had raised on their lack of understanding of the new governance arrangements.

Internal Audit

The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

New internal auditors were appointed during 2013/14 and their plan of work for the year covered eleven separate areas of the business, focussing on some of the most significant financial and operational risks. The Head of Audit's Annual Opinion concluded that there are "adequate and effective management, control and governance processes to manage the achievement of its objectives". Of particular note are that results of Internal Audit's review of risk management and governance – strategic control. These are discussed further under Review of Effectiveness.

Wales Audit Office

The Wales Audit Office (WAO) in carrying out its review of the financial statements provides comments on the system of internal controls that are in place. WAO also report on how services and being delivered, assess whether value for money is being achieved and checks on how organisations are planning and delivering improvements. Again, the result of their work is summarised below under Review of Effectiveness.

Policing Board
A Policing Board has been established with its inaugural meeting held on the 3rd April 2013. The Policing Board is an internal system providing a robust process for the Commissioner to hold the Chief Constable to account in delivering the Police and Crime Plan. The Policing Board meets on a weekly basis and in addition, monthly meetings focussing on the delivery of each of the six priorities identified in the Police and Crime Plan ensure that performance against the priorities are adequately monitored and challenged. This ensures that the Force is regularly challenged leading to an environment of continuous improvement. The Policing Board charter is published as section 6 (Decision Making) of the new Corporate Governance Framework.

Public Decision Logs
The Commissioner produces a public log of decisions made. Each decision is signed by the Commissioner who agrees to abide by the seven principles set out in the Standards in Public Life – the NOLAN Principles – in making his decisions.

Corporate Governance Group
The Corporate Governance Group has delegated responsibility for undertaking the process of maintaining and reviewing the effectiveness of the governance framework. Membership currently includes the Chairman of the Joint Audit Committee, the Deputy Police and Crime Commissioner, the Deputy Chief Constable, the Commissioner's monitoring Officer and both the Chief Finance Officers for the Commissioner and the Chief Constable.

Code of Governance
As mentioned above, an interim Scheme of Governance (incorporating the Scheme of Delegation, Financial Regulations and Standing Orders Relating to Contracts) was in place throughout the whole of the 2013/14 financial year. However, an important piece of work that was carried out during the year was the development of a new framework. The new joint Corporate Governance Framework was implemented on 1st April 2014.
The joint Code of Governance sets out how the Commissioner and the Chief Constable govern their organisations both jointly and separately in accordance with the six core principles that underpin effective and ethical corporate governance in public service as outlined in The good Governance Standard for Public Services (2004).

Public Engagement
Views of the public and service users are collected through a number of different ways including:

- Citizen's Panels;
- User satisfactions surveys;
- "Your Voice" days (public surgeries held across the Dyfed-Powys area);
- Quality of Service team (handling complaints and compliments);
- Precept consultation;
- Attendance at key local events for example, the Royal Welsh Show.

Frequent and meaningful engagement with the public enables the Commissioner to understand the needs of the people of Dyfed-Powys to help develop his vision for the local area and also ensures robust public accountability.

Review of Effectiveness

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. As detailed above, the Corporate Governance Group has delegated responsibility for reviewing the corporate governance framework and also oversees its implementation.
The review of effectiveness was carried out by the Corporate Governance Group and has been informed by:

- Police and Crime Panel Views
- Joint Audit Committee Views
- Internal Audit Work
- Wales Audit Office Review and Work
- Policing Board Discussions and Actions
- HMIC Reviews and Reports
- Other Reviews
- National Issues

Conclusion
The Commissioner was in post for the whole of 2013/14 and has addressed some of the issues identified in the last Annual Governance Statement:

- Creation of a new joint Code of Corporate Governance. This was developed during the year and rolled out to all staff on the 1st April 2014. Further ongoing work to assess the suitability and success of the introduction of the Corporate Governance Framework appears below as an action for 2014-2015.
- Formation of an effective Policing Board. The Policing Board met weekly during the whole of the 2013/14 financial year.
- System for quality assurance for investigating and responding to complaints – At the end of the year the Commissioner established a Resident's Panel that consists of professional independent individuals that undertake the dip sampling of closed complaint cases on his behalf. They undertook their first dip sampling exercise after the year end and considered 21 complaint files that had been closed during the last quarter of 2013/14 financial year. The final report has not yet been published however the Resident's Panel have identified areas of good practice as well as areas where issues were identified and where improvements are necessary. Weaknesses identified will be reviewed and improvements made where possible to ensure the continued improvement of the quality assurance function.
- Undertaking a review of partnerships and commissioning potential for Dyfed-Powys which was utilised to inform the Commissioning Plan for 2014 onwards. Whilst this action has been achieved, it is recognised that further work on partnership working needs to be carried out and this also appears below as an action for the forthcoming year.

In addition, a number of other positive achievements were identified by the Corporate Governance Group during their review:

- Internal Audit carried out a review of governance – strategic control. The review granted a reasonable assurance on this area and concluded that the Commissioner and the force had worked hard on establishing good corporate governance and a sound system of control. Two recommendations for improvements (both of which have been implemented) were made.

- WAO issued an unqualified opinion on the 2012-2013 statutory accounts and commented that all had gone well. No significant internal control issues were identified.
- WAO also carried out a review of Community Engagement during the year. The study sought whether the Commissioner and force had the right processes in place to successfully engage with the public. The study sought whether the Commissioner and force effectively monitored and evaluated the effectiveness of its public engagement activity and whether public engagement activity delivered improved outcomes. The study found a significant increase in public contact since the appointment of the Commissioner and a commitment to engage with the public and partner organisations which reflected in the public first programme. It highlighted that there was a constructive and receptive approach to engagement with evidence to support and endorse the National Principles for Public Engagement in Wales.

Having carried out the review, we believe that the governance arrangements that are in place continue to be regarded as fit for purpose in accordance with the governance framework. No major issues or weaknesses were identified. That said, the review highlighted a number of areas that should be specifically addressed and these are outlined below.

Significant Governance Issues
The issues identified below will be monitored by the Corporate Governance Group and the Joint Audit Committee over the next twelve months to ensure that governance arrangements are monitored and further strengthened to ensure continuous improvement.
The following summarises the most significant governance issues that were identified or addressed during the 2013/14 financial year:

Identified in the Last Governance Statement

- Introduction of Corporate Governance Framework (Framework) – the new Framework was compiled during the year and adopted from 1st April 2014. The Framework will be reviewed after three months in operation to capture improvements and any changes necessary for its successful implementation at an operational level.
- Risk management - The last Annual Governance Statement recognised that further development of risk processes and information was needed. Despite taking steps to achieve this, a review of risk management arrangements by internal audit in January/February 2014 resulted in only a limited assurance being granted. A number of weaknesses were identified leading to five recommendations being made. These recommendations have been accepted by management and are currently being addressed. The Chief Constable is aiming to implement all recommendations within six months of the date of the report.
- Partnership Working – A review of partnerships within the Dyfed-Powys area was undertaken by an external consultant during the year. The conclusions of the review were used to inform the Commissioner’s approach to commissioning. However, further work needs to be undertaken to improve collaboration amongst partners and this work will continue during 2014-2015.

New Issues Identified During the Year

- Stage 2 transfers – At the start of the 2013/14 financial year, all staff within the Group were under the employment of the Commissioner. "Stage 2 transfers" refers to the transfer of staff from the employment of the Commissioner to the Chief Constable. A Project Implementation Group was formed to manage the risks, especially financial risks relating to the transfer. This process was successfully completed on the 31st March 2014 with all but twelve staff transferring to the direct employment of the Chief Constable. There are no further actions identified for 2014-2015 on this matter.
- Public First Programme – during the course of the year, the Commissioner engaged with an external company to undertake an independent review of back office functions. Following on from the review, a decision was made to review all force structures to ensure that they are fit for purpose and focused on delivering operations policing services for the people of Dyfed-Powys. This work is ongoing and the programme will be monitored by the Commissioner and Chief Constable until the new structure is in place and delivers the expected outcomes.
- Discretionary payments - Nationally, concerns have been raised over the legality of some discretionary allowances paid to a small number of chief officers in forces throughout England and Wales. Dyfed-Powys Police Authority approved the Chief Officers Benefits Policy but following the concerns raised, legal advice as to the legality of the discretionary payments was sought by the Commissioner. The advice confirmed that the discretionary payments could be unlawful and in light of this, such allowances payable to chief officers were stopped until such time as the legal position is fully clarified. Chief Officer who have been in receipt of these allowances have been informed of this and that potential recovery action could be taken if the allowances are subsequently confirmed as being unlawful. This remains an open issue that will be progressed during 2014-2015.

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

Signed by Christopher Salmon, Dyfed-Powys Police and Crime Commissioner
Date: 19th September 2014:

Signed by Alasdair Kenwright, Chair of the Joint Audit Committee
Date: 18th September 2014:

Signed by Jayne Woods, Chief Finance Officer
Date: 18th September 2014:

Independent auditor's report to the Police and Crime Commissioner for Dyfed Powys

I have audited the accounting statements and related notes of the:

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

for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for Dyfed Powys' accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and related notes.

The Police and Crime Commissioner for Dyfed Powys' Police Group accounting 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 related notes.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for Dyfed Powys' Group accounting statements and Dyfed Powys Police Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of the Police and Crime Commissioner for Dyfed Powys

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Dyfed Powys as at 31 March 2014 and of his income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on the accounting statements of the Police and Crime Commissioner for Dyfed Powys Police Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Police and Crime Commissioner for Dyfed Powys Police Group as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

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

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

- give a true and fair view of the financial transactions for Dyfed Powys Police Pension Fund during the year ended 31 March 2014 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Annual Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

Anthony Barrett – Appointed Auditor
Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ
Date 23 September 2014

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

Movement in Reserves Statement

Financial Year 2013/14

	Statement/ Note	General Fund Balance	Earmarked Revenue Reserves	Capital Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Accumulated Absences Account	Pensions Reserve	Total Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2013 carried forward		**4,500**	**16,182**	**15,315**	**0**	**1,259**	**37,256**	**14,219**	**53,164**	**(518)**	**(893,119)**	**(826,254)**	**(788,998)**
Movement in reserves during 2013/14:													
Surplus or (deficit) on the provision of services	**CIES**	(34,174)	0	0	0	0	**(34,174)**	0	0	0	0	**0**	**(34,174)**
Other Comprehensive Income and Expenditure	**CIES**	0	0	0	0	0	**0**	2,007	0	0	48,540	**50,547**	**50,547**
Total Comprehensive Income and Expenditure		**(34,174)**	**0**	**0**	**0**	**0**	**(34,174)**	**2,007**	**0**	**0**	**48,540**	**50,547**	**16,373**
Adjustments between accounting basis and funding basis under Regulations	**9**	40,249	0	0	0	(255)	**39,994**	(292)	(567)	(39)	(39,096)	**(39,994)**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**6,075**	**0**	**0**	**0**	**(255)**	**5,820**	**1,715**	**(567)**	**(39)**	**9,444**	**10,553**	**16,373**
Transfers to/from earmarked reserves	**10**	(6,075)	6,443	(368)	0	0	**0**	0	0	0	0	**0**	**0**
Increase/Decrease in 2013/14		**0**	**6,443**	**(368)**	**0**	**(255)**	**5,820**	**1,715**	**(567)**	**(39)**	**9,444**	**10,553**	**16,373**
Balance at 31st March 2014 carried forward		**4,500**	**22,625**	**14,947**	**0**	**1004**	**43,076**	**15,934**	**52,597**	**(557)**	**(883,675)**	**(815,701)**	**(772,625)**

Financial Year 2012/13 (Restated)

	Statement /Note	General Fund Balance	Earmarked Revenue Reserves	Capital Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Accumulated Absences Account	Pensions Reserve	Total Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2012 carried forward		**4,500**	**16,167**	**10,322**	**0**	**1,268**	**32,257**	**14,511**	**55,354**	**(378)**	**(757,883)**	**(688,396)**	**(656,139)**
Movement in reserves during 2012/13:													
Surplus or (deficit) on the provision of services	**CIES**	(34,992)	0	0	0	0	**(34,992)**	0	0	0	0	**0**	**(34,992)**
Other Comprehensive Income and Expenditure	**CIES**	4	0	0	0	0	**4**	0	0	0	(97,871)	**(97,871)**	**(97,867)**
Total Comprehensive Income and Expenditure		**(34,988)**	**0**	**0**	**0**	**0**	**(34,988)**	**0**	**0**	**0**	**(97,871)**	**(97,871)**	**(132,859)**
Adjustments between accounting basis and funding basis under Regulations	**9**	39,996	0	0	0	(9)	**39,987**	(292)	(2,190)	(140)	(37,365)	**(39,987)**	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**5,008**	**0**	**0**	**0**	**(9)**	**4,999**	**(292)**	**(2,190)**	**(140)**	**(135,236)**	**(137,858)**	**(132,859)**
Transfers to/from earmarked reserves	**10**	(5,008)	15	4,993	0	0	**0**	0	0	0	0	**0**	**0**
Increase/Decrease in 2012/13		**0**	**15**	**4,993**	**0**	**(9)**	**4,999**	**(292)**	**(2,190)**	**(140)**	**(135,236)**	**(137,858)**	**(132,859)**
Balance at 31st March 2013 carried forward		**4,500**	**16,182**	**15,315**	**0**	**1,259**	**37,256**	**14,219**	**53,164**	**(518)**	**(893,119)**	**(826,254)**	**(788,998)**

Comprehensive Income and Expenditure Statement 2013/14

Group					Commissioner		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Note**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
59,924	(4,763)	**55,161**	Local Policing		938	(4,763)	**(3,825)**
6,080	(51)	**6,029**	Dealing with the Public		0	(51)	**(51)**
9,977	(463)	**9,514**	Criminal Justice Arrangements		0	(463)	**(463)**
7,612	(1,038)	**6,574**	Road Policing		0	(1,038)	**(1,038)**
4,032	(36)	**3,996**	Community Intelligence		0	(36)	**(36)**
7,574	(652)	**6,922**	Specialist Operations		0	(652)	**(652)**
10,651	(188)	**10,463**	Special Investigation		0	(188)	**(188)**
3,160	(29)	**3,131**	Investigative Support		0	(29)	**(29)**
5,279	(4,791)	**488**	National Policing		0	(4,791)	**(4,791)**
940	0	**940**	Non Distributed Costs		7	0	**7**
2,484	(22)	**2,462**	Corporate and Democratic Core		5,833	(3,413)	**2,420**
			Exceptional items -				
(491)	0	**(491)**	Non-current assets revaluation		(491)	0	**(491)**
(61)	0	**(61)**	Icelandic Banks		(61)	0	**(61)**
117,161	**(12,033)**	**105,128**	**Cost of Services**		**6,226**	**(15,424)**	**(9,198)**
0	(10,733)	**(10,733)**	Other operating expenditure	**11**	0	(10,733)	**(10,733)**
39,569	(879)	**38,690**	Financing and investment income and expenditure	**12**	836	(879)	**(43)**
0	(98,911)	**(98,911)**	Taxation and non-specific grant income	**13**	0	(98,911)	**(98,911)**
0	0	**0**	Commissioning Costs (intra-group transfer)		153,059	0	**153,059**
156,730	**(122,556)**	**34,174**	**(Surplus)/deficit on Provision of services**		**160,121**	**(125,947)**	**34,174**
		(2,007)	Surplus or deficit on revaluation of non-current assets				**(2,007)**
		(48,540)	Actuarial (gains)/losses on pension assets/liabilities				**(248)**
		0	Commissioning Costs (intra-group transfer)				**(48,292)**
		(50,547)	**Other comprehensive income and expenditure**				**(50,547)**
		(16,373)	**Total comprehensive income and expenditure**				**(16,373)**

Restated Comprehensive Income and Expenditure Statement 2012/13

Group					Commissioner		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
63,861	(12,212)	**51,649**	Local Policing		635	(12,212)	**(11,577)**
6,480	(102)	**6,378**	Dealing with the Public		0	(102)	**(102)**
10,191	(575)	**9,616**	Criminal Justice Arrangements		0	(575)	**(575)**
7,782	(715)	**7,067**	Road Policing		0	(715)	**(715)**
4,096	(70)	**4,026**	Community Intelligence		0	(70)	**(70)**
7,272	(2,425)	**4,847**	Specialist Operations		0	(2,425)	**(2,425)**
10,711	(280)	**10,431**	Special Investigation		0	(280)	**(280)**
3,066	(50)	**3,016**	Investigative Support		0	(50)	**(50)**
5,403	(3,280)	**2,123**	National Policing		0	(3,280)	**(3,280)**
66	0	**66**	Non Distributed Costs		0	0	**0**
2,414	(59)	**2,355**	Corporate and Democratic Core		6,302	(3,986)	**2,316**
			**** Exceptional items***				
329	0	**329**	Non-current assets revaluation decrease		329	0	**329**
121,671	**(19,768)**	**101,903**	**Cost of Services**		**7,266**	**(23,695)**	**(16,429)**
0	(8,887)	**(8,887)**	Other operating expenditure	**11**	0	(8,902)	**(8,902)**
43,020	(4,527)	**38,493**	Financing and investment income and expenditure	**12**	4,494	(4,527)	**(33)**
0	(96,517)	**(96,517)**	Taxation and non-specific grant income	**13**	0	(96,517)	**(96,517)**
0	0	**0**	Commissioning Costs (intra-group transfer)		156,873	0	**156,873**
164,691	**(129,699)**	**34,992**	**(Surplus)/deficit on Provision of services**		**168,633**	**(133,641)**	**34,992**
		(4)	Surplus or deficit on revaluation of non-current assets				(4)
		97,871	Actuarial (gains)/losses on pension assets/liabilities				83
		0	Commissioning Costs (intra-group transfer)				97,788
		97,867	**Other comprehensive income and expenditure**				**97,867**
		132,859	**Total comprehensive income and expenditure**				**132,859**

* Icelandic Banks impairment was £8k in 2012/13. This amount was not material and therefore did not warrant a separate disclosure under 'Exceptional Items' in the accounts.

Balance Sheet

Group 2012/13 (restated)	Commissioner 2012/13 (restated)		Note	Group 2013/14	Commissioner 2013/14
£'000	**£'000**			**£'000**	**£'000**
72,635	72,635	Property, plant & equipment	**14**	73,524	73,524
4,344	4,344	Investment property	**15**	4,580	4,580
25	25	Intangible assets	**17**	12	12
336	336	Assets held for sale	**22**	567	567
77,340	**77,340**	**Long term assets**		**78,683**	**78,683**
27,199	27,199	Short term investments	**18**	34,039	34,039
396	0	Inventories	**19**	444	0
12,453	12,080	Short term debtors	**20**	6,488	6,097
4,495	4,495	Cash and cash equivalents	**21**	4,389	4,389
0	769	Intra-group transfer		0	835
44,543	**44,543**	**Current assets**		**45,360**	**45,360**
(121)	(121)	Short term borrowing	**18**	(131)	(131)
(10,401)	(2,833)	Short term creditors	**23**	(6,233)	(2,625)
(915)	(915)	Provisions	**24**	(563)	(563)
0	(7,568)	Intra - group transfer		0	(3,608)
(11,437)	**(11,437)**	**Current liabilities**		**(6,927)**	**(6,927)**
0	(893,037)	Long term creditors		0	(883,923)
(2,746)	(2,746)	Long term borrowing	**18**	(2,614)	(2,614)
(895,688)	(2,651)	Other long term liabilities	**18**	(886,214)	(2,291)
(1,010)	(1,010)	Provisions	**24**	(913)	(913)
(899,444)	**(899,444)**	**Long term liabilities**		**(889,741)**	**(889,741)**
(788,998)	**(788,998)**	**Net assets/liabilities**		**(772,625)**	**(772,625)**
(37,256)	(37,256)	Usable reserves	**25**	(43,076)	(43,076)
826,254	826,254	Unusable reserves	**26**	815,701	815,701
788,998	**788,998**	**Total reserves**		**772,625**	**772,625**

Cash Flow Statement

Group 2012/13	Commissioner 2012/13		Note	Group 2013/14	Commissioner 2013/14
£'000					£'000
34,992	**34,992**	**Net (surplus) or deficit on the provision of services**		**34,174**	**34,174**
-38,623	-38,623	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-44,658	-44,658
289	289	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		600	600
-3,342	**-3,342**	**Net cash flows from Operating Activities**	**27**	**-9,884**	**-9,884**
279	279	Investing Activities	**28**	9,699	9,699
293	293	Financing Activities	**29**	291	291
-2,770	**-2,770**	**Net increase or decrease in cash and cash equivalents**		**106**	**106**
1,725	1,725	Cash and cash equivalents at the beginning of the reporting period		4,495	4,495
4,495	**4,495**	**Cash and cash equivalents at the end of the reporting period**	**21**	**4,389**	**4,389**

Police Pension Fund

Group 2012/13	Commissioner 2012/13		Group 2013/14	Commissioner 2013/14
£'000	**£'000**		**£'000**	**£'000**
		Contributions:		
(10,181)	0	• Employer contributions	(10,026)	0
(5,052)	0	• Member contributions	(5,470)	0
(40)	0	Transfers in from other pension funds	(242)	0
(225)	0	Other income	(463)	0
(15,498)	**0**		**(16,201)**	**0**
		Benefits:		
19,254	0	• Pensions	20,346	0
5,023	0	• Commutations and lump sum retirement benefits	6,307	0
24,277	**0**		**26,653**	**0**
		Payments to and on Account of Leavers:		
122	0	Transfers out to other pension funds	414	0
2	0	Refunds of contributions	4	0
0	0	Other expenditure	47	0
124	**0**		**465**	**0**
8,903	**(8,903)**	**Net amount payable for the year**	**10,917**	**(10,917)**
(8,903)	8,903	**Home Office Grant**	(10,917)	10,917
0	**0**		0	**0**

Pensions Liability

The Pensions Liability which is disclosed on the Balance Sheet reflects the underlying commitments that the Chief Constable has in the long run to pay retirement benefits. In 2013/14 this amounts to £883,923 million compared to £893,037 million in 2012/13.

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 24.2% for police officers and 13.1% 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.

Notes to the Accounts

1. Accounting policies

General Principles

The Statement of Accounts summarises the Group's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. The Commissioner is required to prepare an annual Statement of Accounts for himself and the Group by the Accounts and Audit (Wales) Regulations 2005 (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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

- 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.

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.

Exceptional Items

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

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.

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.

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, he 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.

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 and are charged on an accruals basis to the appropriate service in the appropriate Comprehensive Income and

Expenditure Statement when the Commissioner and Chief Constable are demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 relevant service is charged with the employer’s contributions payable to Police Officer Pensions in the year. Information on the long term pensions liability can be found in Note 42.

Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:
The liabilities 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.
Liabilities are discounted to their value at current prices, using a discount rate of 4.6% (based on the indicative rate of return on a high quality corporate bond).

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

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

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

Service cost comprising:

- Current service cost: the increase in liabilities as a result of years of service earned this year – allocated in the appropriate Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Net interest on the net defined benefit liability (asset), ie net interest expense for the Group – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The 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.

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.

Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Group has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

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

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

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

The Group's portfolio of investments consists of fixed term Bank and Building Society deposits and call/notice accounts. Call account balances held at the 31st March 2014 were shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

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.

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.

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is 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.

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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Group will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Group's goods or services.

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 criteria, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Inventories

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

Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Leases

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

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

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

The Group as Lessee (Finance Leases)

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

Lease payments are apportioned between:

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

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

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

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

The Group as Lessor (Finance Leases)
Where the Group grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred or Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtors. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.
The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Group as Lessor (Operating Leases)
Where the Group grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is

used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

<u>Recognition</u>
Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it incurred.
Expenditure falling below a de-minimis level of £6,000 per item is treated as Revenue and charged when it is incurred, except where the aggregate value of the amounts involved are considered material to the true and fair presentation of the Statement of Accounts, or where terms and conditions of grants require the amounts to be applied to Capital expenditure.

<u>Measurement</u>
Assets are initially measured at cost, comprising

- The purchase price;

- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Group does not capitalise borrowing costs incurred whilst assets are under construction.
The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Group). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Group.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;

- Dwellings – fair value, determined using the basis of existing use value for social housing;

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.]

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against 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 line in the Comprehensive Income and Expenditure Statement.

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.

Impairment

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

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

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated 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 Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Where an item of property, plant and equipment asset 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 with the component only being separately quantified where:

- Remaining Life of component 0-10 years and component value is over £50k
- Remaining Life of component 10-15 years and component value is over £100k
- Remaining Life of component 15-20 years and component value is over £200k

- Remaining Life of component 20-30 years and component value is over £300k
- Remaining Life of component 30-40 years and component value is over £750k
- Remaining Life of component over 40 years and component value is over £1,000k

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – on a straight line basis according to an assessment of the useful life of the asset which is 5 years for standard vehicles and equipment and 3 years for traffic or response vehicles
- Infrastructure – straight line allocation over 25 years
- Helicopter – discussions with the manufacturer have resulted in the need to split the helicopter into four main components for depreciation estimation purposes. The Airframe is depreciated over 20 years. Engines have a useful life of 3,500 hours which is equivalent to 8.75 years, the gearbox has an estimated useful life of 5 years and mission equipment has a useful life of 5 years.

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

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

<u>Private Finance Initiatives (PFI) and Similar Contracts</u>

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Group is deemed to control the assets that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Group at the end of the contracts for no additional charge, the Group carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Group.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- Finance cost – an interest charge of 13.93% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

<u>Provisions</u>

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. For instance, the Commissioner may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year-where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Group settles the obligation.

Reserves
The Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Group – these reserves are explained in the relevant policies.

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

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

International Accounting Standard (IAS) 19

IAS 19 - Employee Benefits outlines the accounting requirements for employee benefits, including short-term benefits (e.g. wages and salaries, annual leave), post-employment benefits such as retirement benefits, other long-term benefits (e.g. long service leave) and termination benefits. The standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits.

It is applicable to annual accounting periods from 1st January 2013 onwards. This means that prior year figures had to be amended to take account of the implementation of this new accounting standard.

Entries related to post-employment benefits had the following effect on the 2012/13 comparative figures in the Groups' Comprehensive Income and Expenditure Account:

2012/13 Audited				2012/13 Restated			
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Net Expenditure Difference**
£'000				**£'000**			**£'000**
63,824	(12,212)	51,612	Local Policing	63,861	(12,212)	51,649	37
6,442	(102)	6,340	Dealing with the Public	6,480	(102)	6,378	38
10,162	(575)	9,587	Criminal Justice Arrangements	10,191	(575)	9,616	29
7,779	(715)	7,064	Road Policing	7,782	(715)	7,067	3
4,085	(70)	4,015	Community Intelligence	4,096	(70)	4,026	11
7,270	(2,425)	4,845	Specialist Operations	7,272	(2,425)	4,847	2
10,706	(280)	10,426	Special Investigation	10,711	(280)	10,431	5
3,054	(50)	3,004	Investigative Support	3,066	(50)	3,016	12
5,403	(3,280)	2,123	National Policing	5,403	(3,280)	2,123	0
67	0	67	Non Distributed Costs	67	0	67	0
2,401	(59)	2,342	Corporate and Democratic Core	2,414	(59)	2,355	13
329	0	329	Exceptional Items	329	0	329	0
121,522	**(19,768)**	**101,754**	**Cost of Services**	**121,672**	**(19,768)**	**101,904**	**150**
0	(8,888)	(8,888)	Other Operating Expenditure	0	(8,888)	(8,888)	0
42,682	(4,527)	38,155	Financing and investment income and expenditure	43,020	(4,527)	38,493	338
0	(96,517)	(96,517)	Taxation and non-specific grant income	0	(96,517)	(96,517)	0
0	0	0	Commissioning Costs (intra group transfer)	0	0	0	0
164,204	**(129,700)**	**34,504**	**(Surplus) / deficit on Provision of Services**	**164,692**	**(129,700)**	**34,992**	**488**
0	**0**	**(4)**	**Surplus or deficit on revaluation of non-current assets**	**0**	**0**	**(4)**	**0**
0	**0**	**98,359**	**Actuarial (gains)/losses on pensions assets/liabilities**	**0**	**0**	**97,871**	**(488)**
0	**0**	**98,355**	**Other comprehensive income and expenditure**	**0**	**0**	**97,867**	**(488)**
0	**0**	**132,859**	**Total comprehensive income and expenditure**	**0**	**0**	**132,859**	**0**

Further adjustments have been made to the comparative figures in the MIRS and Note 12 – Financing and investment income and expenditure.

Property Plant & Equipment

Further information received in 2013/14 highlighted that a property purchased in 2012/13 had been incorrectly classified as an operational building. It should be classed as an investment property as the building has not been utilised for operational purposes:

2012/13 Audited				2012/13 Restated		
Property, Plant & Equipment	**Investment Property**	**Total**		**Property, Plant & Equipment**	**Investment Property**	**Total**
£'000				**£'000**		
59,815	1,572	**61,387**	Balance at 31st March	59,611	1,776	**61,387**

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 2014:

- IFRS 13 *Fair Value Measurement*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*
- IAS 32 *Financial Instruments: Presentation*
- Annual Improvements to IFRSs 2009 – 2011 Cycle

In the Financial Statements for 2014/15, the effect of the changes will be assessed and where 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. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. 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.

- The Police Authority has entered into a contract with Dolef Cyf for the design, construction, maintenance and operation of Ammanford Police Station. This contract has been adopted by the Commissioner upon his appointment to office. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the police station (valued at £3.781 million) is recognised as Property, Plant and Equipment on the Commissioner's Balance Sheet.

- Municipal Mutual Insurance (MMI) is a former insurer of public bodies which ceased trading in 1992. At the time that the company ceased trading, a number of health related claims were outstanding and in common with many other local authorities, the Authority and subsequently the Commissioner, is in a scheme of arrangement to meet all outstanding claims. This scheme is still in place and its claim Director originally advised that the maximum liability to fall on the Commissioner would be £608,900.58.

The Scheme Administrator wrote to the Commissioner on the 13th May 2013, stating that 'following the triggering of MMI's Scheme of Arrangement, I have determined that initially, a Levy rate of 15% will be required', and as such, an amount of £91,335.09 was paid in 2013/14. Despite further correspondence suggesting that the provision in the accounts can be reduced, a prudent approach has been adopted and the provision provided is for the whole amount of £608,900.589, less the £91,335.09 paid during the year.

- The Police Authority had £2m deposited with the UK subsidiaries of the Icelandic Banks – Heritable and Kaupthing Singer and Friedlander (KSF) which went into administration in October 2008. The current situation with regards to recovery of the sums deposited varies between each institution. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators, it is likely that adjustments to the impairment for the deposits will be necessary.

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 items in the Balance Sheet at 31st March 2014 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
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Commissioner will be able to sustain his current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Estimates of remaining useful life have been received and depreciation calculations rely on these estimations. The Commissioner has used depreciated historical costs as a proxy for furniture, plant and equipment.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1,340k for every year that useful lives had to be reduced.
Accumulated Absences Fund	In determining the liability in respect of accumulated absences, information in respect of annual leave and flexi leave was obtained from the system. A sampling approach was adopted in order to arrive at the liability. A representative sample of employees was selected and electronic records obtained detailing the number of days carried forward from the previous year. The average number of days carried forward was used to calculate the required liability, based on the number of employees at the previous year end and the average salary in the following financial year, adjusted to include employer's national insurance and pension contributions.	The largest category of accumulated absences at the 31st March 2014 is police officer annual leave. If the average number of days carried forward from the previous year was increased by one day per officer, this would increase the liability by approximately £151k.

Provisions	The Commissioner has provided £395k for insurance claims incurred at the 31st March which are likely to be paid. The assessment is made based on the likely settlement and the probability of a known claim against the Commissioner being successful.	The average amount provided per claim amounts to £14k with the maximum exposure per claim being £50k. Any amount above £50k is met by the Commissioner's insurance company.
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, a 0.1% increase in the pay growth assumption for the police officer pension scheme would result in an increase in the pension liability of £15.3 million.

6. Accounting for the new governance arrangements

Basis of the transition

The Police and Crime Commissioner commenced in office on the 22nd November 2012 and therefore has been in post for the whole of the 2013/14 financial year. The comparatives for 2012/13 reflect the financial performance of the Police Authority for the first part of the year along with that of the Police and Crime Commissioner from 22nd November 2012 onwards. This accounting treatment is as required by IFRS 6 Acquisitions and Mergers. Under merger accounting the Commissioner was not accounted for as a new body last financial year and the accounting treatment presents the new entity as if it had always existed.

Accounting principles

These accounting principles consider the substance of transactions in determining whether to recognise income, expenditure, assets, liabilities and reserves and not solely their legal form.

Income and Expenditure

The Police Reform and Social Responsibility Act (PRSRA) states that the Commissioner is the recipient of funding relating to policing and crime reduction, including government grant and precept and other sources of income. As this is a statutory requirement, it overrides proper accounting practice and therefore all grant and other income is included in the Commissioner's Comprehensive Income and Expenditure Statement.
It is the responsibility of the Commissioner to secure the maintenance of an efficient and effective local police force which he commissions from the Chief Constable. As such all service expenditure is accounted for in the Chief Constable's accounts, with the exception of the cost of running the Office of the Police and Crime Commissioner (OPCC) which appears separately in the single entity accounts of the Commissioner.

Non-current assets

During Stage 1 the Commissioner holds and funds all non-current assets, regardless of who uses them. The Commissioner therefore retains the risks and rewards of ownership i.e. legal title, disposal rights and proceeds. All non-current assets are therefore reported in the Commissioner's balance sheet.
The majority of non-current assets are in practice used for operational policing and therefore a revenue charge for the use of the assets is reflected in the Chief Constables Comprehensive Income and Expenditure Statement. The depreciation charges are included in the Commissioner's Comprehensive Income and Expenditure Statement reflecting the fact that he owns all non-current assets.

Current assets and liabilities
Creditors and debtors have been split between the Commissioner and the Chief Constable as appropriate. However as the PRSRA states that the Chief Constable is unable to hold cash, the Chief Constable's current assets and liabilities are balanced to nil via intra-group transfers between the Commissioner and the Chief Constable which are eliminated from the group accounts. These intra-group transfers included in the balance sheet are:

2012/13				2013/14		
Commissioner	Chief Constable	Group		Commissioner	Chief Constable	Group
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
769	(769)	0	Current Assets	835	(835)	0
(7,568)	7,568	0	Current Liabilities	(3,608)	3,608	0

Reserves
The PRSRA states that only the Commissioner is able to hold reserves to balance funding and spending priorities and manage risk. Reserve balances are therefore reflected in the Commissioner's balance sheet.

7. Material items of income and expense

The following are included as material exceptional items, included on the face of the Comprehensive Income and Expenditure Statement

Revaluation and Impairment of non-current assets
The Commissioner carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. A full revaluation exercise was undertaken in the 2013/14 financial year for property and plant. This resulted in some large gains and losses in terms of building valuations. These revaluations amount to £491k.

Revaluation / impairment entries	**Revaluation Reserve**	**Provision of Service**	**Total**
	£'000	**£'000**	**£'000**
Property Valuation Increases	(2,605)	(1,155)	(3,760)
Property Valuation Decreases	599	664	1,263
Net Property Movements in Valuation	**(2,006)**	**(491)**	**(2,497)**

Icelandic Impairments
Based on the latest information available the Commissioner has adjusted the impairment for the deposits by £61k to reflect the better than anticipated repayment of the investments.

8. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 18th September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The following confirms the existence of conditions at the 31st March 2014:

Public First - The Commissioner has carried out a review of the force's support services and back office functions. This has led to the restructuring of these areas of the force with the aim of ensuring that the new structure is more effective and efficient in supporting police operations and delivers value for money for the public. In achieving the restructure additional one-off costs such as redundancy, training, information technology, property and project costs will be incurred. Earmarked reserves of £3.175m will be used to fund the costs of moving to the new structure, currently estimated to amount to £3.875m in total. The project is due to deliver £3.598m of ongoing savings annually from mid- 2014/15 onwards. Although the restructuring work has commenced in 2013/14, the vast majority of the costs (including redundancy) will be incurred after the end of the 2013/14 financial year.

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.

2013/14	General Fund Balance	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Accumulated Absences Account	Pensions Reserve	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account									
Reversal of items debited or credited to the Comprehensive income and expenditure statement (CIES):									
Charges for depreciation and impairment of non-current assets	4,316		**4,316**	(292)	(4,024)			**(4,316)**	**0**
Revaluation losses on property, plant and equipment	(491)		**(491)**		491			**491**	**0**
Amortisation of intangible assets	13		**13**		(13)			**(13)**	**0**
Capital grants and contributions applied	(1,077)		**(1,077)**		1,077			**1,077**	**0**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	480		**480**		(480)			**(480)**	**0**
Insertion of items not debited or credited to the CIES:									
Statutory provision for the financing of capital investment	(325)		**(325)**		325			**325**	**0**
Capital expenditure charged against the General Fund	(1,761)		**(1,761)**		1,761			**1,761**	**0**
Adjustments primarily involving the Capital grants unapplied account									
Capital grants and contributions unapplied credited to the CIES	(824)	824	**0**					**0**	**0**
Application of grants to capital financing transferred to the Capital Financing Account	1,079	(1,079)	**0**					**0**	**0**
Adjustments primarily involving the Capital receipts reserve									
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(296)		**0**					**0**	**0**
Use of Capital receipts reserve to finance new capital expenditure			**(296)**		296			**296**	**0**
Adjustments primarily involving the Pensions reserve									
Reversal of items relating to retirement benefits debited or credited to the CIES	(10,917)		**(10,917)**				10,917	**10,917**	**0**
Employer's pensions contributions and direct payments to pensioners payable in the year	50,013		**50,013**				(50,013)	**(50,013)**	**0**
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	39		**39**			(39)		**(39)**	**0**
Total adjustments	**40,249**	**(255)**	**39,994**	**(292)**	**(567)**	**(39)**	**(39,096)**	**(39,994)**	**0**

2012/13	General Fund Balance	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Accumulated Absences Account	Pensions Reserve	Total Unusable Reserves	Total Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account									
Reversal of items debited or credited to the Comprehensive income and expenditure statement (CIES):									
Charges for depreciation and impairment of non-current assets	4,547	0	**4,547**	(292)	(4,255)	0	0	**(4,547)**	**0**
Revaluation losses on property, plant and equipment	326	0	**326**	0	(326)	0	0	**(326)**	**0**
Amortisation of intangible assets	13	0	**13**	0	(13)	0	0	**(13)**	**0**
Capital grants and contributions applied	(973)	0	**(973)**	0	973	0	0	**973**	**0**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	81	0	**81**	0	(81)	0	0	**(81)**	**0**
Insertion of items not debited or credited to the CIES:									
Statutory provision for the financing of capital investment	(312)	0	**(312)**	0	312	0	0	**312**	**0**
Capital expenditure charged against the General Fund	(1,135)	0	**(1,135)**	0	1,135	0	0	**1,135**	**0**
Adjustments primarily involving the Capital grants unapplied account									
Capital grants and contributions unapplied credited to the CIES	(964)	964	**0**	0	0	0	0	**0**	**0**
Application of grants to capital financing transferred to the Capital Financing Account	973	(973)	**0**	0	0	0	0	**0**	**0**
Adjustments primarily involving the Capital receipts reserve									
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(65)	0	**(65)**	0	65	0	0	**65**	**0**
Use of Capital receipts reserve to finance new capital expenditure	0	0	**0**	0	0	0	0	**0**	**0**
Adjustments primarily involving the Pensions reserve									
Reversal of items relating to retirement benefits debited or credited to the CIES	(8,903)	0	**(8,903)**	0	0	0	8,903	**8,903**	**0**
Employer's pensions contributions and direct payments to pensioners payable in the year	46,268	0	**46,268**	0	0	0	(46,268)	**(46,268)**	**0**
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	140	0	**140**	0	0	(140)	0	**(140)**	**0**
Total adjustments	**39,996**	**(9)**	**39,987**	**(292)**	**(2,190)**	**(140)**	**(37,365)**	**(39,987)**	**0**

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 2013/14.

Reserve	Note	Balance at 31st March 2013	Transfers out 2013/14	Transfers in 2013/14	Balance at 31st March 2014
		£'000	£'000	£'000	£'000
Revenue Reserves	25	16,182	(7,672)	14,115	22,625
Capital Reserve	25	15,315	(368)	0	14,947
Total		**31,497**	**(8,040)**	**14,115**	**37,572**

11. Other operating expenditure

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

Group 2012/13	Commissioner 2012/13		Group 2013/14	Commissioner 2013/14
£'000	£'000		£'000	£'000
15	0	Gain/Loss on the disposal of non-current assets	184	184
(8,902)	(8,902)	Home Office Police Officers Pensions top-up grant	(10,917)	(10,917)
(8,887)	**(8,902)**	**Total**	**(10,733)**	**(10,733)**

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 2012/13	Commissioner 2012/13		Note	Group 2013/14	Commissioner 2013/14
£'000	£'000			£'000	£'000
635	635	Interest payable and similar charges	18	620	620
38,540	14	Net interest on the net defined benefit liability	42	38,750	17
(131)	(131)	Interest receivable and similar income	18	(125)	(125)
(405)	(405)	Income and expenditure in relation to investment properties and changes in their fair value	15	(465)	(465)
(146)	(146)	Other investment income	35	(90)	(90)
38,493	**(33)**	**Total**		**38,690**	**(43)**

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 2012/13	Commissioner 2012/13		Note	Group 2013/14	Commissioner 2013/14
£'000	**£'000**			**£'000**	**£'000**
(41,658)	(41,658)	Council tax income		(43,374)	(43,374)
(15,486)	(15,486)	National Non Domestic Rates (NNDR)		(14,032)	(14,032)
(38,555)	(38,555)	Non ring fenced government grants	**35**	(40,771)	(40,771)
(818)	(818)	Capital grants and contributions	**35**	(734)	(734)
(96,517)	**(96,517)**	**Total**		**(98,911)**	**(98,911)**

14. Property, plant and equipment

Movement on balances in financial year 2013/14:

		Property Plant and Equipment							Investment Properties					
	Note	Land	Buildings	Assets Under Construction	Helicopter	Vehicles	Equipment	Boat	Masts	Houses	Buildings	Assets Held for Sale	Intangible	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1st April 2013:		**4,719**	**70,209**	**0**	**3,269**	**10,015**	**16,729**	**0**	**2,748**	**505**	**1,776**	**336**	**314**	**110,620**
Additions		0	510	0	246	1,089	1,637	172	0	0	0	0	0	**3,654**
Revaluation increases/(decreases) recognised in the Revaluation reserve		0	1,929	0	0	0	0	0	62	(7)	17	6	0	**2,007**
Revaluation increases/(decreases) recognised in surplus/deficit on the Provision of Services		0	273	0	0	0	0	0	182	(18)	0	54	0	**491**
Derecognition – disposals		0	0	0	(262)	(54)	0	0	0	0	0	(164)	0	**(480)**
Assets reclassified		(150)	(185)	0	0	0	0	0	0	0	0	335	0	**0**
Write off of Accumulated Depreciation on revaluation		0	(11,941)	0	0	0	0	0	0	0	0	0	0	**(11,941)**
At 31st March 2014		**4,569**	**60,795**	**0**	**3,253**	**11,050**	**18,366**	**172**	**2,992**	**480**	**1,793**	**567**	**314**	**104,351**
Accumulated depreciation and impairment at 1st April 2013		**0**	**(10,598)**	**0**	**(2,079)**	**(7,548)**	**(12,081)**	**0**	**(500)**	**(185)**	**0**	**0**	**(289)**	**(33,280)**
Depreciation charge		0	(1,052)	0	(99)	(1,035)	(1,839)	0	0	0	0	0	(13)	(4,038)
Depreciation written out to Revaluation reserve		0	(291)	0	0	0	0	0	0	0	0	0	0	(291)
Write off of Accumulated Depreciation on revaluation		0	11,941	0	0	0	0	0	0	0	0	0	0	11,941
Impairment (losses)/ reversals recognised in the Revaluation Reserve		0	0	0	0	0	0	0	0	0	0	0	0	0
Impairment (losses)/ reversals recognised in the Surplus/ Deficit on the Provision of Services		0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment at 31st March 2014		**0**	**0**	**0**	**(2,178)**	**(8,583)**	**(13,920)**	**0**	**(500)**	**(185)**	**0**	**0**	**(302)**	**(25,668)**
Net book value - at 31st March 2014		**4,569**	**60,795**	**0**	**1,075**	**2,467**	**4,446**	**172**	**2,492**	**295**	**1,793**	**567**	**12**	**78,683**
Net book value - at 31st March 2013		**4,719**	**59,611**	**0**	**1,190**	**2,467**	**4,648**	**0**	**2,248**	**320**	**1,776**	**336**	**25**	**77,340**

Movement on balances in financial year 2012/13:

		Property Plant and Equipment						Investment Properties					
	Note	Land	Buildings	Assets Under Construction	Helicopter	Vehicles	Equipment	Masts	Houses	Buildings	Assets Held for Sale	Intangible	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1st April 2012:		**4,720**	**68,289**	**1,508**	**3,269**	**9,237**	**15,816**	**2,902**	**505**	**1,572**	**200**	**314**	**108,332**
Additions		0	723	0	0	854	913	0	0	204	0	0	**2,694**
Revaluation increases/(decreases) recognised in the Revaluation reserve		0	0	0	0	0	0	0	0	0	4	0	**4**
Revaluation increases/(decreases) recognised in surplus/deficit on the Provision of Services		0	(293)	0	0	0	0	0	0	0	(36)	0	**(329)**
Derecognition – disposals		0	0	0	0	(76)	0	0	0	0	(5)	0	**(81)**
Assets reclassified		(1)	1,490	(1,508)	0	0	0	(154)	0	0	173	0	**0**
At 31st March 2013		**4,719**	**70,209**	**0**	**3,269**	**10,015**	**16,729**	**2,748**	**505**	**1,776**	**336**	**314**	**110,620**
Accumulated depreciation and impairment at 1st April 2012		**0**	**(9,271)**	**0**	**(1,923)**	**(6,513)**	**(10,050)**	**(500)**	**(185)**	**0**	**0**	**(276)**	**(28,718)**
Depreciation charge		0	(1,034)	0	(156)	(1,035)	(2,031)	0	0	0	0	(13)	(4,269)
Depreciation written out to Revaluation reserve		0	(292)	0	0	0	0	0	0	0	0	0	(292)
Impairment (losses)/ reversals recognised in the Revaluation Reserve		0	(1)	0	0	0	0	0	0	0	0	0	(1)
At 31st March 2013		**4,719**	**59,611**	**0**	**1,190**	**2,467**	**4,648**	**2,248**	**320**	**1,776**	**336**	**25**	**77,340**

Depreciation

The revaluation process conducted in 2013/14 has allowed the Commissioner to improve his estimate of Depreciation in terms of the consumption of economic benefit. The improved information has been used for 2013/14. This information has provided for a split between land and buildings and has included an estimate of remaining useful life. Componentisation has enabled the Group to implement a better model of depreciation of the helicopter based upon four separate components. Assets that have been re-categorised as investment properties are valued at fair value and are not to be depreciated under the code.

	Depreciation 2012/13			Depreciation 2013/14		
Category of Asset	**Years**	**Residual Value**	**Charge**	**Years**	**Residual Value**	**Charge**
			£'000			**£'000**
Property						
• Land	No Depreciation		0	No Depreciation		0
• Operational Buildings	Over Remaining Life		1,326	Over Remaining Life		1,343
• Assets Under Construction	No Depreciation		0	No Depreciation		0
• Investment Properties	No Depreciation		0	No Depreciation		0
Helicopter :						
• Airframe	20	Nil	79	20	Nil	79
• Main Gear box	12	Nil	41	5	Nil	0
• Helicopter Engines	8.75	Nil	36	8.75	Nil	0
• Helicopter Equipment	5	Nil	0	5	Nil	20
Intangible assets	5	Nil	13	5	Nil	13
Vehicles						
• Rapid Response	3	Nil	270	3	Nil	119
• Other	5	Nil	765	5	Nil	916
Equipment						
Computer /other equipment	5	Nil	2,031	5	Nil	1,839
Total			**4,561**			**4,329**

Revaluations

The Commissioner carries out a programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years with an assessment made of changes in market value every year. All Property valuations were carried out by GVA Grimleys. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. 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					
	Land	Buildings	Assets Under Construction	Helicopter	Vehicles	Boat	Equipment	Masts	Houses	Buildings	Assets Held for Sale	Intangible	Total
	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost:	**4,569**	**55,236**	**0**	**2,095**	**2,519**	**172**	**4,415**	**5,835**	**351**	**2,008**	**793**	**8**	**78,001**
Valued at fair value at:													
31st March 2014	0	2,200	0	0	0	0	0	244	0	0	53	0	2,497
31st March 2013	0	0	0	0	0	0	0	0	0	0	(329)	0	(329)
31st March 2012	0	509	0	0	(15)	0	31	0	0	0	50	17	592
31st March 2011	0	2,288	0	(905)	0	0	0	(315)	16	(215)	0	0	869
31st March 2010	0	0	0	0	0	0	0	0	0	0	0	0	0
31st March 2009	0	562	0	0	(37)	0	0	(3,272)	(72)	0	0	0	(2,819)
31st March 2008	0	0	0	0	0	0	0	0	0	0	0	0	0
Total cost or valuation	**4,569**	**60,795**	**0**	**1,075**	**2,467**	**172**	**4,446**	**2,492**	**295**	**1,793**	**567**	**12**	**78,683**

15. Investment properties

Some of the Commissioner's property is being held solely to earn rentals and/or for capital appreciation purposes rather than for use in administrative purposes. These assets are not available for sale. This includes masts, some houses and in some cases parts of buildings which are held or were bought for income generation purposes.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. These are based on estimated income and expenditure for such assets where costs are identifiable:

2012/13		2013/14
£'000		**£'000**
607	Rental income from investment property	672
(202)	Direct operating expenses arising from investment property	(199)
405	**Net gain/(loss)**	**473**

There are no restrictions on the Commissioner's ability to realise the value inherent in his investment property or on the Commissioner's right to the remittance of income and the proceeds of disposal. The Commissioner has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2012/13		2013/14
£'000		**£'000**
4,294	**Balance at start of year:**	**4,344**
	Additions:	
204	Purchases	
0	Net gains/losses from fair value adjustments	236
	Transfers:	
(154)	• (To)/from property, plant and equipment	
4,344	**Balance at end of year**	**4,580**

16. Capital Commitments

As at 31 March 2014 the Commissioner has entered into various commitments associated with building schemes and major projects undertaken as part of the Capital Programme. The most significant of these commitments are:

- Retention on new police station at Llandrindod Wells – approximately £200k
- A new four year mobile data contract – total value £175k
- Remaining payment for Socretes Management System - £198k
- New biomass boiler for Carmarthen Police Headquarters - £150k

17. Intangible assets

The Commissioner accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Group/Commissioner. The useful life assigned to the major software used by the Group/Commissioner is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £13k charged to revenue in 2013/14 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2012/13				2013/14		
Internally generated assets	Other assets	Total		Internally generated assets	Other assets	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Balance at start of year:			
0	314	**314**	• Gross carrying amounts	0	314	**314**
0	(276)	**(276)**	• Accumulated amortisation	0	(289)	**(289)**
0	38	38	**Net carrying amount at start of year:**	0	25	25
			Additions:			
0	(13)	**(13)**	Amortisation for the period	0	(13)	**(13)**
0	**25**	**25**	**Net carrying amount at end of year**	**0**	**12**	**12**

Comprising:	**31/3/2010**	**31/3/2011**	**31/3/2012**	**31/3/2013**	**31/3/2014**
Gross carrying amounts (£'000)	297	297	314	314	314
Accumulated depreciation (£'000)	(204)	(263)	(276)	(289)	(302)

There are no items of capitalised software that are individually material to the financial statements.

18. Financial Instruments

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

Group:

	Long Term		Current	
	31st March 2013	31st March 2014	31st March 2013	31st March 2014
	£'000	£'000	£'000	£'000
Borrowing (PWLB) – principal sum borrowed	(2,731)	(2,599)	(121)	(131)
Borrowing (PWLB) – accrued interest	(15)	(15)	0	0
Trade Payables (Creditors)	0	0	(2,298)	(1,177)
PFI Liability	(2,569)	(2,539)	0	0
Liability related to Defined Benefit Pension Scheme*	(893,119)	(883,675)	0	0
Total Financial Liabilities	**(898,434)**	**(888,828)**	**(2,419)**	**(1,308)**
Loans and receivables:				
Fixed term investments – Principal at amortised cost	0	0	30,000	37,000
Fixed term investments – Accrued interest	0	0	4	6
Fixed term investments – Impaired investments	0	0	195	33
Trade Receivables (Debtors)	0	0	1,061	1,415
Soft Loans **	9	2	300	2
Total Financial Assets	**9**	**2**	**31,560**	**38,456**

Commissioner:

	Long Term		Current	
	31st March 2013	31st March 2014	31st March 2013	31st March 2014
	£'000	**£'000**	**£'000**	**£'000**
Borrowing (PWLB) – principle sum borrowed	(2,731)	(2,599)	(121)	(131)
Borrowing (PWLB) – accrued interest	(15)	(15)	0	0
Trade Payables (Creditors)	0	0	(997)	(211)
PFI Liability	(2,569)	(2,539)	0	0
Liability related to Defined Benefit Pension Scheme*	(82)	248	0	0
Total Financial Liabilities	**(5,397)**	**(4,905)**	**(1,118)**	**(342)**
Loans and receivables:				
Fixed term investments – Principal at amortised cost	0	0	30,000	37,000
Fixed term investments – Accrued interest	0	0	4	6
Fixed term investments – Impaired investments	0	0	195	33
Trade Receivables (Debtors)	0	0	693	1,024
Soft Loans **	9	2	300	2
Total Financial Assets	**9**	**2**	**31,192**	**38,065**

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

** Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2010 Code of Practice sets out specific accounting requirements for soft loans. The following table shows the composition of Soft Loans recorded on the Group and Commissioner Balance Sheets:

	Long Term		Current	
	31st March 2013	31st March 2014	31st March 2013	31st March 2014
	£'000	**£'000**	**£'000**	**£'000**
Car Loans to employees	9	2	0	0
Loan to Chief Officer towards House Purchase	0	0	300	0
Total Financial Assets	**9**	**2**	**300**	**0**

The Commissioner operates a Car Loan Scheme for Employees where the interest rates charged are below market rates. At 31st March 2014, 1 loan remained in the scheme with a total of £2k principal outstanding.

Considering the low value of car loans outstanding, de minimis principles have been applied. The detailed accounting treatment required for soft loans under the Code of Practice has therefore not been considered necessary and the fair value of these loans are considered to be the same as the carrying value.

The loan in respect of the house purchase was made in 2012, with an interest rate charged below market rate. The loan matured in May 2013.

Income, Expense, Gains and Losses

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

2012/13		Financial Liabilities	Financial Assets	2013/14
Total £'000s		Liabilities measured at amortised cost £000s	Loans and receivables £000s	Total £000s
£'000		**£'000**	**£'000**	**£'000**
(635)	Interest expense	(620)	0	(620)
(635)	**Interest payable and similar charges**	**(620)**	**0**	**(620)**
131	Interest income	0	125	125
13	Impairment gain (Icelandic Banks)	0	61	61
144	**Interest and investment income**	**0**	**186**	**186**
(491)	**Net gain/(loss) for the year**	**(620)**	**186**	**186**

Fair Values

Long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- 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.
- In the case of the Commissioner's investments, these consisted entirely of term deposits with Banks, Building Societies and the Debt Management Office. The maturity dates of these investments were within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption.
- For trade payables and trade receivables, the carrying value has been used as a reasonable approximation of fair value.
- The PFI liability has been measured at the present value of the minimum lease payments in respect of the property, discounted by the interest rate implicit in the contract.
- The liability related to the Defined Benefit Pension Scheme has been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The fair value of this liability at the Balance Sheet date is therefore the same as the carrying amount.
- The fair value for short term investments at the Balance Sheet date is the same as the carrying amount because the interest rate on similar investments is not

considered to be materially different from that obtained when the investment was originally made.

Group			Commissioner	
Carrying amount	**Fair value**		**Carrying amount**	**Fair value**
31st March 2014	**31st March 2014**		**31st March 2014**	**31st March 2014**
£'000	**£'000**		**£'000**	**£'000**
		Financial Liabilities:		
(131)	(131)	Short Term Borrowing	(131)	(131)
(2,614)	(4,052)	Long Term Borrowing	(2,614)	(4,052)
2,539	2,539	PFI Liability	2,539	2,539
(883,675)	(883,675)	Liability related to Defined Benefit Pension Scheme	248	248
(1,177)	(1,177)	Trade Payables (Creditors)	(211)	(211)
(885,058)	**(886,496)**	**Total Financial Liabilities**	**(169)**	**(1,607)**
		Financial Assets:		
37,039	37,039	Short Term Investments	37,039	37,039
1,415	1,415	Trade Receivables (Debtors)	1,024	1,024
2	2	Soft Loans	2	2
38,456	**38,456**	**Total Financial Assets**	**38,065**	**38,065**

Group			Commissioner	
Carrying amount	**Fair value**		**Carrying amount**	**Fair value**
31st March 2013	**31st March 2013**		**31st March 2013**	**31st March 2013**
£'000	**£'000**		**£'000**	**£'000**
		Financial Liabilities:		
(121)	(121)	Short Term Borrowing	(121)	(121)
(2,746)	(4,654)	Long Term Borrowing	(2,746)	(4,654)
(2,569)	(2,569)	PFI Liability	(2,569)	(2,569)
(893,119)	(893,119)	Liability related to Defined Benefit Pension Scheme	(82)	(82)
(2,298)	(2,298)	Trade Payables (Creditors)	(997)	(997)
(900,853)	**(902,761)**	**Total Financial Liabilities**	**(6,515)**	**(8,423)**
		Financial Assets:		
30,199	30,199	Short Term Investments	30,199	30,199
1,061	1,061	Trade Receivables (Debtors)	693	693
309	309	Soft Loans	365	365
34,569	**34,569**	**Total Financial Assets**	**34,257**	**34,257**

The fair value of long term borrowing is higher than the carrying amount because the Commissioner's portfolio of loans includes loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

19. Inventories

	Franking and uniform consumable stores		Fleet maintenance materials		Total	
	2012/13	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance outstanding at start of year:	**281**	**309**	**62**	**87**	**343**	**396**
Purchases	393	415	280	279	673	694
Recognised as an expense in the year	(365)	(366)	(255)	(280)	(620)	(646)
Written off balances	0	0	0	0	0	0
Reversals of write offs in previous year/average price adj	0	0	0	0	0	0
Balance outstanding at year end.	**309**	**358**	**87**	**86**	**396**	**444**

All inventories are held on the Chief Constable's balance sheet.

20. Short-Term Debtors

Group	Commissioner		Group	Commissioner
31st March 2013	31st March 2013		31st March 2014	31st March 2014
£'000	£'000		£'000	£'000
9,632	9,632	Central Government bodies	4,544	4,544
313	313	Local authorities	222	218
16	16	Other public bodies	164	163
425	116	Limited Companies	601	250
380	330	Other entities and individuals	61	26
1465	1,465	Value added tax claims	447	447
222	208	Other police authorities	449	449
12,453	**12,080**	**Total**	**6,488**	**6,097**

21. Cash and cash equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31st March 2013		31st March 2014
£'000		£'000
20	Cash in hand	20
1,475	Bank current accounts	1,369
3,000	Call accounts (same day access funds)	3,000
4,495	**Total**	**4,389**

22. Assets held for sale

	Non - current	
	31st March 2013	31st March 2014
	£'000	£'000
Balance outstanding at start of year:	**200**	**336**
Assets newly classified as held for sale:		
• Property, plant and equipment	467	0
• Other assets/liabilities in disposal groups	0	335
Revaluation losses	(330)	(55)
Revaluation gains	4	115
Assets sold	(5)	(164)
Balance outstanding at year end	**336**	**567**

23. Short-Term Creditors

Group	Commissioner		Group	Commissioner
31st March 2013	31st March 2013		31st March 2014	31st March 2014
£'000	£'000			£'000
2,561	2,191	Central Government bodies	2,521	2,021
408	18	Local authorities	618	80
4,799	43	Other Police Authorities	483	31
81	46	Other Public Bodies	58	51
1,441	483	Limited Companies	904	274
1,111	52	Other entities and individuals	1,649	168
10,401	**2,833**	**Total**	**6,233**	**2,625**

24. Provisions

Short Term Provisions

Short term provisions are classified as current liabilities when it is expected that the liability will be settled within 12 months after the reporting period.

Provisions during 2013/14:

	Statutory Funds	Municipal Mutual Insurance Ltd	Employment Tribunal	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of year:	**531**	**91**	**193**	**100**	**915**
Additional provisions made in 2013/14	100	0	0	60	**160**
Amounts used in 2013/14	(136)	(91)	0	(56)	**(283)**
Unused amounts reversed in 2013/14	0	0	(193)	(36)	**(229)**
Balance outstanding at year end:	**495**	**0**	**0**	**68**	**563**

Statutory Funds -Money Held Pending Reclaim

The Commissioner is empowered to seize monies or property used, or intended for use, for the purpose of crime. These seized monies are held within the "Money Held Pending Reclaim" fund, pending a ruling by the Courts. Once this ruling is made the funds can be disposed of in line with relevant legislation.

Municipal Mutual Insurance (MMI) Limited

The Scheme Administrator for MMI requested that a levy of 15% of total claims payments (amounting to £91,335.09) be paid in 2013/14. For further information, please refer to Note 4.

Employment Tribunal

Unanimously, the tribunal found in favour of the Chief Constable, dismissing all of the applicant's claims. The legal file in respect of the employment tribunal has therefore been closed and the provision has been written out of the 2013/14 accounts.

Other Provisions

At the year end, £56k relates to obligations to existing members of the Force Presentation Fund. During the year, amounts were paid to settle our obligations with Phongraphic Performance Licence and for the Chief Officer's tax liability on relocation expenses.

Long Term Provisions

Long term provisions are classified as long term liabilities when it is expected that the liability will be settled over 12 months after the reporting period.

Provisions during 2013/14:

	Insurance provision	Municipal Mutual Insurance Ltd	Total
	£'000	**£'000**	**£'000**
Balance outstanding at start of year:	**492**	**518**	**1,010**
Additional provisions made in 2013/14	161	0	**161**
Amounts used in 2013/14	(258)	0	**(258)**
Balance outstanding at year end:	**395**	**518**	**913**

Insurance Provision

This provision is for insurance claims incurred at the 31st March which are likely to be paid. The provision covers public and employer's risk. The assessment of the amount required is based on the likely settlement and the probability of a known claim against the Commissioner being successful.

25. Usable reserves

Movements in the Commissioner's usable reserves are detailed in the Movement in Reserves Statement and in this note.

31st March 2013		31st March 2014
£'000		**£'000**
4,500	General Reserve	4,500
16,182	Earmarked Revenue Reserves	22,625
15,315	Capital Reserve	14,947
1,259	Capital Grants Unapplied	1,004
37,256	**Total**	**43,076**

General Reserve

A General Reserve is required to act as "*a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing*". A General Reserve is also required to act as "*a contingency to cushion the impact of unexpected events or emergencies.*"

2012/13		2013/14
£'000		£'000
4,500	**Balance at 1st April:**	
0	General Reserve increase	0
0	General Reserve decrease	0
4,500	**Balance at 31st March:**	**4,500**

Earmarked Revenue Reserves

Earmarked revenue reserves are held as a means of building up funds to meet known or predicted liabilities. A review of earmarked reserves has been carried out to ensure that they remain appropriate and reasonable and that they are in line with the Commissioner's priorities. As a result, the Pensions Cost Reserve and Investigations Reserve have both been released, with liabilities that would have been funded by these earmarked reserves to be funded from the General Reserve in future. Due to the need to focus on the Commissioner's priorities and the current economic forecast (that identifies the need for further cost reductions from April 2016 onwards), the Operational Service Delivery Reserve, Operational Support Reserve and Non Operational Reserve have all been released with an Invest to Save Reserve set up in their place. In addition, in order to cover the Commissioner's wider remit over the Criminal Justice System, a reserve has been earmarked for projects in this area.

Reserve	Balance at 31st March 2013	Transfers out 2013/14	Transfers in 2013/14	Balance at 31st March 2014	Description
	£'000	£'000	£'000	£'000	
Pensions Cost Reserve	**1,486**	(1,536)	50	**0**	Liabilities to be funded by the General Reserve in future.
Pensions Reserve	**0**	0	794	**794**	To fund the past service deficit on the police staff pension scheme.
Insurance Reserve	**750**	(146)	146	**750**	Funds that are held to meet potential and contingent insurance liabilities.
Operational Service Delivery Reserve	**358**	(363)	5	**0**	Future projects to be funded from the Invest to Save reserve.
Operational Support Reserve	**754**	(754)	**0**	**0**	Future projects to be funded from the Invest to Save reserve.
Non Operational Reserve	**1,149**	(1,149)	**0**	**0**	Future projects to be funded from the Invest to Save reserve.
Investigations Reserve	**3,500**	(3,500)		**0**	Special investigations to be funded from the General Reserve in future.
Invest to Save Reserve	**0**	0	7,000	**7,000**	To fund future projects that will deliver ongoing revenue savings.
Criminal Justice Reserve	**0**	0	1,000	**1,000**	To fund work on the wider Criminal Justice system.
Public First Reserve	**0**	0	3,175	**3,175**	To fund the current restructure of functions that support front line policing.
Governance Reserve	**8,185**	(224)	1,945	**9,906**	Funds aimed at addressing the future funding gap.
Total	**16,182**	**(7,672)**	**14,115**	**22,625**	

Capital Reserves

These are amounts set aside from day to day spending and money received from the sale of non-current assets to pay for new non-current assets or repay borrowing.

2012/13		2013/14	
£'000		£'000	£'000
10,322	**Balance at 1st April:**		**15,315**
5,633	Amounts received in year		
(640)	Amounts used in year	(368)	
15,315	**Balance at 31st March:**		**14,947**

Capital Receipts

This account relates to the proceeds from the sale of non-current assets.

2012/13		2013/14
£'000		£'000
0	**Balance at 1st April:**	**0**
0	*Capital receipts received during year*	0
(65)	Vehicles	(30)
0	Buildings	(161)
0	Helicopter	(105)
65	Capital receipts utilised during year	296
0	**Balance at 31st March:**	**0**

Capital Grants Unapplied

This account relates to government grants received to fund capital expenditure which have not been allocated against a non-current asset.

2012/13		2013/14
£'000		£'000
1,267	**Balance at 1st April:**	**1,259**
965	Grant received in year	824
(973)	Grant applied in year	(1,079)
1,259	**Balance at 31st March:**	**1,004**

26. Unusable reserves

31st March 2013		31st March 2014
£'000		£'000
14,219	Revaluation reserve	15,934
53,164	Capital adjustment account	52,597
(518)	Accumulated absences account	(557)
(893,119)	Pensions reserve	(883,675)
(826,254)	**Total**	**(815,701)**

Revaluation reserve

The Revaluation Reserve contains the gains made by the Group/Commissioner arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

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

2012/13		2013/14
£'000		**£'000**
14,511	**Balance at 1st April:**	**14,219**
4	Upward revaluation of assets	2,604
0	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(598)
4	**Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services**	**2,006**
(292)	Difference between fair value depreciation and historical cost depreciation	(292)
(4)	Accumulated gains on assets sold or scrapped	
	Amount written off to the Capital Adjustment Account	
14,219	**Balance at 31st March:**	**15,933**

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, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13		2013/14
£'000		**£'000**
55,354	**Balance at 1st April:**	**53,164**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,256)	• Charges for depreciation and impairment of non-current assets	(4,024)
(330)	• Revaluation losses on property, plant and equipment	(641)
	• Revaluation gains on property, plant and equipment	1,131
(13)	• Amortisation of intangible assets	(13)
	• Revenue expenditure funded from capital under statute	
(81)	• 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	(480)
50,674		**49,137**
4	Adjusting amounts written out of the Revaluation Reserve	
	Net write out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year:	
66	• Use of Capital Receipts Reserve to finance new capital expenditure	296
640	• Use of Reserves to finance new capital expenditure	368
843	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	824
130	• Application of grants to capital financing from the Capital Grants Unapplied Account	253
312	• Statutory provision for the financing of capital investment charged against the General Fund	326
495	• Capital expenditure charged against the General Fund	1,393
2,486		**3,460**
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	
	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	
53,164	**Balance at 31st March:**	**52,597**

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.

2012/13		2013/14
£'000		**£'000**
(378)	**Balance at 1st April:**	**(518)**
378	Settlement or cancellation of accrual made at the end of the preceding year	**518**
(518)	Amounts accrued at the end of the current year	**(557)**
(140)	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.	(39)
(518)	**Balance at 31st March:**	**(557)**

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.

2012/13		2013/14
£'000		**£'000**
(757,883)	**Balance at 1st April:**	**(893,119)**
(98,359)	Actuarial (gains) or losses on pensions assets and liabilities	48,540
8,903	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	10,917
(45,780)	Employer's pensions contributions and direct payments to pensioners payable in the year.	(50,013)
(893,119)	**Balance at 31st March:**	**883,675**

27. Cash flow statement – operating activities

2012/13		2013/14
£'000		**£'000**
34,992	**Net (surplus) or deficit on the provision of services**	**34,174**
	Adjustments for non-cash movements:	
(4,560)	Depreciation	(4,329)
9	Investment Impairment	61
0	Fixed Asset Impairment	(664)
(330)	Revaluation losses on Property, Plant & Equipment	1,155
(37,365)	Net charges made for Retirement Benefits	(39,096)
(81)	Sale of Fixed Assets (NBV)	(480)
(87)	Contribution to Provisions	449
26	Net PFI Contribution	30
(28)	Increase/Decrease in Interest on Investments accrual	0
1	Increase/Decrease in Interest on Borrowing accrual	2
53	Increase/Decrease in Stock	48
9,594	Increase/Decrease in Debtors	(5,965)
(5,855)	Increase/Decrease in Creditors	4,131
0	Capital Grants in Advance	0
(38,623)		**(44,658)**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
66	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	296
(182)	Other payments for financing activities – Agency arrangements	(169)
405	Payments for and Receipts from investing activities	473
289		**600**
(3,342)	**Net cash flows from operating activities**	**(9,884)**

28. Cash flow statement – investing activities

2012/13		2013/14
£'000		**£'000**
2,967	Purchase of property, plant and equipment, investment property and intangible assets	3,691
470,000	Purchase of short-term and long-term investments	317,000
202	Other payments for investing activities	199
(66)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(296)
(472,217)	Proceeds from short-term and long-term investments	(310,223)
(607)	Other receipts from investing activities	(672)
279	**Net cash flows from investing activities**	**9,699**

29. Cash flow statement – financing activities

2012/13		2013/14
£'000		**£'000**
111	Repayments of short- and long-term borrowing	122
182	Other payments for financing activities	169
293	**Net cash flows from financing activities**	**291**

30. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice (SeRCOP)*. However, decisions about resource allocation are taken by the Group on the basis of budget reports analysed by expenditure and income categories, across Operational and Non Operational portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The income and expenditure of the Group/Commissioner's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure 2013/14

	Police Authority/OPCC	Territorial Policing	Operational Support	Investigations	Total Service Analysis
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(1)	(170)	(987)	(563)	**(1,721)**
Government grants	(1,090)	(342)	(1,613)	(1,523)	**(4,568)**
Total Income	**(1,091)**	**(512)**	**(2,600)**	**(2,086)**	**(6,289)**
Employee costs	619	55,056	9,667	8,195	**73,537**
Premises costs	0	490	93	261	**844**
Transport costs	7	939	621	109	**1,676**
Supplies & services	297	673	1,530	1,198	**3,698**
Agency & contracted services	1,034	26	19	159	**1,238**
Total Expenditure	**1,957**	**57,184**	**11,930**	**9,922**	**80,993**
Net Expenditure	**866**	**56,672**	**9,330**	**7,836**	**74,704**

Portfolio Income and Expenditure 2012/13

	Police Authority/OPCC	Territorial Policing	Operational Support	Investigations	Total Service Analysis
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	0	(287)	(546)	(107)	**(940)**
Government grants	0	(2,014)	(1,523)	(1,747)	**(5,284)**
Total Income	**0**	**(2,301)**	**(2,069)**	**(1,854)**	**(6,224)**
Employee costs	375	55,337	9,639	8,171	**73,522**
Premises costs	0	456	88	78	**622**
Transport costs	25	1,040	555	119	**1,739**
Supplies & services	239	708	1,562	1,261	**3,770**
Agency & contracted services	151	41	19	124	**335**
Total Expenditure	**790**	**57,582**	**11,863**	**9,753**	**79,988**
Net Expenditure	**790**	**55,281**	**9,794**	**7,899**	**73,764**

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

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

Group 2012/13	Commissioner 2012/13		Group 2013/14	Commissioner 2013/14
£'000	**£'000**		**£'000**	**£'000**
73,764	790	Net expenditure in the Portfolio Analysis	74,704	866
15,680	(18,143)	Net expenditure of services and support services not included in the Analysis	15,854	(10,461)
12,459	924	Amounts in the Comprehensive Income and Expenditure Statement not reported to the management in the Analysis	14,570	397
28,139	**(17,219)**		**30,424**	**(10,064)**
0	0	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
101,903	**(16,429)**	**Cost of services in Comprehensive Income and Expenditure Statement**	**105,128**	**(9,198)**

Reconciliation to Subjective Analysis

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

Financial year 2013/14

Group						
	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(1,721)	(2,458)		**(4,179)**		**(4,179)**
Interest & investment income				**0**	(789)	**(789)**
Income from council tax				**0**	(43,374)	**(43,374)**
Government grants & contributions	(4,569)	(3,283)		**(7,852)**	(66,544)	**(74,396)**
Gain or loss on disposal of non-current assets				**0**	184	**184**
Total Income	**(6,290)**	**(5,741)**	**0**	**(12,031)**	**(110,523)**	**(122,554)**
Employee costs	73,536	13,324		**86,860**		**86,860**
Premises costs	845	2,268		**3,113**	199	**3,312**
Transport costs	1,677	868		**2,545**		**2,545**
Supplies & services	3,698	3,395		**7,093**		**7,093**
Agency & contracted services	1,238	1,740		**2,978**		**2,978**
Pension costs			10,793	**10,793**	38,750	**49,543**
Depreciation, amortisation, impairment & revaluations			4,329	**4,329**		**4,329**
Icelandic bank impairment			(61)	**(61)**		**(61)**
Non-current asset revaluation			(491)	**(491)**		**(491)**
Interest payments				**0**	620	**620**
Total Expenditure	**80,994**	**21,595**	**14,570**	**117,159**	**39,569**	**156,728**
Surplus or deficit on the provision of services	**74,704**	**15,854**	**14,570**	**105,128**	**(70,954)**	**34,174**

Commissioner						
	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(1)	(4,178)	(3,393)	**(7,572)**		**(7,572)**
Interest & investment income	0			**0**	(789)	**(789)**
Income from council tax	0			**0**	(43,374)	**(43,374)**
Pensions income	0			**0**		**0**
Government grants & contributions	(1,090)	(6,762)		**(7,852)**	(66,544)	**(74,396)**
Gain or loss on disposal of non-current assets	0			**0**	184	**184**
Total Income	**(1,091)**	**(10,940)**	**(3,393)**	**(15,424)**	**(110,523)**	**(125,947)**
Employee costs	619	243		**862**		**862**
Premises costs	0	0			199	**199**
Transport costs	7	1		**8**		**8**
Supplies & services	297	148		**445**		**445**
Agency & contracted services	1,034	87		**1,121**		**1,121**
Pension costs			13	**13**	17	**30**
Depreciation, amortisation, impairment & revaluations			3,838	**3,838**		**3,838**
Icelandic bank impairment			(61)	**(61)**		**(61)**
Interest payments				**0**	620	**620**
Intra - Group Transfer				**0**	153,059	**153,059**
Total Expenditure	**1,957**	**479**	**3,790**	**6,226**	**153,895**	**160,121**
Surplus or deficit on the provision of services	**866**	**(10,461)**	**397**	**(9,198)**	**43,372**	**34,174**

Financial year 2012/13

Group						
	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(940)	(3,179)	0	**(4,119)**	0	**(4,119)**
Interest & investment income	0	0	0	**0**	(739)	**(739)**
Income from council tax	0	0	0	**0**	(41,658)	**(41,658)**
Pensions income	0	0	0	**0**	(3,643)	**(3,643)**
Government grants & contributions	(5,284)	(10,367)	0	**(15,651)**	(63,907)	**(79,558)**
Gain or loss on disposal of non-current assets	0	0	0	**0**	15	**15**
Total Income	**(6,224)**	**(13,546)**	**0**	**(19,770)**	**(109,932)**	**(129,702)**
Employee costs	73,523	13,287	0	**86,810**	0	**86,810**
Premises costs	622	2,306	0	**2,928**	202	**3,130**
Transport costs	1,739	866	0	**2,605**	0	**2,605**
Supplies & services	3,770	4,724	0	**8,494**	0	**8,494**
Agency & contracted services	334	8,043	0	**8,377**	0	**8,377**
Pension costs	0	0	7,578	**7,578**	42,184	**49,762**
Depreciation, amortisation, impairment & revaluations	0	0	4,890	**4,890**	0	**4,890**
Icelandic bank impairment	0	0	(9)	**(9)**	0	**(9)**
Interest payments	0	0	0	**0**	635	**635**
Total Expenditure	**79,988**	**29,226**	**12,459**	**121,673**	**43,021**	**164,694**
Surplus or deficit on the provision of services	**73,764**	**15,680**	**12,459**	**101,903**	**(66,911)**	**34,992**

Commissioner						
	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	0	(4,117)	(3,927)	**(8,044)**	0	**(8,044)**
Interest & investment income	0	0	0	**0**	(739)	**(739)**
Income from council tax	0	0	0	**0**	(41,658)	**(41,658)**
Pensions income	0	0	0	**0**	0	**0**
Government grants & contributions	0	(15,652)	0	**(15,652)**	(63,907)	**(79,559)**
Total Income	**0**	**(19,769)**	**(3,927)**	**(23,696)**	**(106,304)**	**(130,000)**
Employee costs	375	1,452	0	**1,827**	0	**1,827**
Premises costs	0	0	0	**0**	202	**202**
Transport costs	25	4	0	**29**	0	**29**
Supplies & services	239	99	0	**338**	0	**338**
Agency & contracted services	151	71	(38)	**184**	0	**184**
Pension costs	0	0	8	**8**	9	**17**
Depreciation, amortisation, impairment & revaluations	0	0	4,890	**4,890**	0	**4,890**
Icelandic bank impairment	0	0	(9)	**(9)**	0	**(9)**
Interest payments	0	0	0	**0**	641	**641**
Intra - Group Transfer	0	0	0	**0**	156,873	**156,873**
Total Expenditure	**790**	**1,626**	**4,851**	**7,267**	**157,725**	**164,992**
Surplus or deficit on the provision of services	**790**	**(18,143)**	**924**	**(16,429)**	**51,421**	**34,992**

31. Agency services

Drug Intervention Programme

The Police and Crime Commissioner for Dyfed Powys acts as an administrator for the Drug Intervention Programme (DIP). The programme, through criminal justice and treatment agencies working together with their related partners, aims to provide a tailored solution for drug misusers who commit crime to fund their use of Class A drugs.

The Drug Intervention Programme is funded from the Home Office Community Safety Grant and the Police and Crime Commissioner submits grant claims and makes creditor payments of approximately £750k per annum on their behalf.

The Drug Intervention Programme pays the Commissioner/Group an annual administration fee in return for the services provided.

2012/13		2013/14
£'000		**£'000**
30	Expenditure incurred in providing Financial Administration Services to the Drug Intervention Programme	30
(30)	Administration fee payable by the Drug Intervention Programme	(30)
0	**Net surplus arising on the agency arrangements**	**0**

In accordance with the requirements of IAS 18 *Revenue,* the Code of Practice requires that where the Commissioner/Group 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.

Pension services provided by Carmarthenshire County Council

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

2012/13		2013/14
£'000		**£'000**
46	Expenditure incurred in administering the Police and Local Government Pension Schemes	46
46	**Net surplus arising on the agency arrangements**	**46**

32. Pooled budgets

Police and Crime Commissioners in Wales - Collaboration

The Police Authorities of Wales (PAW) was a statutory joint committee formed in July 2007 representing the four police authorities in Wales. The strategic goal of this organisation was to develop strategic policing capabilities in Wales and to increase efficiency and effectiveness through collaboration.

In November 2012 Police and Crime Commissioners replaced Police Authorities and the Police and Crime Commissioners of the four forces in Wales now continue to develop some specialist areas of policing collaboratively.

These collaborations are considered 'Pooled Budgets' and are hosted by the Commissioner and Force for South Wales Police on behalf of the four police forces in Wales. In addition to receiving some grant income to fund activities, contributions are also made from each Force in proportion to the benefit obtained. A summary of the Expenditure and Income Statement for the main collaborative activities is provided below:

CTIU/TARIAN (former PAW activities)

2013/14	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Regional Organised Crime Unit	Regional Task Force	Wales Central Team	TOTAL
Service Classification	National Policing	National Policing	Intelligence/ Investigation	Intelligence	Re-allocated	
	£'000	£'000	£'000	£'000	£'000	**£'000**
Pay Expenditure	3,049	483	2,564	2,048	0	8,144
Non Pay Expenditure	1,094	36	1,041	766	0	2,937
Gross Expenditure	**4,143**	**519**	**3,605**	**2,814**	**0**	**11,081**
Specific Grant Income	(4,090)	(519)	(2,262)	(642)	0	(7,513)
Income	(53)	0	(5)	(29)	0	(87)
Total Income & Grants	**(4,143)**	**(519)**	**(2,267)**	**(671)**	**0**	**(7,600)**
South Wales Police	0	0	(628)	(1,157)	0	**(1,785)**
Dyfed Powys Police	0	0	(239)	(450)	0	**(689)**
Gwent Police	0	0	(327)	(536)	0	**(863)**
North Wales Police	0	0	(144)	0	0	**(144)**
Force Contributions	**0**	**0**	**(1,338)**	**(2,143)**	**0**	**(3,481)**
(Surplus) or Deficit	**0**	**0**	**0**	**0**	**0**	**0**

Other

2013/14	Scientific Investigation Unit	Joint Firearms Unit	TOTAL
Service Classification	Investigative Support	Specialist Operations/Support to Specialist Operations	
	£'000	£'000	**£'000**
Pay Expenditure	5,926	10,442	16,368
Non Pay Expenditure	713	1,164	1,877
Gross Expenditure	**6,639**	**11,606**	**18,245**
Specific Grant Income	0	0	0
Income	(4)	(61)	(65)
Total Income & Grants	**(4)**	**(61)**	**(65)**
South Wales Police	(4,249)	(5,612)	(9,861)
Dyfed Powys Police	0	(3,189)	(3,189)
Gwent Police	(2,386)	(2,744)	(5,130)
North Wales Police	0	0	0
Force Contributions	**(6,635)**	**(11,545)**	**(18,180)**
(Surplus) or Deficit	**0**	**0**	**0**

1. A Regional and Organised Crime Unit was established in 2013/14 which encompasses the previous Regional Intelligence Unit, Regional Asset Recovery Team, Witness Protection, along with a number of new capabilities in line with the ACPO core Regional Organised Crime Unit capabilities model.
2. The residual Wales Central Team was fully disbanded during 2012/13.
3. The Joint Firearms Unit became fully operational in November 2012 and includes both firearms operations and firearms training. The costs for 2012/13 are therefore only part year costs.
4. Any capital items/fixed assets are accounted for as procured and financed from use of grants and force revenue contributions. No assets are recognised in this note and which otherwise would be accounted for through usable capital reserves. There are no charges for depreciation. Assets are recognised on Force/Commissioner Balance Sheets, CIES, and MIRS Statements.
5. Each force may hold their own reserves for collaborative purposes.
6. For 2012/13 Counter Terrorism Advisors were funded from within the Force Budget.

CTIU / TARIAN (former PAW activities)

2012/13	Police Authority Wales	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Regional Organised Crime Unit	Regional Task Force	Wales Central Team	TOTAL
Service Classification	CDC	National Policing	National Policing	Intelligence/ Investigation	Intelligence	Re-allocated	
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Pay Expenditure	47	3,525	0	1,447	2,441	71	7,531
Non Pay Expenditure	21	1,096	0	463	805	1	2,386
Gross Expenditure	**68**	**4,621**	**0**	**1,910**	**3,246**	**72**	**9,917**
Specific Grant Income	0	(4,545)	0	(1,559)	(642)	0	(6,745)
Income	0	(76)	0	(13)	0	0	(90)
Total Income & Grants	**0**	**(4,621)**	**0**	**(1,572)**	**(642)**	**0**	**(6,835)**
South Wales Police	(17)	0	0	(152)	(1,410)	0	**(1,579)**
Dyfed Powys Police	(17)	0	0	(52)	(561)	0	**(630)**
Gwent Police	(17)	0	0	(71)	(663)	0	**(751)**
North Wales Police	(17)	0	0	0	0	0	**(17)**
Force Contributions	**(68)**	**0**	**0**	**(275)**	**(2,634)**	**0**	**(2,977)**
(Surplus) or Deficit	**0**	**0**	**0**	**63**	**(30)**	**72**	**105**

Other

2012/13	Scientific Investigation Unit	Joint Firearms Unit	TOTAL
Service Classification	Investigative Support	Specialist Operations/Support to Specialist Operations	
	£'000	£'000	**£'000**
Pay Expenditure	5,764	5,147	10,911
Non Pay Expenditure	896	1,043	1,939
Gross Expenditure	**6,660**	**6,191**	**12,851**
Specific Grant Income	0	0	0
Income	0	(38)	(38)
Total Income & Grants	**0**	**(38)**	**(38)**
South Wales Police	(4,288)	(3,077)	(7,365)
Dyfed Powys Police	0	(1,507)	(1,507)
Gwent Police	(2,372)	(1,569)	(3,941)
North Wales Police	0	0	0
Force Contributions	**(6,660)**	**(6,153)**	**(12,813)**
(Surplus) or Deficit	**0**	**0**	**0**

Summary of Reserves

Collaboration Reserves	As at 31st March 2014 £'000	As at 31st March 2013 £'000
South Wales Police	64	62
Dyfed Powys Police	28	6
Gwent Police	11	13
North Wales Police	0	58
Total	**103**	**139**

33. Officers' remuneration

Senior employees

The remuneration paid to the Group's senior employees is as follows:

			Salary (including fees and allowances)	Discretionary allowance	Benefits in kind - medical cover	Compensation for loss of office	Benefits in kind – relocation expenses	Benefits in kind - lease cars	Benefits in kind – beneficial loan interest rate	Other payments	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
			Note 15	Note 16	Note 17				Note 18				
	Year	Note	£	£	£	£	£	£	£	£	£	£	£
Commissioner*	2013/14		65,000	0	0	0	0	0	0	0	**65,000**	9,685	**74,685**
	2012/13	1	23,292	0	0	0	0		0	0	**23,292**	3,051	**26,343**
Chief Constable	2013/14		125,020	0	0	0	0	5,994	0	0	**131,014**	29,439	**160,453**
Temporary Chief Constable	2013/14		0	0	0	0	0	0	0	0	**0**	0	0
	2012/13	2	112,394	0	426	0	0	0	0	0	**112,820**	25,351	**138,171**
Deputy Chief Constable	2013/14	3	117,484	0	601	0	0	0	0	0	**118,085**	26,501	**144,586**
	2012/13		22,721	8,575	103	0	0		0	0	**31,399**	5,123	**36,522**
Temporary Deputy Chief Constable (A)	2013/14	4	61,705	0	0	0	0	0	0	0	**61,705**	14,488	**76,193**
Assistant Chief Constable (A)	2013/14	4	45,663	7,259	583	0	0	4,737	1,500		**59,742**	10,679	**70,421**
	2012/13	5	104,455	0	815	0	38,202	3,574	3,404	16,743	**167,193**	23,421	**190,614**
Assistant Chief Constable (B)	2013/14	6	49,889	0	0	0	0	2,262	0	0	**52,151**	12,073	**64,224**
Chief Executive*	2013/14	7	41,381	0	0	126,117	0	0	0	0	**167,498**	2,253	**169,751**
	2012/13		95,891	0	815	0	0		0		**96,706**	11,885	**108,591**
Director of Finance & Resources/ Chief Financial Officer	2013/14	8	67,705	8,244	0	116,262	0	1,586	0	0	**193,797**	8,208	**202,005**
	2012/13	9	132,999	7,412	815	0	0	4,831	0	0	**146,057**	17,423	**163,480**

Temporary Director of Finance & Resources/ Chief Financial Officer	2013/14	10	44,017	0	0	0	0	0	0	0	**44,017**	6,502	**50,519**
Director of Finance/ Chief Financial Officer to the Chief Constable	2013/14	11	5,310	0	0	0	0	0	0	0	**5,310**	791	**6,101**
Chief Financial Officer to the Commissioner*	2013/14	12	0	0	0	0	0	0	0	0	**0**	0	**0**
Director of Legal and Compliance	2013/14	13	5,667	0	0	0	0	0	0	0	**5,667**	0	**5,667**
Deputy Commissioner*	2013/14	14	43,872	0	0	0	0	0	0	0	**43,872**	6,537	**50,409**
Total 2013/14			**522,460**	**15,503**	**1,184**	**242,379**	**0**	**14,579**	**1,500**	**0**	**671,487**	**108,681**	**780,168**
Total 2012/13			**372,569**	**15,987**	**2,159**	**0**	**38,202**	**8,405**	**3,404**	**16,743**	**457,469**	**71,318**	**528,787**

*staff under the direction and control of the Commissioner

Note 1: The Commissioner took up office on 22nd November 2012 at an annualised salary of £65,000.

Note 2: The Deputy Chief Constable acted as temporary Chief Constable from 11/01/2012 - 31/03/2013.

Note 3: The Deputy Chief Constable was absent from her role for part of the year on health grounds. The Assistant Chief Constable was temporarily promoted into this role during the period 15/09/2013 - 31/03/2014. The Deputy Chief Constable retired from the organisation on 31/03/2014.

Note 4: The Assistant Chief Constable (A) acted as temporary Deputy Chief Constable during the period 15/09/2013 - 31/03/2014. He was appointed to this role permanently on 01/04/14. The Assistant Chief Constable repaid his house loan in full on 26/07/2014 (see note 18).

Note 5: In 2012/13 the Assistant Chief Constable claimed removal expenses of £38,202. The figure of £16,743 in the "Other Payments" column relates to reimbursement of the benefit in kind tax liability that was incurred as a result (this figure has been restated). This was in accordance with Winsor Part 1 Recommendation 3, which states that police authorities should be required to pay all reasonable costs arising from the sale and purchase of a chief officer's house and should pay all tax liabilities arising from any relocation packages so that, for the chief officer concerned, there is no personal financial disadvantage.

Note 6: The Assistant Chief Constable (B) was appointed on 15/09/2013 as Assistant Chief Constable (A) was acting as temporary Deputy Chief Constable. The annualised salary for this post was £91,632.

Note 7: The Chief Executive retired on 31/05/2013 and was not directly replaced. The annualised salary for this post was £90,726. The Chief Executive was entitled to £126,117 compensation for loss of office which he elected to receive as augmentation, i.e. it was paid directly into his pension fund to purchase additional years of service, rather than paid to him. This was in accordance with the pension policy in place at that time.

Note 8: The Director of Finance and Resources provided services for both the Commissioner and the Chief Constable. Included in the 2013/14 salary figure of £67,705 is an honorarium payment of £5,054 for undertaking the additional duties of the Chief Financial Officer to the Police Authority (Commissioner). The Director of Finances and Resources left the organisation on 01/10/2013. The annualised salary for this post was £117,619.

Note 9: In 2012/13 the Director of Finance and Resources provided services for both the Commissioner and the Chief Constable. Included in the 2012/13 salary figure of £132,999 is an honorarium of £34,167 for undertaking the additional duties of the role of Chief Financial Officer to the Police Authority (the Commissioner), backdated to November 2009.

Note 10: A temporary Director of Finance and Resources was appointed from 18/07/2013 to 28/02/2014. Included in the salary figure of £44,017 is an honorarium of £6,216 for undertaking the additional duties of the role of Chief Financial Officer to the Commissioner during this period. This post has been replaced by the Director of Finance post (see note 11).

Note 11: The temporary Director of Finance and Resources was appointed to the new, permanent, role of Director of Finance/Chief Financial Officer to the Chief Constable on 01/03/2014. The annualised salary for this post was £63,714.

Note 12: The Director of Legal and Compliance was appointed on 01/03/2014. This is a new post. The annualised salary for this post was £68,001.

Note 13: The Chief Financial Officer to the Commissioner was appointed on 31/03/2014. This is a new post. No remuneration was paid in the 13/14 financial year in respect of this post.

Note 14: The Deputy Commissioner was appointed on 03/06/2014. This is a new post. The annualised salary for this post was £53,000.

Note 15: Where applicable, the total amount of salary, fees or allowances paid to or receivable by the person during the 2012/13 financial year has been restated to exclude discretionary allowance. Payments in respect of this allowance are now shown in a separate column (see note 16).

Note 16: A discretionary allowance of 7.5% of pensionable pay has been paid to some senior employees. In addition to the payments shown above, discretionary allowance of £6,510 was paid to the former Assistant Chief Constable during 2013/14 in respect of the previous year; this is not shown in the table above as he left the organisation on 31/03/2013.
Dyfed-Powys Police Authority approved the Chief Officers Benefits Policy but nationally, concerns have been raised over the legality of these allowances. Legal advice has confirmed that the discretionary payments could be unlawful and in light of this, such allowances were stopped until such time as the legal position is fully clarified. Chief Officers who have been in receipt of these allowances have been informed of this and that potential recovery action could be taken if the allowances are subsequently confirmed as being unlawful. This remains an open issue that will be progressed during 2014/15.

Note 17: Some senior employees benefitted from free medical cover, paid for by the organisation. The Commissioner and the Chief Constable received legal advice in 2013/14 to the effect that providing free cover to police officers is unlawful, as it breaches Police Regulations. No decision had been made by 31/03/2014 on whether to recover the costs of the medical cover from the individuals concerned.

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

Other employees

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

2012/13		2013/14
Number of employees		Number of employees
7	£60,000 - £64,999	9
3	£65,000 - £69,999	1
2	£70,000 - £74,999	1
10	£75,000 - £79,999	7
0	£80,000 - £84,999	1
0	£195,000 - £199,999*	1

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

There were no other Commissioner employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions).

Exit Packages

The number of exit packages with total cost per band and total cost of the redundancies during 2013/14 is set out in the tables below:

Group:

Exit package cost band	Number of Redundancies in each band	Cost of Redundancies in each band		
		Redundancy cost	Pension Strain	Total
	No.	£'000	£'000	£'000
£0 - £20,000	1	19	0	19
£20,001 - £40,000	2	10	56	66
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	1	126	14	140
£150,000 +	2	214	359	573
	6	**369**	**429**	**798**

Commissioner:

Exit package cost band	Number of Redundancies in each band	Cost of Redundancies in each band		
		Redundancy cost	Pension Strain	Total
	No.	£'000	£'000	£'000
£100,001 - £150,000	1	126	14	140
	1	**126**	**14**	**140**

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

In comparison, the number of exit packages with total cost per band and total cost of redundancies during 2012/13 is set out in the table below:

Exit package cost band	Number of Redundancies in each band	Cost of Redundancies in each band		
	No.	Redundancy cost	Pension Strain	Total
		£'000	£'000	£'000
£0 - £20,000	4	53	40	93
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
	4	**53**	**40**	**93**

In 2012/13 no exit packages related to staff under the direction and control of the Commissioner.

Members

The following amounts were paid to members in 2013/14. The comparatives also include amounts paid to members of the now abolished Police Authority.

Group	Commissioner		Group	Commissioner
2012/13	**2012/13**		**2013/14**	**2013/14**
£'000	**£'000**		**£'000**	**£'000**
0	0	Salaries	0	0
125	125	Allowances	3	3
11	11	Expenses	0	0
136	**136**	**Total**	**3**	**3**

34. External audit costs

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

Group	Commissioner		Group	Commissioner
2012/13	**2012/13**		**2013/14**	**2013/14**
£'000	**£'000**		**£'000**	**£'000**
77	38	Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	84	41
0	0	Fees payable to the Wales Audit Office in respect of statutory inspections	0	0
0	0	Fees payable to the Wales Audit Office for the certification of grant claims and returns for the year	0	0
1	1	Fees payable in respect of other services provided by the Wales Audit Office during the year	0	0
78	**39**	**Total**	**84**	**41**

The fees for other services payable in 2012/13 related to the National Fraud Initiative. In 2014/15 the Group is to receive a payment of £15,772 as a result of a redistribution of reserves to local government / police bodies.

35. Grant Income

The Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13		2013/14
£'000		**£'000**
	Credited to Financing and Investment Income and Expenditure	
(120)	ACPO TAM CT Specific grant – Boat purchase	(51)
(25)	Other capital grants	(39)
(145)	**Total**	**(90)**
	Credited to Taxation and Non-specific grant income	
(32,080)	Police Revenue Grant	(33,871)
(6,309)	Welsh Floor Grant	(5,957)
(166)	Revenue Support Grant	(943)
(818)	Capital Grant	(734)
(39,373)	**Total**	**(41,505)**
	Credited to services	
	Revenue grants	
(5,526)	Grants Receivable from the Home Office	(3,333)
(7,623)	Operation Tempest	(254)
(1,545)	Police Community Support Officers	(2,369)
(0)	Community Safety Fund	(856)
(431)	Private Finance Initiative	(417)
(347)	All Wales Schools Liaison Programme	(334)
(0)	Victim Support Services	(190)
(30)	Grant receivable to assist with Policing for potential badger eradication programme	(0)
(65)	Capital Loans Grant	(60)
(48)	Other Revenue Grants	(39)
(15,615)	**Total**	**(7,852)**

36. Related parties

The Group/Commissioner is required to disclose material transactions with related parties – 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 might have been constrained in their ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Group/Commissioner.

<u>Central Government</u>

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 government departments are set out in the subjective analysis in Note 30 on reporting for resource allocation decisions.

The Group/Commissioner has business relationships, giving rise to income and expenditure transactions, with Central Government Bodies as follows:

Group			Commissioner	
2013/14			2013/14	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
(54,619)	528	Home Office	(54,619)	0
(18,539)	6	Welsh Government	(18,539)	0

Group			Commissioner	
2012/13			2012/13	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
(59,973)	237	Home Office	(59,973)	0
(18,511)	1	Welsh Government	(18,511)	0

Joint Audit Committee Members

The Police Reform and Social Responsibility Act 2011 (PRSRA) abolished the Dyfed Powys Police Authority at midnight on the 21st November 2012 and replaced it with a directly elected Police and Crime Commissioner. Prior to this, members of the Police Authority had direct control over the Group's financial and operating policies.

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

The total of members' allowances paid in 2013/14 is shown in note 33.

None of the Joint Audit Committee members, or parties related to them, has undertaken any material transactions with the Group/Commissioner in 2013/14.

Officers

None of the Senior Officers, or parties related to them, has undertaken any material transactions with the Group/Commissioner in 2013/14.

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

The Group/Commissioner has business relationships with the Precepting Bodies, giving rise to income and expenditure transactions as follows:

Group			Commissioner	
2013/14			2013/14	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
(14,123)	1,464	Carmarthenshire County Council	(14,123)	188
(6,296)	176	Ceredigion County Council	(6,296)	28
(11,089)	204	Pembrokeshire County Council	(11,089)	43
(11,967)	196	Powys County Council	(11,967)	56
Group			Commissioner	

2012/13			2012/13	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
(13,557)	840	Carmarthenshire County Council	(13,557)	2
(6,034)	157	Ceredigion County Council	(6,034)	0
(10,518)	218	Pembrokeshire County Council	(10,518)	46
(11,730)	168	Powys County Council	(11,730)	0

Entities Controlled or significantly Influenced by the Group/Commissioner

There are no entities controlled or significantly influenced by the Group/Commissioner.

37. 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. The CFR is analysed in the second part of this note.

2012/13		2013/14
£'000		£'000
(7,156)	**Opening capital financing requirement:**	(7,390)
	Capital Investment:	
(2,693)	• Property, plant and equipment	(3,654)
0	• Investment properties	0
0	• Intangible assets	0
0	• Revenue expenditure funded from Capital under Statute	0
	Sources of finance:	
65	• Capital receipts	296
1,613	• Government grants and other contributions	1,475
	Sums set aside from revenue	
495	• Direct revenue contributions	1,363
286	• MRP	296
0	• Loans fund principal	0
(7,390)	**Closing capital financing requirement:**	**(7,614)**

2012/13		2013/14
£'000		£'000
	Explanation of movements in the year:	
(234)	Increase in underlying need to borrowing (supported by government financial assistance)	(224)
0	Increase in underlying need to borrowing (unsupported by government financial assistance)	0
0	Assets acquired under finance leases	0
0	Assets acquired under PFI contracts	0
(234)	**(Increase)/ decrease in Capital Financing Requirement**	**(224)**

38. 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:

31st March 2013		31st March 2014
£'000		**£'000**
173	Not later than one year	158
542	Later than one year and not later than five years	488
1,328	Later than five years	1,160
2,043	**Total**	**1,806**

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

2012/13		2013/14
£'000		**£'000**
226	Minimum lease payments	225
0	Contingent rents	0
0	(Sublease payments receivable)	0
226	**Total**	**225**

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
31st March 2013	31st March 2013		31st March 2014	31st March 2014
£'000	**£'000**		**£'000**	**£'000**
170	170	Not later than one year	114	114
380	380	Later than one year and not later than five years	376	376
934	934	Later than five years	921	921
1,484	**1,484**	**Total**	**1,411**	**1,411**

The income credited to the Group/Commissioner's Comprehensive Income and Expenditure Statement during 2013/14 in relation to these leases was £212,095.

39. Private Finance Initiatives and similar contracts

Ammanford Police Station

Financial year 2013/14 was the thirteenth year of a 30 year PFI contract for the design, construction, maintenance and operation of Ammanford Police Station. The contract ends on the 31st May 2030.

The land on which Ammanford Police Station is built is owned by the Commissioner. On completion of the building the head lease was granted to the PFI Contractor, who in turn subleases the building back to the Commissioner. At the end of the PFI contract period, the head lease reverts back to the Commissioner.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The contractor took on the obligation to construct the police station and maintain it in a minimum acceptable condition and to procure and maintain the plant, equipment, furniture and hardware needed to operate the police station. The building and any plant, equipment, furniture and hardware installed in the police station at the end of the contract will be transferred to the Commissioner for nil consideration. The Commissioner only has rights to terminate the contract if it compensates the contractor in full for costs incurred.

Property Plant and Equipment

The assets used to provide services at the police station are recognised on the Group/Commissioner's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

Payments

An agreed payment is made each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2014 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable within one year	258	35	354	647
Payable within two to five years	1,105	209	1,357	2,671
Payable within six to ten years	1,565	505	1,477	3,547
Payable within eleven to fifteen years	1,798	1,011	1,003	3,812
Payable within sixteen to twenty years	859	779	177	1,815
Total	**5,585**	**2,539**	**4,368**	**12,492**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2012/13		2013/14
£'000		**£'000**
2,595	Balance outstanding at start of year	2,569
(26)	Payments during the year	(30)
0	Capital expenditure incurred in the year	0
2,569	**Balance outstanding at year end**	**2,539**

40. Impairment losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 14 and 17 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2013/14, there is no reason to believe that the value of these assets has changed, therefore there is no indication of impairment.

41. Termination benefits

During 2013/14 a total of 6 staff exited the organisation under redundancy, which cost the Group £798k, funded from the recurring revenue budget. Of these staff, 1 member of staff was under the direction and control of the Commissioner. Further details regarding exit packages payable to senior officers are included within note 33.

42. 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 final salary 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 final salary scheme, consequently the fund has no investment assets. Benefits payable are funded by contributions from employers and employees with any difference between benefits payable and contributions receivable being met by the top-up grant from the Home Office.

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:

	Local Government Pension Scheme		Police Pension Scheme	
	Group	Commissioner	Group	Commissioner
	2013/14	2013/14	2013/14	2013/14
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement:				
Cost of services:				
• Current service cost	(3,947)	(56)	(20,947)	0
• Past service cost	(511)	(7)	0	0
• Other	(94)	0	0	0
Financing and Investment Income and Expenditure:				
• Net interest expense	(1,215)	(17)	(37,535)	(0)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(5,767)**	**(80)**	**(58,482)**	**(0)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	7,396	0	0	0
• Actuarial gains and losses arising on changes in demographic assumptions	(613)	0	(11,970)	0
• Actuarial gains and losses arising on changes in financial assumptions	10,484	248	43,243	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**11,500**	**168**	**(27,209)**	**(0)**
Commissioning Costs (intra-group transfer)	0	11,332	0	(27,209)
Total net cost	11,500	11,500	(27,209)	(27,209)
Movement in Reserves Statement:				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post -employment benefits in accordance with the Code	5,767	5,767	58,482	58,482
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	(3,142)	(3,142)	(22,011)	(22,011)

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 2014 is a gain of £17,267k (2012/13: £5,797k loss).

	Local Government Pension Scheme		Police Pension Scheme	
	Group	Commissioner	Group	Commissioner
	2012/13	2012/13	2012/13	2012/13
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement:				
Cost of services:				
• Current service cost	(3,066)	(39)	(17,805)	0
• Past service cost	(26)	0	0	0
• Other	(72)	0	0	0
Financing and Investment Income and Expenditure:				
• Net interest expense	(1,039)	(11)	(37,502)	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(4,203)**	**(50)**	**(55,307)**	**(0)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:				
• Return on plan assets (excluding the amount included in the net interest expense)	5,533	0	0	0
• Actuarial gains and losses arising on changes in demographic assumptions	(1,061)	0	0	0
• Actuarial gains and losses arising on changes in financial assumptions	(10,269)	(82)	(92,074)	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(10,000)**	**(132)**	**(147,381)**	**(0)**
Commissioning Costs (intra-group transfer)	0	(9,868)	0	(147,381)
Total net cost	**(10,000)**	**(10,000)**	**(147,381)**	**(147,381)**
Movement in Reserves Statement:				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post -employment benefits in accordance with the Code	4,203	4,203	55,307	55,307
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	(2,401)	(2,401)		
• Retirement benefits payable to pensioners			(19,744)	(19,744)

<u>Pensions Assets and Liabilities recognised in the Balance Sheet</u>

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	
	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(102,040)	(95,019)	(863,930)	(869,128)
Fair value of plan assets	72,851	80,472	0	0
Net liability arising from defined benefit obligation	**(29,189)**	**(14,547)**	**(863,930)**	**(869,128)**

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

	Local Government Pension Scheme		Police Pension Scheme	
	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	**62,374**	**72,851**	**0**	**0**
Interest income	3,227	3,249	0	0
Remeasurement gain / (loss)				
• The return on plan assets, excluding the amount included in the net interest expense	5,533	2,470	0	0
Contributions from employer	2,401	3,142	0	0
Contributions from employees into the scheme	1,171	1,225	0	0
Benefits paid	(1,783)	(2,371)	0	0
Other (if applicable)	(72)	(94)	0	0
Closing fair value of scheme assets	**72,851**	**80,472**	**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	
	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000
Opening Balance at 1st April:	**(83,964)**	**(102,040)**	**(736,293)**	**(863,930)**
Current service cost	(3,066)	(3,947)	(17,805)	(20,947)
Interest cost	(4,266)	(4,464)	(37,502)	(37,535)
Contributions from scheme participants	(1,171)	(1,225)	(5,052)	(5,463)
Actuarial gains and (losses)				
• Actuarial gains / losses arising from changes in demographic assumptions	(1,061)	(613)	0	(11,970)
• Actuarial gains / losses arising from changes in financial assumptions	(10,269)	10,484	(92,074)	43,243
• Other (if applicable)	0	4,926	0	0
Past service cost	0	(274)	0	0
Losses / (gains) on curtailment (where relevant)	(26)	(237)	0	0
Benefits Paid	1,783	2,371	24,796	27,474
Liabilities extinguished on settlements (where relevant)	0	0	0	0
Closing balance at 31st March	**(102,040)**	**(95,019)**	**(863,930)**	**(869,128)**

Local Government Pension Scheme assets comprised:

	Fair value of Scheme assets	
	2012/13	2013/14
	£'000	£'000
Cash and cash equivalents	183	(266)
Equity instruments	52,459	58,038
Bonds	15,131	15,072
Property	5,078	7,628
Total Assets	**72,851**	**80,472**

Basis for estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:-

	Local Government Pension Scheme		Police Pension Scheme	
	2012/13	2013/14	2012/13	2013/14
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.0%		
Bonds	6.7%	7.7%		
Other	13.2%	6.7%		
Mortality assumptions:				
Longevity at 65 (60 for police scheme) for current pensioners:				
• Men	22.4	23.2	26.5	27.1
• Women	25.0	25.7	28.8	29.6
Longevity at 65 (60 for police scheme) for future pensioners:				
• Men	24.2	25.4	28.5	29.5
• Women	27.0	28.0	30.8	32.1
Other assumptions:				
Rate of inflation	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	4.15%	3.9%	3.9%	3.9%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	4.4%	4.6%	4.4%	4.5%

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 ie. 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 2013/14	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£’000	£’000
Longevity (increase or decrease by 1 %)	1,770	0
Rate of inflation (increase or decrease by 1%)	2,212	0
Rate of increase in salaries (increase or decrease by 1%)	780	0
Rate for discounting scheme liabilities (increase or decrease by 1%)	0	2,162

Police Pension Scheme 2013/14	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1%)	15,279	0
Rate of inflation (increase of decrease by 1%)	18,002	0
Rate of increase in salaries (increase or decrease by 1%)	5,073	0
Rate for discounting scheme liabilities (increase or decrease by 1%)	0	17,591

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 2014 and details of the future employers' rates are shown below:-

Year	Employer rate
2014/15	11.6%
2015/16	11.6%
2016/17	11.6%

43. 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 November 2009).

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 one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party.
- *Liquidity Risk:* The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.
- *Market Risk:* The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

Loans and Receivables

The Commissioner manages credit risk by ensuring that investments are placed with the Debt Management Office or Banks and Building Societies having sufficiently high credit worthiness as set out in the Annual Investment Strategy. Limits are placed on the amount of money that can be invested with a single counterparty. The Commissioner also sets a total group investment limit for institutions that are part of the same banking group.

It must also be noted that although credit ratings remain a key source of information, the Commissioner recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Commissioner's Investment Strategy for 2013/14. The 2013/14 Investment Strategy can be found via the following web link: www.dyfed-powys.pcc.police.uk

In accordance with the Annual Investment Strategy, throughout 2013/14, the Commissioner has continued to maintain a counterparty list on the advice of the Commissioner's Treasury Management Advisor, Arlingclose, who monitor and update the credit standing of the institutions on a regular basis. This assessment includes credit ratings from the major credit rating agencies and other alternative assessments of credit strength (for example, statements of potential government support). Banks and Building Societies have only been utilised if they have a minimum long term rating of A+ or equivalent and minimum short term rating of F1 or equivalent.

Arlingclose recommended that the Commissioner invest with Non-UK Banks and Money Market Funds, and as such, these options were included in the Commissioner's Counterparty Policy as set out in its Investment Strategy for 2013/14. When the Investment Strategy was approved, the Chief Financial Officer's advice to the Commissioner at that time was that these options not be utilised. As a result, Non-UK Banks and Money Market Funds have not been utilised during 2013/14.

The table below summarises the nominal value of the Commissioner's investment portfolio at 31st March 2014, 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 31st March 2014?	Balance Invested as at 31 March 2014 £'000s				Total
	Y/N	Y/N	Up to 1 month	> 1 month and < 3 months	> 3 months and < 6 months	> 9 months and < 12 months	
			£'000	£'000	£'000	£'000	£'000
UK Banks	Y	Y	12,000	0	0	0	**12,000**
Debt Mgt Office	Y	Y	17,000	0	0	0	**17,000**
UK Building Societies	N/A	N/A	5,000	0	0	0	**5,000**
Call Accounts	Y	Y	3,000	0	0	0	**3,000**
Total			**37,000**	**0**	**0**	**0**	**37,000**

The above analysis shows that all deposits outstanding as at 31st March 2014 met the Commissioner's credit rating criteria on the 31st March 2014. The analysis excludes the estimated carrying value after impairment of the Commissioner's Icelandic Bank investment of £33k.

Trade Receivables

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

Group Gross Debtors £'000	Average % Default based on Previous 5 Years' Experience for the Group (2008/09 to 2012/13)	Bad Debt Provision for the Group 2013/14 £'000	Bad Debt Provision for 2013/14 as a % or Group Gross Debtors
1,415	1.65	66	4.66

Liquidity Risk

The Commissioner has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. At 31st March 2014 the Commissioner invests, on a weekly basis, up to a maximum of 1 month to manage short term liquidity requirements.

If unexpected movements happen, the Commissioner has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Commissioner will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. No new borrowing was undertaken during 2013/14.

The maturity analysis of financial liabilities is as follows:

31st March 2013 £'000	Loans maturing within:	31st March 2014 £'000
121	Under 1 Year	131
121	**Total Current Borrowing**	**131**
131	1 – 2 years	144
474	2 – 5 years	519
1143	5 – 10 years	1,252
982	10 – 15 years	684
0	15 + years	0
2,730	**Total Long Term Borrowing more than 12 months**	**2,599**

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

Market Risk

Interest Rate Risk

All borrowing and investing is currently undertaken at fixed rates. There is therefore no interest rate exposure.

Price Risk

The Commissioner does not invest in 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.

44. Trust Funds

The aim of the Dyfed Powys Crime Prevention Trust is to promote for the public benefit in partnership with the police, the protection of people and property from, and the prevention of criminal acts, in particular by:

- Encouragement of greater public participation in the prevention and solution of crime; and
- Assisting in measures designed to reduce the level of crime; and
- The provision of education, information and practical assistance on crime prevention.

The Trust is registered with the Charities Commission and a financial summary is included below:

Financial year end	Income	Spending	Net position
	£	£	£
31st Mar 2013	(103,218)	110,855	7,637
31st Mar 2012	(93,342)	109,809	16,467

It has been determined that the Commissioner does not have control of the Trust and it is not a subsidiary of the organisation.

Glossary of Terms

Term	Definition
2013/14	This refers to the period covered by these accounts - 1 April 2013 to 31 March 2014.
2012/13	This refers to the period covered for comparative purposes by these accounts – 1 April 2012 to 31 March 2013.
Accounting policies	These are a set of rules and codes of practice the used when preparing the accounts.
Actuarial gains and losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: • Events have not coincided with the actuarial assumptions made in the last valuation ;or • The actuarial assumptions have changed.
Amortisation	Intangible assets should be amortised on a systematic basis over their economic lives.
Asset revaluation	A revaluation of fixed assets is a technique required to accurately record the true value of capital assets held in the balance sheet. The purpose of a revaluation is to bring into the accounts the fair market value of non-current assets.
Capital expenditure	Expenditure on the acquisition or construction of assets, which have a long-term value e.g. land and buildings.
Capital receipts	Income from the sale of non-current assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets financed from loans. Usable capital receipts are those capital receipts which are not set aside for specific purposes but are available to be used for any capital purchases.
Carrying value	The carrying value of an asset is the value of the asset included in the Balance Sheet.
CIPFA	The Chartered Institute of Public Finance and Accountancy, one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services.
Commissioning	The entire cycle of assessing the needs of people in a local area, designing services, and then securing them.
Component accounting	Accounting for non-current assets' individual components separately.
Consumer Price Index (CPI)	Official measure of the general level of inflation as reflected in the retail price of goods and services – excludes mortgage interest payments, council tax and other housing costs.
Contingent liabilities	These exist where: • a possible obligation arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control; or • a present obligation arises from past events but is not recognised because: i. it is not probable that a transfer of economic benefits will be required to settle the obligation, or ii. the amount of the obligation cannot be measured with sufficient reliability.
Corporate and democratic core costs	These represent the costs of delivering public accountability and representation in policy-making and meeting the Commissioner's statutory reporting obligations.

Term	Definition
Corporation sole	A corporation sole is a legal entity consisting of a single ("sole") incorporated office, occupied by a single ("sole") man or woman i.e. the Commissioner and Chief Constable are both corporations sole under the PRSRA.
Current assets	Current assets are items that can be readily converted into cash. By convention the items are ordered by reference to the ease that such conversion into cash can be carried out.
Current liabilities	Current liabilities are items that are due immediately or in the short – term.
Current service cost (Pensions)	The increase in the present value of a defined benefit scheme's liability expected to arise from employee service in the current period.
Curtailment	Changes in liabilities relating respectively to actions that relieve the employer of primary responsibility for a pension obligation (e.g. a group of employees being transferred to another scheme) or events that reduce the expected years of future service of employees or reduce the accrual of defined benefits over their future service for some employees (e.g. closing a business unit).
Defined benefit scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The schemes may be funded or unfunded.
Defined contribution scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Delegation	Is the partnership of authority and responsibility to another person to carry out specific activities. The person who delegated the work remains accountable for the outcome of the delegated work.
Depreciation	The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
Fair value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase of the asset.
Finance lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
Financial instrument	Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A derivative financial instrument is a financial contract that derives its value from changes in underlying assets or indices.
FRS	Financial Reporting Standards, as agreed by the UK accountancy profession and the Accounting Standards Board. These include Statements of Standard Accounting Practice (SSAPs).
Group accounts	The financial statements of the group i.e. the two corporations sole, presented as a single economic entity.
Impairment	A reduction in the value of a non-current asset, below its carrying amount in the balance sheet.

Term	Definition
Interest cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Merger accounting	Merger accounting should be applied where there is a transfer of functions in full from the responsibility of one authority to another. Where merger accounting applies it is assumed that the merger took place at the beginning of the accounting period.
National Non Domestic Rates (NNDR)	The non-domestic rates, or business rates, collected by local councils are the means by which businesses and others who occupy non-domestic property make a contribution towards the cost of local services. The rates are pooled by central government and redistributed to local councils and Commissioner according to a formula.
Net book value	The amount at which non-current assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
Non-current assets	These are items such as land, buildings, vehicles and major items of equipment, which give benefit over more than one year.
Past service cost	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Police Reform and Social Responsibility Act (PRSRA)	An Act of the Parliament of the United Kingdom which transferred the control of police forces from police authorities to elected Police and Crime Commissioners
Provisions	A provision is a liability of uncertain timing or amount. A provision is recognised if the following criteria are fulfilled: • an entity has a present obligation as a result of a past event; • it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; • a reliable estimate can be made of the amount of the obligation
Prudential borrowing	Borrowing by local authorities without government financial support, but in accordance with the CIPFA prudential code of local authority borrowing
PWLB	This is the Public Works Loan Board, which is an organisation financed by the Government. It lends money to Commissioners on set terms so that they can buy capital items.
Reserves	Balances that represent resources set aside for purposes such as general contingencies and cash flow management. Earmarked reserves are those set aside for specific policy purposes.
Retail Price Index (RPI)	Official measure of the general level of inflation as reflected in the retail price of a basket of goods and services, including mortgage costs, council tax and other household costs.
Revenue Budget	The estimate of annual income and expenditure requirements, which sets out the financial implications of policies and the basis of the annual precept to be levied on collection funds.
Revenue Support Grant (RSG)	A general government grant in support of local authority expenditure (including Commissioners) and fixed each year in relation to spending levels.
Senior Employee	An employee whose salary is more than £150,000 per year, or one whose salary is at least £60,000 per year (calculated pro rata for a part-time employee) and who is the designated head of paid service and a statutory chief officer. Typically the Commissioner's Chief Executive and statutory Chief Officers.
Single entity accounts	The individual accounts of each corporation sole.