



# **Chief Constable of Dyfed Powys**

*Statement of Accounts 2015/16*  
(Single Entity)

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## Narrative Report

### Introduction

- 1.1 This Narrative Report aims to provide an easily understandable and effective guide to the most significant matters reported in the accounts of the Chief Constable of Dyfed Powys. It also provides some contextual information on the financial environment which will also be of relevance.
- 2.0 About the Statement of Accounts of the Chief Constable of Dyfed Powys
- 2.1 The Statement of Accounts provides information on the financial position and financial performance of the Chief Constable of Dyfed Powys for the financial year 2015/16. The Police Reform and Social Responsibility Act 2011 established each Chief Constable as a legal entity or 'corporation sole' in their own right on 21<sup>st</sup> November 2012. This is the fourth Statement of Accounts to be produced by the Chief Constable of Dyfed Powys Police under these arrangements.
- 2.2 The financial position of the consolidated Group of the Commissioner and Chief Constable for Dyfed Powys are set out in a separate Statement of Accounts document produced by the Police and Crime Commissioner.
- 2.3 The Accounts and Audit (Wales) Regulations 2015 require local government bodies to prepare a Statement of Accounts in accordance with proper practices. The Code is identified as representing proper practices.
- 3.0 What is included in the Statement of Accounts?
- 3.1 The Accounts that follow this narrative provide further detail of the financial affairs of the Chief Constable and are comprised of:-
- **Independent Auditor's Report;** this sets out the opinion of the external auditor, the Wales Audit Office, on whether the Chief Constable accounts presented give a 'true and fair view' of the financial position and operations of the Chief Constable for 2015/16;
  - **Statement of Responsibilities for the Statement of Accounts;** this statement sets out the responsibilities of the Chief Constable and the Chief Constable's Chief Finance Officer;
  - **Comprehensive Income and Expenditure Statement;** this core statement summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year;
  - **Balance Sheet;** this core statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Chief Constable. As under the Police Reform and Social Responsibility Act, the Chief Constable is unable to hold cash, the Chief Constable's current assets and liabilities are balanced to nil via intra-group transfers between the Commissioner and Chief Constable which are eliminated from the Group accounts. The Police and Crime Commissioner owns the land, buildings and other assets used by the Force and therefore these are shown in the Balance Sheet included in the Statement of Accounts document produced by the Police and Crime Commissioner.

- **Notes to the financial statements** are also included that set out the Accounting Policies used as the basis of preparing the financial statements and provide further information which is required by the Code of Practice.
- A **Movement in Reserves Statement** is required as part of the Code and this would show the movement in the year on reserves held by the Chief Constable. As the Chief Constable does not hold reserves this statement is not required;
- The **Police Pension Fund Account** is a statement that shows expenditure, income, assets and liabilities pertaining to Police Pensions in the year. The Chief Constable is responsible for administering pension schemes and for undertaking the appropriate maintenance and for the provision of the relevant accounts.
- An **Annual Governance Statement** is included within this Statement of Accounts that sets out details of how the Chief Constable exercises governance over his affairs. The Statement is a statutory document which also includes an annual review of the adequacy of the Governance arrangements, and also provides assurance on the systems of internal control that the Chief Constable maintains.

#### 4.0 What these Financial Statements tell us

- 4.1 All income received and collected for Policing the Dyfed Powys police area goes to the Police and Crime Commissioner. The Comprehensive Income and Expenditure Statement for the Chief Constable therefore focuses on spending only and it shows that the Chief Constable spent £114.4 million on providing policing services to the Public of Dyfed Powys Police in 2015/16 which is close to the original budget. This is around £3.1 million less than the comparable figure spent in the prior financial year.
- 4.2 The Statement provides a split of this figure across the eleven main service components. For example, it can be seen that the largest element was spent on Local Policing which accounted for £57.2 million of the total in 2015/16.
- 4.3 This Statement has been prepared on the basis of proper accounting practice and the requirements of the Code and this differs slightly from the budget that the Chief Constable is held accountable for on a day to day basis by the Police and Crime Commissioner which includes elements of income and also excludes some elements such as depreciation and movements on pension liabilities which under statute do not need to be financed fully in the year.
- 4.4 The Balance Sheet for the Chief Constable is dominated by the long term liability of £1,012 million that exists in respect of future pension liabilities for police officers and staff. This represents the amount that the Chief Constable would need to set aside at the balance sheet date to cover future payments of pensions of all current serving and retired officers and staff. This figure has been calculated independently on an actuarial basis and takes account of future salary levels, inflation, mortality rates etc. It is important to note that all current and future police pension costs will be paid for by Government.
- 4.5 The Balance Sheet also shows the value of uniform and other inventories held by the Chief Constable (£368K) and amounts owing to (£339K - Debtors) or owing by (£5.6 million creditors) the Chief Constable at year end. A fuller breakdown of these amounts is shown in the notes to the accounts.

#### 5.0 Performance in 2015/16 against the Chief Constable's Revenue budget

- 5.1 As outlined above, the net budget that the Chief Constable is held accountable for on a day to day basis by the Police and Crime Commissioner is different to the amount that must be reported in the Comprehensive Income and Expenditure Statement under proper practice.
- 5.2 A net budget of £91.4 million was set by the Police and Crime Commissioner for the Chief Constable for the year 2015/16 which incorporated a Council Tax reduction of 5% at band D and which relied upon the use of £3.0 million from reserves to support current spending. This was a particularly challenging settlement for the Chief Constable to deliver against.
- 5.3 Within this baseline spending level also, the Force had already identified cost reductions of £3.6 million which were to be delivered in 2015/16 largely through "Public First" - a programme which sought to realign and make minimally efficient the structures supporting operational policing. Significant reductions in non- pay spending were also planned through a number of procurement and other cost reduction initiatives.
- 5.4 The Table below sets out the final out-turn position for 2015/16 for the Chief Constable and compares this to the original budget. A revised budget is also shown in the table that reflects additional budgets and movements agreed during the year.

|                                      | Original Budget | Revised Budget | Actual         | Variance (Negative for Saving) |
|--------------------------------------|-----------------|----------------|----------------|--------------------------------|
|                                      | £'000           | £'000          | £'000          | £'000                          |
| <b><u>Expenditure</u></b>            |                 |                |                |                                |
| Employee Related Costs               | 86,882          | 87,636         | 86,654         | -228                           |
| Premises Related Costs               | 3,401           | 3,563          | 3,706          | 305                            |
| Transport Related Costs              | 2,771           | 2,740          | 2,142          | -629                           |
| Supplies & Services                  | 8,602           | 8,176          | 8,334          | -268                           |
| Agency & Contracted Services         | 2,385           | 2,106          | 3,825          | 1,440                          |
| <b>Total operating expenses</b>      | <b>104,041</b>  | <b>104,221</b> | <b>104,661</b> | <b>620</b>                     |
| Add: Financing Costs                 | 1,069           | 1,069          | 12,097         | 11,028                         |
| <b>Total Expenditure</b>             | <b>105,110</b>  | <b>105,290</b> | <b>116,758</b> | <b>11,648</b>                  |
| <b><u>Income</u></b>                 |                 |                |                |                                |
| Government grants                    | -6,844          | -6,897         | -7,067         | -223                           |
| Fees, charges & other income         | -3,926          | -3,919         | -4,806         | -880                           |
| <b>Total Income</b>                  | <b>-10,770</b>  | <b>-10,816</b> | <b>-11,873</b> | <b>-1,103</b>                  |
| <b>Net Expenditure Funded by PCC</b> | <b>94,340</b>   | <b>94,474</b>  | <b>104,885</b> | <b>10,545</b>                  |
| Contribution from Reserves           | -2,977          | -3,602         | -14,013        | -11,036                        |
|                                      | <b>91,363</b>   | <b>90,872</b>  | <b>90,872</b>  | <b>-491</b>                    |

This report is in a subjective analysis format which is used by internal management for reporting purposes. The format differs to the CIES Statement, and reconciliation between the two formats is shown in Note 12.

- 5.5 It can be seen that a reduction in budget of £491K was approved in the year. This was in respect of the Driver Retraining Programme.
- 5.6 In total, the Force required a transfer from reserves of £14.0 million compared to the original budget of £3.0 million. There has been a significant planned overspend

which has resulted in a reduction in financial reserves held by the Commissioner due to the following decisions taken by the Commissioner during 2015/16 that were not taken account of in the original budget;

- i. an additional repayment of £7.0 million of outstanding debt in our books which is saving £300K annually
- ii. the budgetary impact of the PFI contract buy out of £3.6 million which is saving £500K annually
- iii. an earmarked reserve of £0.8 million has been received in respect of Go Safe which the Force now administers.

5.7 The underlying position in respect of contribution from reserves in respect of elements controlled by the Chief Constable were very close to the original budget as illustrated in the following table:

| Description   | £M          |
|---|-------------|
| <b>Total actual contribution from reserves from Table above</b> | <b>14.0</b> |
| Less: Transfer from Reserves in respect of PFI Termination      | -3.6        |
| Less: Transfer from Reserves in respect of Borrowing repayment  | -7.0        |
| Less: Transfer from Reserves in respect of Capital Financing    | -1.3        |
| Less: Go Safe Transfer to Reserves from Flintshire Council      | +0.8        |
| <b>Actual Transfer from Reserves from CC Activities</b>         | <b>2.9</b>  |
| <b>Budgeted Transfer From Reserves</b>                          | <b>3.0</b>  |

5.8 A brief explanation of the main reasons for the variances in budget for 2015/16 is provided below:

- i. Employee Related Costs: Staffing costs are just £228K short of the original budget for 2015/16. Within this, variation has been apparent across pay, overtime and on-cost headings for all staff groups. Police Officer ill-health retirement spending was below budget for the year by around £412K which accounts for the majority of the net underspend.
- ii. Premises Headings: The Force has overspent by £305K against the original premises budget for the last financial year. A budget transfer into this heading was processed during the year from the "Agency and Contracted Services" heading to take account of the termination of the Ammanford PFI contract and the resulting need for the Force to pay running costs for this station directly from this heading from June 2015.
- iii. Transport Related Headings: The Force underspent against the original budget for transport costs by some £627K. The Force benefitted from significant reductions in fuel costs during the year which contributed some £320K towards this savings figure. In addition to this, the Force joined the National Police Air Service (NPAS) from January 2016 which has resulted in payments for helicopter maintenance and support being replaced with one composite payment from the "Agency and Contracted Services" heading from this date.
- iv. Supplies and Services Headings: The table above shows that the Force underspent against the original budget for this heading by some £268K.

*There are a number of variations within this heading including savings against non-pay scientific support budgets.*

- v. Agency and Contracted Services: *This heading overspent by £1.440 million being attributable largely to the additional net budgetary impact of the early termination of the Ammanford PFI contract. This was funded by an additional contribution from reserves. In addition a payment of £223K was paid for Air Support services to NPAS for the final quarter of the financial year. Some cost increases in the provision of medical support at custody units and the implementation of an appropriate adult service also contributed to this overspend position.*
- vi. Capital Financing Costs: *This heading has been affected by the Commissioner's decision to repay all outstanding historic borrowing from earmarked reserves in the year. This resulted in an additional one off budgetary impact of £7.0 million. In addition, the overspend position against this heading is affected by the repayment of the outstanding liability held against the Ammanford PFI contract of £2.47 million. An additional sum of £1.25 million has been set aside from revenue as a contribution towards the funding of capital spending in the year. Although this was planned, this transfer was not reflected in the original Force revenue budget.*
- vii. Income Headings: *An earmarked reserve of £0.847 million has been received as income in respect of Go Safe which the Force now administers. Additional income has also been identified as being due in respect of historic site sharing arrangements.*

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

### 6.1 Pensions Reform

- 6.1.1 In March 2011, Lord Hutton was commissioned by the government to conduct an independent review into the future of public service pensions. As the cost of pensions has increased by a third in the last 10 years, he concluded that the existing scheme designs were not sufficiently robust to be sustainable.
  - 6.1.2 The Government has introduced a new Local Government Pension Scheme from April 2014 and a new Police Pension Scheme was implemented from April 2015. The key changes are:
    - A move from final salary to a Career Average Revalued Earnings scheme
    - The normal pension age will be 60 for police officers, whilst for police staff the normal pension age will be linked to the State Pension Age
    - The average member contribution will increase, with higher earners paying higher contributions than currently
  - 6.1.3 The reforms outlined above will shift the burden of cost from the employer (ultimately the taxpayer) to the employee, ensuring that pensions will be fairer and more sustainable in the future.
  - 6.1.4 The new Career Average Revalued Earnings Pension scheme introduced for Police Officers in April 2015 included transitional protection arrangements in respect of officers late in service and therefore the financial impact, although significant for some serving officers, will take some time to flow through.
- ### 6.2 The Chief Constable's Budget for 2016/17 and Medium Financial Plan

- 6.2.1 Under the Police Reform and Social Responsibility Act the Police and Crime Commissioner of Dyfed Powys is responsible for allocating a budget to the Chief Constable and the Dyfed Powys Police Force. He is also responsible for setting the precept for the Force area. Home Office Police Grant and Welsh Government funding are all received by the Police and Crime Commissioner.
- 6.2.2 The Force has been allocated a net revenue budget of £91.4 million in 2016/17 by the Police and Crime Commissioner. This will enable the Chief Constable to protect operational capacity in terms of Police Officer and staff numbers overall taking account of the work underway through the "Spending Wisely" Programme in relation to efficiency and the wider programme of work being taken forward around innovation, improvement, workforce planning and change.
- 6.2.3 The financial position for 2016/17 is broadly flat compared with 2015/16 in funding terms with central grants reducing by -0.6% and with no increase in council tax at Band D. An increase in tax base of +0.7% means that the net budget for the Force is £22K higher in 2016/17 than in 2015/16.
- 6.2.4 This figure is however net of a contribution of £3.1 million from reserves which cannot be sustained and will need to be addressed through the Medium Term Financial Strategy. There are some significant cost increases included in the Budget for 2016/17 that have needed to be financed through cost reductions including increases in National Insurance contributions as well as pay awards and inflationary pressures. The Force has needed to identify and is currently in the process of implementing the changes required to deliver cost reductions of £4million in 2016/17.
- 6.2.5 The Force still retains floor or damping funding which accounts for £9 million of its total central government grant allocation of £50 million. The Home Office is in the process of conducting a review of Formula Funding arrangements however the outcome of this and impact on DPP is unclear at this stage.
- 6.2.6 Whilst the Comprehensive Spending Review (CSR) announcement was more favourable than feared, there are some significant financial challenges and risks that will persist for the Force beyond 2016/17 that will need to be addressed including:

i. Formula Review

*Over the last 24 months, the Home Office has been reviewing the formula funding mechanism historically used to allocate resources between Police and Crime Commissioner areas in England and Wales. The Home Office had consulted on various options over the course of the summer 2015 and determinations originally suggested that the Force could lose around £0.6 million in annual funding from a new proposed approach. Errors were identified in these calculations and alternate determinations suggested that the Force could lose around £7 million in central funding as a result of these changes.*

*The original consultation was abandoned and a revised approach is now being formulated by the Home Office. The timing of this Review and of the implementation of any findings is unknown – however it is considered likely that the Review will impact the forward position in the medium term.*

ii. Other Funding Reductions

*The Chancellor during the Budget announcement in March 2016 has indicated a worsening of the predicted financial position for the Country. In*



*addition certain savings that were planned to arise through benefit changes are being reviewed by Government.*

*In June 2016, the Country voted to leave the European Union which it has been reported may lead to further financial and political uncertainty which may require some mitigating action in the autumn to address.*

*It is believed that additional spending reductions may well need to be found by Government over and above those announced at the time of the Comprehensive Spending Review.*

*Whilst there is no indication at present that these changes would impact on the Police settlement arising from the CSR, it is possible that the position will be reconsidered. In addition there is some risk that settlements to Forces could be affected by further top slicing at Home Office level that cannot be discounted.*

*The Force benefits from funding provided by the Welsh Government towards the School Liaison Programme and Police and Community Support Officers which could also be at risk should Welsh Government not support the continuation of this funding post the elections in May 2016.*

iii. *Other Spending Pressures or Cost Reduction Plan Difficulties*

*In addition to the above there is a risk that spending pressures over and above those built into the financial model could arise over the period being considered. In addition the savings planned through the "Spending Wisely" Programme could fail to materialise or be needed to build up operational capacity in other areas.*

6.2.7 The Force has modelled various financial scenarios to take account of potential financial losses and risks and produced a Medium Term Financial Strategy covering the period 2016/17 to 2020/21. It is apparent from this that additional pressures ranging from +£0.6 million to +£10 million are potentially possible over this period. Whilst additional pressures at the higher and lower end of the scale seem unlikely, there is a reasonable likelihood that the final deficit position could well be in the range of £4million to £8million.

6.2.8 The Force has been proactively looking to mitigate these risks and minimise their impact operational delivery for some time. In order to address the financial issues identified above, a five point plan has been formulated which is focused upon:

- i. Delivering against the plans already in place including the "Spending Wisely" Programme, for Collaborative Working, understanding demand and the Digital Policing Strategy
- ii. Identifying through the Senior Leadership Forum and other work further measures that can be considered to reduce demand and / or cost
- iii. Ensuring that the Force and PCC are in a position to lobby strongly in relation to the Review of the Funding Formula and over the timeframes for implementing any reductions that may be required from DPP
- iv. Working with Welsh Government to safeguard investment and grant funding for PCSOs and School Liaison officers
- v. Working with the PCC to ensure that future precept decisions take account of the position of DPP as the lowest funded Police Force in Wales and seek to ensure no worsening of this position in terms of the future

### 6.3 Value for Money

- 6.3.1 Spending resources wisely remains a key priority for the Chief Constable and the focus of the work that has been ongoing in support of this has been to ensure that the resources at the disposal of the Force are channelled towards the delivery of strategic priorities in a way that supports the vision, mission and values of the Force going forward.
- 6.3.2 The Force has a comprehensive Savings Plan covering the period 2016/17 to 2018/19 and has established appropriate project management arrangements to deliver against this. The focus of this work is now on implementing reductions in sergeant positions, workforce modernisation, collaboration and further procurement savings. Further projects are also being implemented looking at demand and resourcing options across all activities of the Force.
- 6.3.3 The Force has a Capital Programme that is driving some significant investment plans in relation to the Estates, ICT and Fleet Replacements which totals £7.8 million in 2016/17 and which will total £27.5 million by 2019/20. The Capital Strategy reflects a planned and prioritised approach to our investments and these are closely linked to our priorities and focussed on efficiency and improvement.
- 6.3.4 As a result of this Dyfed Powys Police officers are now digitally mobile. Some 663 frontline police officers have been issued with smart phones, which allow them to carry out the majority of their everyday policing duties whilst out on patrol. It has been estimated by the officers themselves that this is contributing to a significant increase in visibility through negating the need to return to police stations to undertake routine administrative functions.

### 6.5 HMIC Profiles 2015

- 6.5.1 Each autumn, HMIC produce a number of profiles that compare the budgets, people and operational performance of Forces in England and Wales against each other with a particular emphasis on Most Similar Group Forces; which for Dyfed Powys include the following:

- Dyfed-Powys
- Lincolnshire
- Cumbria
- Norfolk

- 6.5.2 The latest dataset was received in October 2015 which was based on the 2015/16 original budget. This is available at the following website;

<https://www.justiceinspectors.gov.uk/hmic/publications/dyfed-powys-2015-value-for-money-profile/>

- 6.5.3 It can be seen from this data that Dyfed Powys Police spends a considerably higher proportion of its budget on the 'operational front line' than the vast majority of other Forces and that this is considerably higher than those Forces in its most similar group. It is apparent that the vast majority of the difference between DPP and its Most Similar Forces is accounted for in the 'visible' front line element.
- 6.5.3 Similarly, the position on business support costs shows that Dyfed Powys spends considerably less on this as a proportion of its budget than the majority of other Forces and significantly less as a proportion of budget than the other Forces in its Most Similar Force grouping. This would suggest a good overall baseline position in terms of value for money in terms of channelling Force resources towards front line policing activity compared to most similar Forces. Areas for improvement

such as supervision ratios and overtime spending levels have been identified and these have already been incorporated into future savings plans for 2016/17 and beyond.

7. Policing Performance

7.1 In terms of Policing Performance, the Chief Constable is responsible to the public and supports the Police and Crime Commissioner in the delivery of the strategy and objectives set out in the Plan. The Police and Crime Plan includes the following priorities:

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

7.2 The Commissioner set out a number of commitments within the Police and Crime Plan with regards to making data available to the public allowing them to judge progress made against the Plan. An Annual Report is published by the Commissioner for this purpose which will be available at the following address:

<http://www.dyfed-powys.police.uk/en/about-us/policing-plan/>



## **Annual Governance Statement**

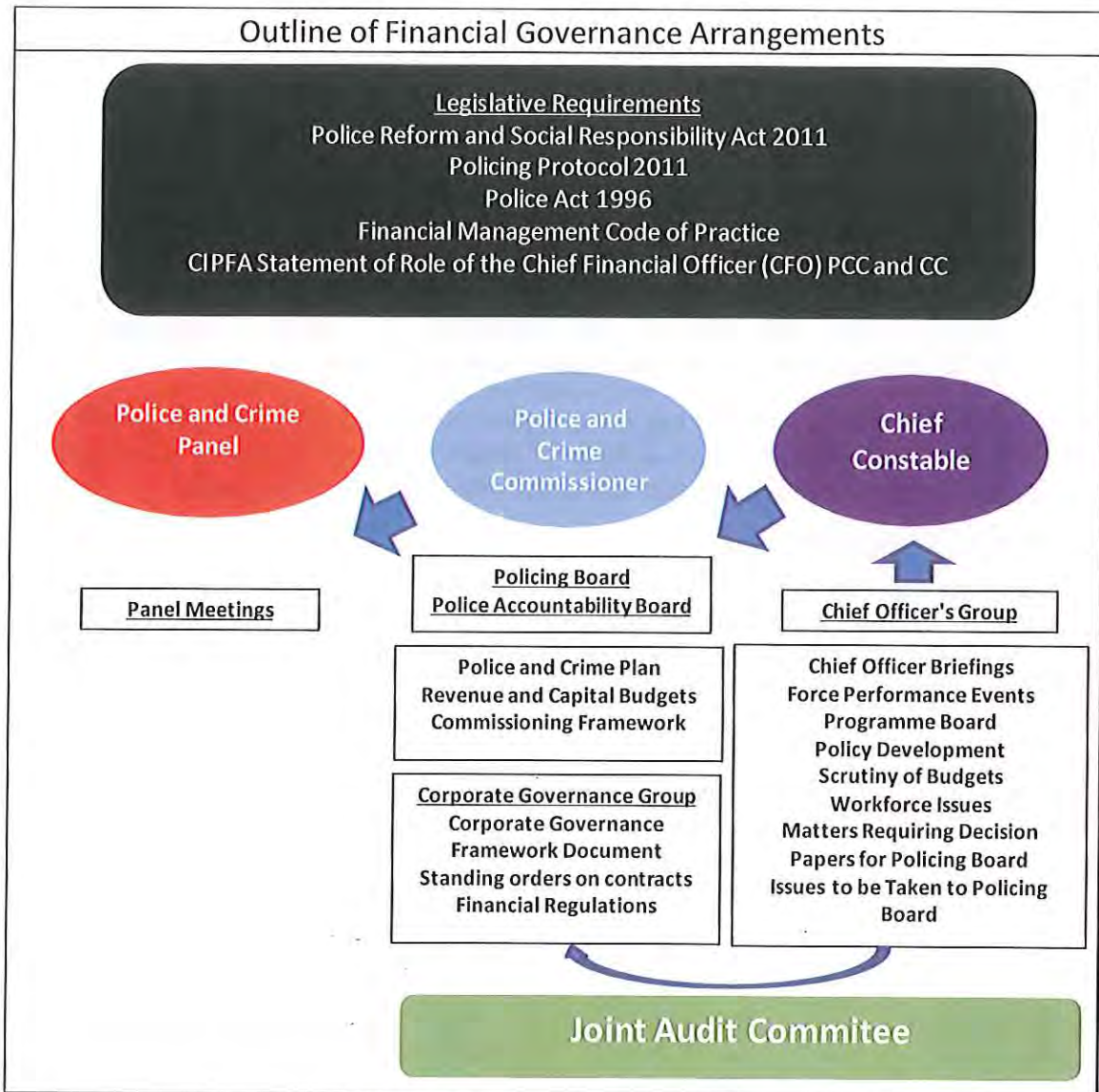
### Scope of responsibility

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

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

### Overview of Police Governance

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



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

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

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

The Force has been working to refresh its vision, mission and values in the context of seeking to embed the “Code of Ethics” into the Force.

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

It was recognised that cultural change needed to be implemented alongside this work to ensure that officers and staff feel empowered to “do the right thing” in their dealings with

the public and victims. A programme of leadership training has been progressing to embed these important developments during the 2015/16 financial year.

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

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

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

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

The CC exercises governance over the Force predominantly through the Chief Officer Group. This group enables the CC to maintain oversight of operational policing matters, risks, projects, operational performance and financial/ VFM outcomes. Core membership has been extended during 2015/16 to incorporate the Chief Superintendent Investigations and the Chief Superintendent Territorial Policing along with Staff Association representatives in order to enhance communication and strengthen oversight of decision making.

Chief Officers receive a formal briefing once a week on key operational matters from senior police officers. The CC has his own Force Performance events which also focus on PCP priorities the structure and contents of which are currently under review as part of a wider reconsideration of Force governance. The PCC and CC have media strategies to ensure that priorities are communicated to the public.

Neighbourhood Policing Teams regularly interact with the public to consider and respond to their local concerns and emerging policing issues. Force Tasking Meetings focus resources operationally using the National Intelligence Model Based upon the Strategic Assessment and PCP priorities. A THRIVE (Threat, Harm, Risk, Investigation, Vulnerability and Engagement) assessment process is applied in determining operational policing response requirements.

There is a thorough focus on value for money (VFM) through the analysis of financial data e.g. HMIC VFM profiles to identify areas of high spend and resource to consider the extent to which resources are efficiently channelled towards delivering against PCP priorities. The Force has completed the implementation of the "Public First" programme which has reduced business support function costs and is now implementing a "Spending Wisely Programme" which is focussed upon making further changes to the workforce including workforce modernisation of police officer roles where appropriate

and a focus on supervisory ratios. It also involves taking forward further collaboration in procurement and across a range of other operational and business support functions. The focus throughout this time has been to maintain delivery against the Force vision and PCP priorities whilst responding to the significant financial challenges facing the Country.

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

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

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

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

The Corporate Governance Framework provides further details about the key roles of the PCC, Chief of Staff, CC and the CFO(s) and this has been in operation through the 2015/16 financial year.

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

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

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

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

The Force has fully embedded and embraced the "Code of Ethics" linking this directly to its vision mission and values. A working group had been established to take forward this work from the "ground up" within the organisation. Further work has been undertaken to assess the leadership changes that are necessary to be implemented alongside this and to ensure that the change in culture sticks so that officers and staff are empowered to "do the right thing" in their dealings with the public and victims. This included refreshing the Force's vision, mission and value statements. The "Ethics" Committee has a direct link to the Chief Constable and receives referrals from officers and staff for due consideration and action.



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

Programme management arrangements are established for all major projects in accordance with best practice and any significant risks or issues are escalated via Corporate risk Management arrangements.

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

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

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

The "Ethics Committee" has a direct link to the Chief Constable and receives referrals from officers and staff for due consideration and action.

The Professional Standards department records and investigates complaints made by members of the public about police officers and police staff. It also investigates internal misconduct matters relating to police officers and coordinates investigation of on-duty criminal offences relating to police officers and police staff. The findings of a review of the Professional Standards Department were implemented during 2015/16 and some considerable improvements in the timeliness and completion of reviews can be evidenced. The force maintains a strong working relationship with the IPCC which has a wider remit than previously in terms of investigation and complaints.

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

The Force has a multi-departmental Learning the Lessons Working Group this is coordinated by the Legal and Compliance Directorate and chaired by the Deputy CC. The forum allows all departments but in particular the Professional Standards Department, to bring forward issues where learning has been identified (e.g. through public complaints or conduct investigations) and whereby lessons can be promulgated to the Force as is necessary.

The Force has for many years operated a "Safecall" facility which provides a phone based system which is run by a private company for the confidential reporting of corrupt or unethical behaviour. The take up in terms of usage of this facility has traditionally been very low as people have tended not to want to telephone on the false assumption that they would be talking directly to a member of staff in PSD.

In addition therefore the Force operates a "Bad Apple" facility which provides an Internal, web based system through which staff can raise concerns around corruption anonymously and online.

Having such confidential whistleblowing and complaints procedures in place encourages staff and the public to feel confident in raising concerns and to question and act upon concerns in practice. It provides avenues for concerns to be raised in confidence and receive feedback on any action taken.

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

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

The CC receives independent legal advice from the Director of Legal and Compliance, who is an employee of the Force and heads up a Legal and Compliance Directorate.

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

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

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

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

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

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

### **Core principle 5 – Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective in terms of governance**

A Performance Development Review system ensures that objectives are set, performance is reviewed and action plans include any training or development needs. The “Calon” Senior Leadership Forum is driving enhanced Leadership capacity across the organisation through the Force’s top 60 police officers and police staff leaders. A Senior Leaders Task Group has also been established with a more limited membership responsible for proposing changes to policy and new initiatives aimed at enhancing the efficiency and effectiveness of the Force.

In response to continuing financial challenges, the Force has developed a four year workforce Plan that incorporates workforce changes resulting from the Spending Wisely Programme and this is directly linked to the Medium Terms Financial Plan which is updated regularly to take account of National developments.

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

This training plan ensures that skills are developed on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed. The Force has also invested significantly in upskilling the workforce to meet emerging demands including the development of Job families, multiskilling of staff through planned learning and development and the implementation of coaching and mentoring techniques in partnership with other public sector partners locally.

The Force has committed at a Strategic level to maximising the use of information technology to streamline processes, to better engage with the public and release capacity amongst officers and staff. This has included expansion of mobile data provision, electronic case file provision, digital interviewing and plans to invest further sums in body worn video and in car telematics. This will also enable the Force to better understand demand and channel scarce policing resources towards strategic priorities at a local level.

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

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

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

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

Of late the PCC has taken the lead in terms of strategic public consultation and engagement activity. The Force utilises the outcomes of these to inform operational policing delivery and broader strategic policing requirements.

During the year the IT Strategy recognised the potential that social media has to receive feedback from and provide information to the public. The Force has developed a range

of engagement tools and is encouraging officers and staff to engage with the public on social media such as through Twitter, Facebook and Instagram regarding key events, to provide specific information or regarding operational incidents particularly where the help of the public is sought. The public can also rate and comment upon the services provided by Dyfed Powys Police online and any comments or issues are followed up and considered by staff and officers.

A joint "Public Service Bureau" has been established by the CC and PCC to consider and respond to public feedback and concerns raised by the public on matters of service delivery.

The "School Liaison Programme" provides a further mechanism for engagement and interaction with young people and children and this is used to inform long term crime prevention and harm reduction strategies.

### **Review of effectiveness**

The CC has responsibility for conducting at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group, managers within the organisation who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report and also by comments made by the external auditor and other review agencies and inspectorates.

### **Corporate Governance Group**

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

The Group last met on the 8<sup>th</sup> June 2016 to undertake an annual Review of the Corporate Governance arrangements and concluded that good progress had been made in taking forward the governance framework during 2015/16 particularly in relation to the following areas:

- Risk Management Arrangements had been further embedded
- A high level post implementation assessment of "Public First" had been completed
- Implementing the "Code of Ethics" through a revision of the Force's Vision, Mission and Values had been completed
- A revised documents for inter Welsh Police Force collaboration governance structures had been agreed by the All Wales Policing Group
- The Force has made progress in putting in place a formalised force wide business continuity plan that reflects the staff systems and accommodation changes made during the Public First Programme.

Set against this progress the following issues had been noted and the following actions were noted

- The HMIC Peel Inspection that took place in 2015 and which was formally reported upon in early 2016 assessed the Force as "Requires Improvement". Some considerable work has been undertaken during the year to progress action

plans and to better prepare for the 2016 inspection. Delivery of elements of these remains in progress.

- The Force had received negative press coverage in relation to the scale of relocation expenses paid under the Police Authority's previous policy in accordance with Police Regulations. These policies have already been amended and a further Review is being undertaken.
- An allegation has been referred to the IPCC and deemed suitable for local investigation by the West Mercia Constabulary concerning the consequences or otherwise of a former relationship between senior Force personnel on internal force matters.
- The IPCC has an investigation underway following referral by the Force into allegations received against the Director of Legal and Compliance. The allegations relate to payments made by Dyfed Powys Police for legal services over a number of years to a barrister's chamber where her then husband worked. The IPCC is investigating what role the Director of Legal and Compliance had in instructing the chambers, in signing off any invoices and whether a potential conflict of interest was declared when required in line with force policies and procedures.
- In May 2016, Police and Crime Commissioner Elections resulted in Mr Dafydd Llywelyn being elected to the role. The Chief Constable Mr Simon Prince has announced that he plans to retire. A project has been initiated to look at any revisions to Corporate Governance arrangements that may be needed for the PCC and CC going forward.
- The Force has self-referred details of information security breaches to the Information Commissioner's Office involving the unintended release of confidential personal data to a third party by the Force. This arose as a result human error and weaknesses in Force systems involving auto population of email addresses. As a result the Force has taken steps to address these significant issues however a fine of £150,000 has been imposed.

### **Joint Audit Committee**

Joint Audit Committee members received training on their roles and responsibilities during 2015/16. Under the terms of reference, the Joint Audit Committee is responsible for conducting, at least annually, a review of the governance framework, including the system of internal audit and the system of internal control.

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

The Joint Audit Committee met on the 21st of June 2016 to consider the Corporate Governance Framework this Annual Governance Statement.

### **Internal audit**

The primary role of internal audit is to give an assurance to the CC on the effectiveness of the controls in place to manage risks. To this end the Internal Auditor delivers an annual opinion of the effectiveness of the controls reviewed by the internal audit team during the year. This annual opinion, set out in the annual report of the Internal Auditor,

is one of the key sources of evidence in support of the Annual Governance Statement. With reference to 2015/16 the internal auditor, TIAA Ltd expressed the following opinion;

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

All audits conducted during 2015/16 received an overall assurance rating of reasonable or substantial and all but one of the highest priority agreed actions have been completed. The priority 1 action in relation to Business Continuity remains outstanding at this stage despite considerable work being undertaken and this is referred to in the action table below. Progress with implementing Audit recommendations is monitored by the Joint Audit Committee.

### **External Audit**

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

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

The role of the HMIC is to inspect policing in the public interest and promote improvement in policing to make everyone safer. HMIC also provides advice and support to the tripartite partners (Home Secretary, PCC and forces) and play an important role in the development of future leaders.

During 2015/16, the force experienced a significant level of HMIC Inspection activity, with 8 Inspections carried out. HMIC Inspection activity does provide an important level of governance and assurance over the management of the force, but the busy pace of Inspection activity over the last year has resulted in the force putting in place additional arrangements to co-ordinate and manage all HMIC related work within the force. Some of the key Inspections carried out last year are as follows:

- Police Effectiveness, Efficiency and Legitimacy – Leadership (April 2015)
- Vulnerability (June 2015)
- Child Sexual Exploitation (July 2015)
- Honour Based Violence (July 2015)
- National Child Protection (August 2015)
- Police Effectiveness, Efficiency and Legitimacy – Regional Organised Crime Units (September 2015)

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

### **Significant governance issues and actions**

The Corporate Governance Framework was fully updated early in 2015/16 and this completes the action that was outstanding from the 2014/15 Annual Governance

Statement. The CC has concluded that the governance framework was adequate in terms of the 2015/16 year however has recognised that it is in need of review and updating in the light of recent developments and the election of a new PCC.

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

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

| Governance area   | Action   |
|---|--|
| <u>Risk Management Arrangements</u><br>The Force has adopted new Risk Management arrangements based around the completion of a Dynamic and Corporate Risk Management reporting and monitoring.  | Completed  |
| <u>Public First</u><br>The "Public First" programme had been delivered successfully and concluded, however some learning needs to be captured.  | A high level post implementation assessment of "Public First" has been completed   |
| <u>Code of ethics, leadership and culture</u><br>To progress the work on-going around ethics, leadership and culture.   | Work to embed the "Code of Ethics" document and the new mission, vision and values has been completed and leadership development work is ongoing.  |
| <u>Governance of Collaboration and Partnerships</u><br>To reconsider corporate governance arrangements appropriate for collaboration following the publication of the findings of the Capita Review into further collaboration. To monitor and consider potential governance issues that could result from local government restructuring in Wales. | A Collaborative Framework for the Governance of Collaboration across policing in Wales has been completed and signed off by the All Wales Policing Group.<br><br>Work to enhance collaborative working with local public sector partners is being taken forward as part of a comprehensive Force Collaboration Strategy which is being formulated. |
| <u>Business Continuity</u><br>The outstanding recommendation in relation  | Considerable progress has been   |

|  |   |
|--|---|
| to Business Continuity needs to be addressed during 2015/16 and 2016/17.   | made in relation to the development of Departmental plans however this work remains in progress and on course for completion during 2016.   |
| <u>Corporate Governance Framework</u><br>Work has been initiated to review Corporate Governance arrangements of the Force and for the PCC. | The Review is underway. This will also incorporate any learning that arises as a result of HMIC Peel inspection activity and the outcomes of the IPCC investigations referred to above which are currently ongoing. |

Declaration

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

Signed:

Signed:

Signed:

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

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

**Gawain Evans**  
**Chair of the Joint Audit Committee**

Date: 27/9/16

Date: 27/9/16

Date: 26/9/16



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

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

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

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

The Chief Constable for Dyfed Powys' accounting statements comprise the Comprehensive Income and Expenditure Statement and Balance Sheet.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 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 as set out on page 12, the responsible financial officer is responsible for the preparation of the statement of accounts, including the 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 Chief Constable for Dyfed Powys 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 Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Chief Constable for Dyfed Powys as at 31 March 2016 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 2015-16.

### **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 2016 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

### **Opinion on other matters**

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

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

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

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

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

I certify that I have completed the audit of the accounts of Chief Constable for Dyfed Powys in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.



**For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
29<sup>th</sup> September 2016**

**Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ**

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

## Comprehensive Income and Expenditure Statement

| 2014/15           |              |                 |  | 2015/16 |                   |              |                 |
|-------------------|--------------|-----------------|--|---------|-------------------|--------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure |  | Note    | Gross Expenditure | Gross Income | Net Expenditure |
| £'000             | £'000        | £'000           |  |         | £'000             | £'000        | £'000           |
| 59,752            | 0            | 59,752          | Local Policing   |         | 57,247            | 0            | 57,247          |
| 6,560             | 0            | 6,560           | Dealing with the Public                                |         | 7,562             | 0            | 7,562           |
| 10,544            | 0            | 10,544          | Criminal Justice Arrangements                          |         | 11,611            | 0            | 11,611          |
| 8,053             | 0            | 8,053           | Road Policing  |         | 6,696             | 0            | 6,696           |
| 4,117             | 0            | 4,117           | Intelligence   |         | 4,257             | 0            | 4,257           |
| 7,909             | 0            | 7,909           | Operational Support                                    |         | 7,648             | 0            | 7,648           |
| 11,250            | 0            | 11,250          | Investigation  |         | 11,145            | 0            | 11,145          |
| 3,190             | 0            | 3,190           | Investigative Support                                  |         | 3,839             | 0            | 3,839           |
| 5,779             | 0            | 5,779           | National Policing                                      |         | 4,357             | 0            | 4,357           |
| 325               | 0            | 325             | Non Distributed Costs                                  |         | 0                 | 0            | 0               |
| 41                | 0            | 41              | Corporate and Democratic Core                          |         | 41                | 0            | 41              |
| 117,520           | 0            | 117,520         | Cost of Services                                       |         | 114,403           | 0            | 114,403         |
| 0                 | 0            | 0               | Other operating expenditure                            |         | 0                 | 0            | 0               |
| 39,221            | 0            | 39,221          | Financing and investment income and expenditure        | 7       | 34,076            | 0            | 34,076          |
| 0                 | (156,741)    | (156,741)       | Commissioning Costs (intra-group transfer)             |         | 0                 | (148,479)    | (148,479)       |
| 156,741           | (156,741)    | 0               | (Surplus)/deficit on Provision of services             |         | 148,479           | (148,479)    | 0               |
|                   |              | 126,037         | Actuarial (gains)/losses on pension assets/liabilities |         |                   |              | (66,541)        |
|                   |              | (126,037)       | Commissioning Costs (intra-group transfer)             |         |                   |              | 66,541          |
|                   |              | 0               | Other comprehensive income and expenditure             |         |                   |              | 0               |
|                   |              | 0               | Total comprehensive income and expenditure             |         |                   |              | 0               |

**Balance Sheet**

| 31 <sup>st</sup> March 2015 |                               | Note | 31 <sup>st</sup> March 2016 |
|-----------------------------|-------------------------------|------|-----------------------------|
| £'000                       |                               |      | £'000                       |
| 0                           | Property, plant & equipment   |      | 0                           |
| 0                           | Investment property           |      | 0                           |
| 0                           | Intangible assets             |      | 0                           |
| 0                           | Assets held for sale          |      | 0                           |
| 1,046,972                   | Long term debtors             | 20   | 1,011,919                   |
| <b>1,046,972</b>            | <b>Long term assets</b>       |      | <b>1,011,919</b>            |
| 0                           | Short term investments        |      | 0                           |
| 402                         | Inventories                   | 9    | 368                         |
| 273                         | Short term debtors            | 10   | 339                         |
| 0                           | Cash and cash equivalents     |      | 0                           |
| (675)                       | Intra-group transfer          |      | (707)                       |
|                             | <b>Current assets</b>         |      |                             |
| 0                           | Bank Overdraft                |      | 0                           |
| 0                           | Short term borrowing          |      | 0                           |
| (3,835)                     | Short term creditors          | 11   | (5,607)                     |
| 0                           | Provisions                    |      | 0                           |
| 3,835                       | Intra - group transfer        |      | 5,607                       |
|                             | <b>Current liabilities</b>    |      |                             |
| 0                           | Long term creditors           |      | 0                           |
| 0                           | Long term borrowing           |      | 0                           |
| (1,046,972)                 | Other long term liabilities   | 20   | (1,011,919)                 |
| 0                           | Provisions                    |      | 0                           |
| 0                           | Grant receipts in advance     |      | 0                           |
| <b>(1,046,972)</b>          | <b>Long term liabilities</b>  |      | <b>(1,011,919)</b>          |
| <b>0</b>                    | <b>Net assets/liabilities</b> |      | <b>0</b>                    |
| 0                           | Usable reserves               |      | 0                           |
| 0                           | Unusable reserves             |      | 0                           |
| <b>0</b>                    | <b>Total reserves</b>         |      | <b>0</b>                    |

## Police Pension Fund

| Chief Constable |                 | Fund Account  | Chief Constable |                 |
|-----------------|-----------------|---|-----------------|-----------------|
| 2014/15         |                 |   | 2015/16         |                 |
|                 | £'000           |   | £'000           | £'000           |
|                 |                 | <b>Contributions receivable:</b>  |                 |                 |
| (10,249)        |                 | • Employer contributions  | (10,348)        |                 |
| (5,849)         |                 | • Member contributions  | (5,865)         |                 |
| (800)           |                 | Transfers in from other pension funds                                   | (772)           |                 |
| (739)           |                 | Other income  | (168)           |                 |
|                 | <b>(17,637)</b> |   |                 | <b>(17,153)</b> |
|                 |                 | <b>Benefits payable:</b>  |                 |                 |
| 21,507          |                 | • Pensions  | 22,557          |                 |
| 7,713           |                 | • Commutations and lump sum retirement benefits                         | 7,281           |                 |
| 595             |                 | • Interest payable on back-dated lump sums                              | 0               |                 |
|                 | <b>29,815</b>   |   |                 | <b>29,838</b>   |
|                 |                 | <b>Payments to and on Account of Leavers:</b>                           |                 |                 |
| 425             |                 | Transfers out to other pension funds                                    | (476)           |                 |
| 0               |                 | Refunds of contributions  | 0               |                 |
| 159             | 584             | Other expenditure   | 319             | <b>(157)</b>    |
|                 | <b>12,762</b>   | <b>Net amount payable before transfer from the Police Fund</b>          |                 | <b>12,528</b>   |
|                 | (12,762)        | <b>Additional funding payable by Police Fund (re Home Office Grant)</b> |                 | <b>(12,528)</b> |
|                 | <b>0</b>        | <b>Funding shortfall to be met by Police Fund</b>                       |                 | <b>0</b>        |

| Chief Constable | Net Assets Statement           | Chief Constable |
|-----------------|--------------------------------|-----------------|
| 2014/15         |                                | 2015/16         |
| £'000           |                                | £'000           |
| 3,238           | Short term debtors             | 49              |
| <b>3,238</b>    | <b>Net Current Assets</b>      | <b>49</b>       |
| (3,238)         | Short term provision           | 0               |
| 0               | Short term creditors           | (49)            |
| <b>(3,238)</b>  | <b>Net Current Liabilities</b> | <b>(49)</b>     |
| <b>0</b>        |                                | <b>0</b>        |

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

Funding Shortfall to be met by Police Fund

In 2015/16 Employer Police Officer Pension scheme contributions reduced from 24.2% to 21.3%. The difference of 2.9% has been retained by the exchequer which represents the funding shortfall to be met by Police Fund.

Milne v Government Actuary's Department (GAD) court ruling

Payments totalling £3,191k were made from the Police Pension Fund in 2015/16. An amount of approximately £49k is still to be paid in respect of three officers and a creditor for this amount has been included. A debtor for the same amount has also been included reflecting a contribution from the Commissioner for income reimbursement, which was received as Home Office grant income by the Commissioner in 2015/16.

Under HMRC rules, the above payments were classed as unauthorised payments and an additional charge was levied on all Police Forces. The Home Office wrote to all Police Forces on 8<sup>th</sup> December 2015 advising them that the costs relating to unauthorised payment charges would be dealt with centrally by Government and a payment was made by HM treasury on 29<sup>th</sup> March 2016 to HMRC covering 95% of the outstanding amounts. The remaining 5% has been paid to HMRC by HM treasury in August 2016.

As both the notional expenditure and income relating to Dyfed Powys Police's share of the unauthorised payments charge would be included in the pension fund account, there would be an overall £nil impact on this account. As a result these entries have not been made.

## Notes to the Accounts

### 1. Accounting policies

#### General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2015/16 financial year and the position at the year-end of 31st March 2016. The Chief Constable is required to prepare an annual Statement of Accounts 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

#### Accruals of Income and Expenditure

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

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

#### 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 for Local Authorities (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.

### **Exceptional Items**

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

### **Events after the Balance Sheet date**

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

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

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

### **Inventories**

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

### **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 Chief Constable to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy or early retirement and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Chief Constable is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

#### Post-Employment Benefits

Police officers and police staff have the option of belonging to 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 Chief Constable.

This Police Officer Pension scheme is "unfunded" which means that no investment assets are built up to pay pensions and other benefits in the future, and therefore no provision to meet the liability for future payments of benefits is included in the balance sheet. The relevant service is charged with the employer's contributions payable to Police Officer Pensions in the year. Information on the long term pensions liability can be found in Note 20.

#### Local Government Pension Scheme

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

The liabilities attributable to the Chief Constable are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.6% (based on the indicative rate of return on a high quality corporate bond).

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

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price

- Property – market value.

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

Service cost comprising:

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

Re-measurements comprising:

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

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

#### Discretionary Benefits

The Chief Constable also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of 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).

**2. Previous Period Adjustments**

There are no previous period adjustments in respect of the Chief Constable's Accounts for 2015/16.

**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 2016:

- Amendments to IAS19 Employee Benefits (Defined Benefit Plans; Employee Contributions);
- Annual Improvements to IFRSs 2010 – 2012 Cycle:
  - IFRS 2 *Share-based Payment*
  - IFRS 3 *Business Combinations*
  - IFRS 8 *Operating Segments*
  - IFRS 13 *Fair Value Measurement*
  - IAS16 *Property, Plant and Equipment*
  - IAS 24 *Related Party Disclosures*
  - IAS 38 *Intangible Assets*;
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations);
- Amendment to IAS16 *Property, Plant and Equipment* and IAS38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation);
- Annual Improvements to IFRSs 2012 – 2014 Cycle:
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
  - IFRS 7 *Financial Instruments: Disclosures*
  - IAS19 *Employee Benefits*
  - IAS 34 *Interim Financial Reporting*;
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative);

- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis;
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

In the Financial Statements for 2016/17, the effect of the changes will be assessed and where necessary, the comparative figures restated, however, it is anticipated that the changes will not have a material impact.

#### 4. Critical judgements in applying accounting policies

##### Police Pension Legal Challenge - Career Average Revalued Earnings.

The Chief Constable of Dyfed Powys, along with other Chief Constables and the Home Office, currently has 14 claims lodged against him with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the costs in the unlikely event that the challenge is successful are also uncertain and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements and following agreement nationally, this has been accounted for as a Contingent Liability.

#### 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 Chief Constable about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Chief Constable's Balance Sheet at 31<sup>st</sup> March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item               | Uncertainties  | Effect if actual results differ from assumptions   |
|--------------------|--|--|
| Pensions liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, an increase of 0.1% in pay award for the police officer pension scheme would result in an increase to the pension liability of £5.191 million. |

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

There are no events after the balance sheet date that would affect the Chief Constable's financial position for 2015/16.

## 7. 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.

| 2014/15 |   | 2015/16       |
|---------|---|---------------|
| £'000   |   | £'000         |
| 0       | Interest payable and similar charges                          | 0             |
| 39,221  | Pensions interest cost and expected return on pensions assets | 34,076        |
| 0       | Interest receivable and similar income                        | 0             |
| 0       | Investment Properties income and expenditure                  | 0             |
| 0       | Specific capital grants available during year                 | 0             |
| 39,221  | <b>Total</b>  | <b>34,076</b> |

## 8. Financial Instruments

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

### Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Chief Constable and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Chief Constable.

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

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

### Financial Assets

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

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

Financial Instruments – Balances

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

|   | Long Term                      |                                | Current                        |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | 31 <sup>st</sup> March<br>2015 | 31 <sup>st</sup> March<br>2016 | 31 <sup>st</sup> March<br>2015 | 31 <sup>st</sup> March<br>2016 |
|   | £'000                          | £'000                          | £'000                          | £'000                          |
| Trade Payables (Creditors)*                           | 0                              | 0                              | (1,293)                        | (1,266)                        |
| Liability related to Defined Benefit Pension Scheme** | (1,047,283)                    | (1,011,819)                    | 0                              | 0                              |
| <b>Total Financial Liabilities</b>                    | <b>(1,047,283)</b>             | <b>(1,011,819)</b>             | <b>(1,293)</b>                 | <b>(1,266)</b>                 |
| <i>Loans and receivables:</i>                         |                                |                                |                                |                                |
| Trade Receivables (Debtors)*                          | 0                              | 0                              | 273                            | 338                            |
| <b>Total Financial Assets</b>                         | <b>0</b>                       | <b>0</b>                       | <b>273</b>                     | <b>338</b>                     |

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

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

Income, Expense, Gains and Losses

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

Fair Values

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

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

| Carrying amount             | Fair value                  |  | Carrying amount             | Fair value                  |
|-----------------------------|-----------------------------|--|-----------------------------|-----------------------------|
| 31 <sup>st</sup> March 2015 | 31 <sup>st</sup> March 2015 |  | 31 <sup>st</sup> March 2016 | 31 <sup>st</sup> March 2016 |
| £'000                       | £'000                       |  | £'000                       | £'000                       |
|                             |                             | <b>Financial Liabilities:</b>                          |                             |                             |
| (1,047,283)                 | (1,047,283)                 | Liability related to Defined Benefit Pension Scheme    | (1,011,819)                 | (1,011,819)                 |
| 311                         | 311                         | Actuarial (gains)/losses on pension assets/liabilities | (100)                       | (100)                       |
| (1,293)                     | (1,293)                     | Trade Payables (Creditors)                             | (1,266)                     | (1,266)                     |
| (1,048,265)                 | (1,048,265)                 | <b>Total Financial Liabilities</b>                     | <b>(1,013,185)</b>          | <b>(1,013,185)</b>          |
|                             |                             | <b>Financial Assets:</b>                               |                             |                             |
| 273                         | 273                         | Trade Receivables (Debtors)                            | 338                         | 338                         |
| 273                         | 273                         | <b>Total Financial Assets</b>                          | <b>338</b>                  | <b>338</b>                  |

### Financial Liabilities

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

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

### Financial Assets

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

## 9. Inventories

|   | Franking and uniform consumable stores |            | Fleet maintenance materials |           | Total      |            |
|---|--|------------|-----------------------------|-----------|------------|------------|
|   | 2014/15                                | 2015/16    | 2014/15                     | 2015/16   | 2014/15    | 2015/16    |
|   | £'000                                  | £'000      | £'000                       | £'000     | £'000      | £'000      |
| Balance outstanding at start of year:                             | 358                                    | 322        | 86                          | 80        | 444        | 402        |
| Purchases   | 362                                    | 316        | 229                         | 247       | 591        | 563        |
| Recognised as an expense in the year                              | (372)                                  | (336)      | (225)                       | (251)     | (597)      | (587)      |
| Written off balances  | (26)                                   | (10)       | (10)                        | 0         | (36)       | (10)       |
| Reversals of write offs in previous year/average price adjustment | 0                                      | 0          | 0                           | 0         | 0          | 0          |
| <b>Balance outstanding at year end</b>                            | <b>322</b>                             | <b>292</b> | <b>80</b>                   | <b>76</b> | <b>402</b> | <b>368</b> |

## 10. Short-term Debtors

| 31 <sup>st</sup> March 2015 - Restated |                                | 31 <sup>st</sup> March 2016 |
|--|--------------------------------|-----------------------------|
| £'000                                  |                                | £'000                       |
| 0                                      | Central Government bodies      | 0                           |
| 0                                      | Local authorities              | 3                           |
| 23                                     | Other Police Bodies            | 0                           |
| 8                                      | Other Public Bodies            | 0                           |
| 242                                    | Limited Companies              | 327                         |
| 0                                      | Other entities and individuals | 9                           |
| 0                                      | Value added tax claims         | 0                           |
| 273                                    | <b>Total</b>                   | <b>339</b>                  |

## 11. Short-term Creditors

| 31 <sup>st</sup> March 2015 |                                | 31 <sup>st</sup> March 2016 |
|-----------------------------|--------------------------------|-----------------------------|
| £'000                       |                                | £'000                       |
| 658                         | Central Government bodies      | 379                         |
| 577                         | Local authorities              | 692                         |
| 418                         | Other Police Bodies            | 1,848                       |
| 45                          | Other Public Bodies            | 36                          |
| 1,071                       | Limited Companies              | 1,400                       |
| 1,066                       | Other entities and individuals | 1,252                       |
| 3,835                       | <b>Total</b>                   | <b>5,607</b>                |

## 12. Amounts reported for resource allocation decisions

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

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

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

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



**Directorate Income and Expenditure 2015/16**

|                                      | Territorial Policing | Investigations | Central      | Total Directorate Analysis |
|--------------------------------------|----------------------|----------------|--------------|----------------------------|
|                                      | £'000                | £'000          | £'000        | £'000                      |
| Fees, charges & other service income | 0                    | 0              | 0            | 0                          |
| Government grants                    | 0                    | 0              | 0            | 0                          |
| <b>Total Income</b>                  | <b>0</b>             | <b>0</b>       | <b>0</b>     | <b>0</b>                   |
| Employee costs                       | 48,706               | 17,828         | 6,221        | 72,755                     |
| Premises costs                       | 67                   | 65             | 108          | 240                        |
| Transport costs                      | 732                  | 173            | 345          | 1,250                      |
| Supplies & services                  | 2,302                | 1,528          | 201          | 4,031                      |
| Agency & contracted services         | 66                   | 128            | 1,638        | 1,832                      |
| <b>Total Expenditure</b>             | <b>51,873</b>        | <b>19,722</b>  | <b>8,513</b> | <b>80,108</b>              |
| <b>Net Expenditure</b>               | <b>51,873</b>        | <b>19,722</b>  | <b>8,513</b> | <b>80,108</b>              |

**Directorate Income and Expenditure 2014/15**

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

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

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

| Chief Constable 2014/15 |  | Chief Constable 2015/16 |
|-------------------------|--|-------------------------|
| £'000                   |  | £'000                   |
| 84,647                  | <b>Net expenditure in the Directorate Analysis</b>   | 80,108                  |
| 21,175                  | Net amounts of services and support services not included in the Analysis                                | 24,724                  |
| 11,698                  | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 9,571                   |
| 0                       | Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement      | 0                       |
| <b>117,520</b>          | <b>Cost of services in Comprehensive Income and Expenditure Statement</b>                                | <b>114,403</b>          |

## Reconciliation to Subjective Analysis

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

### Financial year 2015/16

| Chief Constable  |                      |   |  |  |                   |  |
|--|----------------------|---|--|--|-------------------|--|
|  | Directorate Analysis | Net amounts of services and support services not included in the Analysis | Amounts in the CIES not reported to management in the analysis | Cost of Services in the Comprehensive Income & Expenditure Statement | Corporate Amounts | Surplus/Deficit on provision of services |
|  | £'000                | £'000   | £'000  | £'000  | £'000             | £'000                                    |
| Fees, charges & other service income                   | 0                    | 0   | 0  | 0  | 0                 | 0  |
| Interest & investment income                           | 0                    | 0   | 0  | 0  | 0                 | 0  |
| Income from council tax                                | 0                    | 0   | 0  | 0  | 0                 | 0  |
| Government grants & contributions                      | 0                    | 0   | 0  | 0  | 0                 | 0  |
| Gain or loss on disposal of non-current assets         | 0                    | 0   | 0  | 0  | 0                 | 0  |
| Intra-Group Transfer                                   | 0                    | 0   | 0  | 0  | (148,479)         | (148,479)                                |
| <b>Total Income</b>                                    | <b>0</b>             | <b>0</b>  | <b>0</b>   | <b>0</b>   | <b>(148,479)</b>  | <b>(148,479)</b>                         |
| Employee costs   | 72,755               | 15,749  | (1,166)  | 87,338   | 0                 | 87,338                                   |
| Premises costs   | 240                  | 3,265   | (228)  | 3,277  | 0                 | 3,277                                    |
| Transport costs  | 1,250                | 893   | (145)  | 1,998  | 0                 | 1,998                                    |
| Supplies & services                                    | 4,031                | 4,296   | 76   | 8,403  | 0                 | 8,403                                    |
| Agency & contracted services                           | 1,832                | 521   | 150  | 2,503  | 0                 | 2,503                                    |
| Pension costs  | 0                    | 0   | 7,834  | 7,834  | 34,076            | 41,910                                   |
| Charge for Use of Non-Current Assets                   | 0                    | 0   | 3,050  | 3,050  | 0                 | 3,050                                    |
| <b>Total Expenditure</b>                               | <b>80,108</b>        | <b>24,724</b>   | <b>9,571</b>   | <b>114,403</b>   | <b>34,076</b>     | <b>148,479</b>                           |
| <b>Surplus or deficit on the provision of services</b> | <b>80,108</b>        | <b>24,724</b>   | <b>9,571</b>   | <b>114,403</b>   | <b>(114,403)</b>  | <b>0</b>                                 |

## Financial year 2014/15

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

### 13. Agency services

#### Pension services provided by Carmarthenshire County Council

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

| 2014/15 |   | 2015/16 |
|---------|---|---------|
| £'000   |   | £'000   |
| 62      | Expenditure incurred in administering the Police and Local Government Pension Schemes | 82      |
| 62      | Net surplus arising on the agency arrangements  | 82      |

### 14. Collaborative Arrangements

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

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

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

The CIPFA guidance on "Accounting for Collaboration requires the Commissioner and Force to assess all collaborative activity and categorise these into either joint operations or joint ventures and account for their fair share of expenditure income, assets and liabilities in their individual accounts.

The Expenditure and Income Statements for the main collaborative arrangements are provided below:

| 2015/16                          | Counter Terrorism Intelligence Unit | Counter Terrorism Specialist Advisors | Counter Terrorism Port/Dedicated Security | Regional Organised Crime Unit | Regional Task Force | Joint Firearms Unit   | TOTAL           |
|----------------------------------|-------------------------------------|---------------------------------------|---|-------------------------------|---------------------|-----------------------|-----------------|
| <b>Service Classification</b>    | National Policing                   | National Policing                     | National Policing                         | Intelligence/ Investigation   | Intelligence        | Specialist Operations |                 |
|                                  | £'000                               | £'000                                 | £'000                                     | £'000                         | £'000               | £'000                 | £'000           |
| Pay Expenditure                  | 4,179                               | 411                                   | 2,389                                     | 3,610                         | 1,873               | 9,670                 | 22,132          |
| Non Pay Expenditure              | 1,504                               | 29                                    | 172                                       | 965                           | 627                 | 1,569                 | 4,866           |
| <b>Gross Expenditure</b>         | <b>5,683</b>                        | <b>440</b>                            | <b>2,561</b>                              | <b>4,575</b>                  | <b>2,500</b>        | <b>11,239</b>         | <b>26,998</b>   |
| Specific Grant Income            | (5,664)                             | (440)                                 | (2,556)                                   | (2,613)                       | (500)               | 0                     | (11,773)        |
| Income                           | (19)                                | 0                                     | (5)                                       | (274)                         | (99)                | (16)                  | (413)           |
| <b>Total Income &amp; Grants</b> | <b>(5,683)</b>                      | <b>(440)</b>                          | <b>(2,561)</b>                            | <b>(2,887)</b>                | <b>(599)</b>        | <b>(16)</b>           | <b>(12,186)</b> |
| Force Contributions (Net)        | 0                                   | 0                                     | 0   | (1,688)                       | (1,901)             | (11,223)              | (14,812)        |
| <b>(Surplus) or Deficit</b>      | <b>0</b>                            | <b>0</b>                              | <b>0</b>                                  | <b>0</b>                      | <b>0</b>            | <b>0</b>              | <b>0</b>        |

Finance representatives from all Forces in Wales met with representatives of the Wales Audit Office on the 29<sup>th</sup> January 2016. At this meeting, the cost apportionment method for each Collaborative Arrangement was agreed. The tables below show each Force's contribution towards Expenditure and Income:

| 2015/16   | Counter Terrorism Intelligence Unit | Counter Terrorism Specialist Advisors | Counter Terrorism Port/Dedicated Security | Regional Organised Crime Unit                     | Regional Task Force                          | Joint Firearms Unit                                   | TOTAL           |
|---|-------------------------------------|---------------------------------------|---|---|--|---|-----------------|
| <b>Service Classification and agreed basis of apportionment</b> | National Policing (Population)      | National Policing (Population)        | National Policing (Population exc. NWP)   | Intelligence/ Investigation (Population exc. NWP) | Intelligence (Agreed Financial Contribution) | Specialist Operations (Agreed Financial Contribution) |                 |
|   | £'000                               | £'000                                 | £'000                                     | £'000   | £'000  | £'000   | £'000           |
| Dyfed-Powys   | 950                                 | 74                                    | 552                                       | 986   | 525  | 3,182   | 6,269           |
| Gwent   | 1,067                               | 83                                    | 620                                       | 1,107   | 625  | 2,764   | 6,266           |
| North Wales   | 1,276                               | 99                                    | Note 1                                    | Note 1  | Note 1                                       | Note 1  | 1,375           |
| South Wales   | 2,390                               | 184                                   | 1,389                                     | 2,482   | 1,350  | 5,293   | 13,088          |
| <b>Gross Expenditure</b>  | <b>5,683</b>                        | <b>440</b>                            | <b>2,561</b>                              | <b>4,575</b>                                      | <b>2,500</b>                                 | <b>11,239</b>   | <b>26,998</b>   |
|   | £'000                               | £'000                                 | £'000                                     | £'000   | £'000  | £'000   | £'000           |
| Dyfed-Powys   | (950)                               | (74)                                  | (552)                                     | (622)   | (126)  | (4)   | (2,328)         |
| Gwent   | (1,067)                             | (83)                                  | (620)                                     | (699)   | (150)  | (4)   | (2,623)         |
| North Wales   | (1,276)                             | (99)                                  | Note 1                                    | Note 1  | Note 1                                       | Note 1  | (1,375)         |
| South Wales   | (2,390)                             | (184)                                 | (1,389)                                   | (1,566)   | (323)  | (8)   | (5,860)         |
| <b>Total Income &amp; Grants</b>                                | <b>(5,683)</b>                      | <b>(440)</b>                          | <b>(2,561)</b>                            | <b>(2,887)</b>                                    | <b>(599)</b>                                 | <b>(16)</b>   | <b>(12,186)</b> |

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

Each force may hold their own reserves for collaborative purposes.

### 15. Officers' remuneration

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

|  | Year    | Note | Salary (including fees and allowances) |        | Benefits in kind - lease cars |       | Benefits in kind - relocation expenses |   | Other Payments |   | Total remuneration excluding pension contributions |         | Pension contributions |   | Total remuneration including pension contributions |  |
|--|---------|------|--|--------|-------------------------------|-------|--|---|----------------|---|--|---------|-----------------------|---|--|--|
|  |         |      | £                                      | £      | £                             | £     | £                                      | £ | £              | £ | £  | £       | £                     | £ |  |  |
| Chief Constable  | 2015/16 |      | 127,465                                | 4,192  | 0                             | 0     | 0                                      | 0 | 0              | 0 | 131,657  | 27,517  | 159,174               |   |  |  |
|  | 2014/15 |      | 126,237                                | 4,425  | 0                             | 0     | 0                                      | 0 | 0              | 0 | 130,662  | 29,733  | 160,395               |   |  |  |
| Deputy Chief Constable   | 2015/16 | 2    | 115,856                                | 3,501  | 0                             | 0     | 0                                      | 0 | 0              | 0 | 119,357  | 27,034  | 146,391               |   |  |  |
|  | 2014/15 | 3    | 113,978                                | 4,106  | 0                             | 5,593 | 0                                      | 0 | 0              | 0 | 123,677  | 26,766  | 150,443               |   |  |  |
| T/Deputy Chief Constable   | 2015/16 | 4    | 44,558                                 | 1,570  | 0                             | 0     | 0                                      | 0 | 0              | 0 | 46,127   | 10,783  | 56,910                |   |  |  |
|  | 2014/15 |      | 0                                      | 0      | 0                             | 0     | 0                                      | 0 | 0              | 0 | 0  | 0       | 0                     |   |  |  |
| Assistant Chief Constable  | 2015/16 | 5    | 36,669                                 | 2,382  | 30,139                        | 0     | 0                                      | 0 | 0              | 0 | 69,190   | 8,874   | 78,064                |   |  |  |
|  | 2014/15 |      | 0                                      | 0      | 0                             | 0     | 0                                      | 0 | 0              | 0 | 0  | 0       | 0                     |   |  |  |
| T/Assistant Chief Constable  | 2015/16 | 6    | 64,014                                 | 1,846  | 0                             | 0     | 0                                      | 0 | 0              | 0 | 65,860   | 13,953  | 79,813                |   |  |  |
|  | 2014/15 | 7    | 50,130                                 | 2,184  | 0                             | 0     | 0                                      | 0 | 0              | 0 | 52,314   | 11,765  | 64,079                |   |  |  |
| Director of Finance / Chief Financial Officer to the Chief Constable | 2015/16 |      | 68,007                                 | 0      | 0                             | 0     | 0                                      | 0 | 0              | 0 | 68,007   | 7,889   | 75,896                |   |  |  |
|  | 2014/15 |      | 64,647                                 | 0      | 0                             | 0     | 0                                      | 0 | 0              | 0 | 64,647   | 7,499   | 72,146                |   |  |  |
| Director of Resources  | 2015/16 |      | 68,007                                 | 0      | 0                             | 0     | 0                                      | 0 | 0              | 0 | 68,007   | 7,889   | 75,896                |   |  |  |
|  | 2014/15 | 8    | 42,065                                 | 0      | 0                             | 0     | 0                                      | 0 | 0              | 0 | 42,065   | 4,846   | 46,911                |   |  |  |
| Director of Legal and Compliance                                     | 2015/16 |      | 69,498                                 | 0      | 0                             | 0     | 0                                      | 0 | 0              | 0 | 69,498   | 0       | 69,498                |   |  |  |
|  | 2014/15 |      | 68,175                                 | 0      | 0                             | 0     | 0                                      | 0 | 0              | 0 | 68,175   | 0       | 68,175                |   |  |  |
| Total 2015/16  |         |      | 594,074                                | 13,491 | 30,139                        | 0     | 0                                      | 0 | 0              | 0 | 637,704  | 103,939 | 741,642               |   |  |  |
| Total 2014/15  |         |      | 465,232                                | 10,715 | 0                             | 5,593 | 0                                      | 0 | 0              | 0 | 481,540  | 80,609  | 562,149               |   |  |  |

Note 1: Under the Chief Officer Relocation Package Policy, Chief Officers who relocate their main home to the force area are entitled to receive reimbursement of their relocation expenses. This is in accordance with Winsor Recommendation 37, which states that Police and Crime Commissioners "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 2: The Deputy Chief Constable was seconded to the role of "DCC - All Wales" from 08/11/15 - present. There was no change in remuneration as a result of this appointment.

Note 3: The figure of £5,593 in the 'Other Payments' column relates to reimbursement of the benefit in kind tax liability that was incurred as a result of relocation expenses paid to the Deputy Chief Constable in 2012/13 and the resultant change in tax code. This was in accordance with Winsor Recommendation 37 (see note 1).

Note 4: The Assistant Chief Constable was promoted to Temporary Deputy Chief Constable from 08/11/2015 onwards. The annualised salary for this post in 2015/16 was £112,173.

Note 5: The Assistant Chief Constable was appointed on 29/06/15 and was in post until 07/11/2015 (see note 4). The annualised salary for this post in 2015/16 was £102,822.

Note 6: The Temporary Assistant Chief Constable was in post between 01/04/2016 - 27/06/2015 and 15/11/2015 - 31/03/2016. The annualised salary for this post in 2015/16 was £102,822.

Note 7: The Temporary Assistant Chief Constable was appointed on 28/09/2014. The annualised salary for this post in 2014/15 was £95,245.

Note 8: The Director of Resources was appointed on 11/08/2014. The annualised salary for this post in 2014/15 was £65,229.



Other employees

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

| 2014/15             |                    | 2015/16             |
|---------------------|--------------------|---------------------|
| Number of employees |                    | Number of employees |
| 6                   | £60,000 - £64,999* | 4                   |
| 5                   | £65,000 - £69,999  | 5                   |
| 1                   | £70,000 - £74,999* | 1                   |
| 4                   | £75,000 - £79,999  | 3                   |
| 3                   | £80,000 - £84,999  | 3                   |
| 1                   | £85,000 - £89,999  | 2                   |

\*In 2014-15 the remuneration paid to two individuals, one in the £60,000 - £64,999 bracket and the other in the £70,000 - £74,999 bracket, included compensation for loss of office.

Ratio of Chief Constable Remuneration

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

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

The remuneration of the Chief Constable for 2015/16 was £131,657.

The median full-time equivalent remuneration of all the Chief Constable's employees as at 31<sup>st</sup> March 2016 was £35,254.

The ratio of the Chief Constable's remuneration to the median Chief Constable employee's remuneration was 3.75:1.

Exit Packages

The number of exit packages with total cost per band and total cost of the redundancies during 2015/16 is set out in the table below:

| Exit package cost band | Number of Voluntary Redundancies in each band | Cost of Redundancies in each band |                |       |
|------------------------|---|-----------------------------------|----------------|-------|
|                        | No.   | Redundancy                        | Pension Strain | Total |
|                        |   | £'000                             | £'000          | £'000 |
| £0 - £20,000           | 1*  | 6                                 | 0              | 6     |
| £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     |
| £150,000+              | 0   | 0                                 | 0              | 0     |
|                        | 1   | 6                                 | 0              | 6     |

\*No staff exited the organisation during 2015/16; however, a member of staff who exited the organisation in 2014/15 received an increase to their exit package in 2015/16.

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

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

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

### Audit Committee members

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

The Scheme of Governance states that the Joint Audit Committee members' expenses should be split equally between the Commissioner and Chief Constable. In 2015/16, 50% of the cost of allowances and expenses paid is not material and has not been accounted for in the Chief Constable's accounts.

## 16. External audit costs

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

| 2014/15   |  | 2015/16   |
|-----------|--|-----------|
| £'000     |  | £'000     |
| 41        | Fees payable to the Auditor General for Wales with regard to external audit services carried out under the <i>Code of Audit Practice</i> prepared by the Auditor General for Wales | 41        |
| 0         | Fees payable to the Auditor General for Wales in respect of statutory inspections  | 0         |
| 0         | Fees payable to the Auditor General for Wales for the certification of grant claims and returns for the year   | 0         |
| <b>41</b> | <b>Total</b>   | <b>41</b> |

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

## 17. Related parties

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

### Central Government

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

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

| 2014/15 |             |                  | 2015/16 |             |
|---------|-------------|------------------|---------|-------------|
| Income  | Expenditure |                  | Income  | Expenditure |
| £'000   | £'000       |                  | £'000   | £'000       |
| 0       | 455         | Home Office      | 0       | 764         |
| 0       | 6           | Welsh Government | 0       | 3           |

### Joint Audit Committee Members

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

None of the Joint Audit Committee members, or parties related to them, have undertaken any material transactions with the Chief Constable in 2015/16.

### Senior Officers

The IPCC has an investigation underway following referral by the Force into allegations received against the Director of Legal and Compliance. The allegations relate to payments made by Dyfed Powys Police for legal services over a number of years to a barrister's chamber where her then husband worked. The IPCC is investigating what role the Director of Legal and Compliance had in instructing the chambers, in signing off any invoices and whether a potential conflict of interest was declared when required in line with force policies and procedures.

Payments totalling £14,461 were made to these chambers for legal services carried out during 2015/16.

There were no material transactions between the Group/Commissioner and other Senior Officers, or parties related to them.

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

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

| 2014/15 |             |                                | 2015/16 |             |
|---------|-------------|--------------------------------|---------|-------------|
| Income  | Expenditure |                                | Income  | Expenditure |
| £'000   | £'000       |                                | £'000   | £'000       |
| 0       | 930         | Carmarthenshire County Council | 0       | 4,300       |
| 0       | 146         | Ceredigion County Council      | 0       | 139         |
| 0       | 175         | Pembrokeshire County Council   | 0       | 264         |
| 0       | 142         | Powys County Council           | 0       | 197         |

Entities Controlled or Significantly Influenced by the Chief Constable

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

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

The Chief Constable does not have any Finance Leases.

Operating Leases

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

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

| 31 <sup>st</sup> March 2015 |   | 31 <sup>st</sup> March 2016 |
|-----------------------------|---|-----------------------------|
| £'000                       |   | £'000                       |
| 181                         | Not later than one year                           | 168                         |
| 551                         | Later than one year and not later than five years | 416                         |
| 1,146                       | Later than five years                             | 977                         |
| <b>1,878</b>                | <b>Total</b>                                      | <b>1,561</b>                |

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

| 2014/15    |                                | 2015/16  |
|------------|--------------------------------|----------|
| £'000      |                                | £'000    |
| 292        | Minimum lease payments         | 235      |
| 0          | Contingent rents               | 0        |
| 0          | (Sublease payments receivable) | 0        |
| <b>292</b> | <b>Total</b>                   | <b>0</b> |

**Chief Constable as Lessor**Finance Leases

The Chief Constable does not have any finance leases.

Operating Leases

The Chief Constable does not have any operating leases.

**19. Termination benefits**

During 2015/16 no staff exited the organisation under redundancy. However, one individual who exited the organisation in 2014/15 received an increase to their exit package during 2015/16, which cost the Chief Constable £6k. This was funded from the recurring revenue budget.

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

**20. Defined benefit pension schemes**Participation in Pension schemes

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

The Chief Constable participates in two post-employment schemes:

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

Transactions Relating to Post-employment Benefits

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

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

|   | Local Government Pension Scheme |                | Police Pension Scheme |                 |
|---|---------------------------------|----------------|-----------------------|-----------------|
|   | 2014/15                         | 2015/16        | 2014/15               | 2015/16         |
|   | £'000                           | £'000          | £'000                 | £'000           |
| <b>Comprehensive Income and Expenditure Statement:</b>  |                                 |                |                       |                 |
| <i>Cost of services:</i>  |                                 |                |                       |                 |
| • Current service cost  | (2,949)                         | (4,189)        | (19,153)              | (19,508)        |
| • Past service cost   | (230)                           | 0              | (0)                   | (3,199)         |
| • Other   | (92)                            | (94)           | (0)                   | (0)             |
| <i>Financing and Investment Income and Expenditure:</i>   |                                 |                |                       |                 |
| • Net interest cost   | (596)                           | (988)          | (38,625)              | (33,088)        |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>(3,867)</b>                  | <b>(5,271)</b> | <b>(57,778)</b>       | <b>(55,795)</b> |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>   |                                 |                |                       |                 |
| Re-measurement of the net defined benefit liability comprising:   |                                 |                |                       |                 |
| • Return on plan assets (excluding the amount included in the net interest expense)   | 8,348                           | (3,960)        | (0)                   | (0)             |
| • Experience (gain)/loss  | (0)                             | (0)            | 35,173                | 0               |
| • Re-measurement gains and losses arising on changes in demographic assumptions   | 0                               | 0              | 0                     | 0               |
| • Re-measurement gains and losses arising on changes in financial assumptions   | (23,160)                        | 8,711          | (146,398)             | 61,790          |
| <b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  | <b>(18,679)</b>                 | <b>(520)</b>   | <b>(169,003)</b>      | <b>5,995</b>    |
| <b>Commissioning Costs (intra-group transfer)</b>   | <b>18,679</b>                   | <b>520</b>     | <b>169,003</b>        | <b>(5,995)</b>  |
| <b>Total net cost</b>   | <b>0</b>                        | <b>0</b>       | <b>0</b>              | <b>0</b>        |
| <i>Movement in Reserves Statement:</i>  |                                 |                |                       |                 |
| • Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 0                               | 0              | 0                     | 0               |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>   |                                 |                |                       |                 |
| • Employers' contributions payable to scheme  | 0                               | 0              |                       |                 |
| • Employers' contributions payable to scheme  |                                 |                | 0                     | 0               |

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

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

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

The net liability arising from the defined benefit obligation:

|  | Local Government Pension Scheme |                 | Police Pension Scheme |                  |
|--|---------------------------------|-----------------|-----------------------|------------------|
|  | 2014/15                         | 2015/16         | 2014/15               | 2015/16          |
|  | £'000                           | £'000           | £'000                 | £'000            |
| Present value of the defined benefit obligation              | (124,805)                       | (123,284)       | (1,016,308)           | (982,911)        |
| Fair value of plan assets                                    | 93,830                          | 94,376          | 0                     | 0                |
| <b>Net liability arising from defined benefit obligation</b> | <b>(30,975)</b>                 | <b>(28,908)</b> | <b>(1,016,308)</b>    | <b>(982,911)</b> |

The total liability recorded in the Chief Constable's accounts is £1,011.919 million. Due to materiality levels no split is available between the Chief Constable's and Commissioner's accounts, therefore the figure stated above is for the Group.

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

|  | Local Government Pension Scheme |               | Police Pension Scheme |          |
|--|---------------------------------|---------------|-----------------------|----------|
|  | 2014/15                         | 2015/16       | 2014/15               | 2015/16  |
|  | £'000                           | £'000         | £'000                 | £'000    |
| <b>Opening fair value of scheme assets</b>   | <b>80,472</b>                   | <b>93,830</b> | <b>0</b>              | <b>0</b> |
| Interest income  | 3,733                           | 3,214         | 0                     | 0        |
| Re-measurement gain / (loss)   |                                 |               |                       |          |
| <ul style="list-style-type: none"> <li>The return on plan assets, excluding the amount included in the net interest expense</li> </ul> | 8,348                           | (3,960)       | 0                     | 0        |
| Contributions from employer  | 2,641                           | 2,596         | 0                     | 0        |
| Contributions from employees into the scheme   | 1,205                           | 1,238         | 0                     | 0        |
| Benefits paid  | (2,477)                         | (2,448)       | 0                     | 0        |
| Other (if applicable)  | (92)                            | (94)          | 0                     | 0        |
| <b>Closing fair value of scheme assets</b>   | <b>93,830</b>                   | <b>94,376</b> | <b>0</b>              | <b>0</b> |

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

|  | Funded Liabilities: Local Government Pension Scheme |                  | Unfunded Liabilities: Police Pension Scheme |                    |
|--|---|------------------|---|--------------------|
|  | 2014/15   | 2015/16          | 2014/15                                     | 2015/16            |
|  | £'000   | £'000            | £'000                                       | £'000              |
| <b>Opening Balance at 1<sup>st</sup> April:</b>                            | <b>(95,019)</b>                                     | <b>(124,805)</b> | <b>(869,128)</b>                            | <b>(1,016,308)</b> |
| Current service cost   | (3,011)   | (4,277)          | (19,153)                                    | (19,508)           |
| Interest cost  | (4,341)   | (4,223)          | (38,625)                                    | (33,088)           |
| Contributions from scheme participants                                     | (1,205)   | (1,238)          | (5,849)                                     | (5,862)            |
| <i>Actuarial gains and (losses)</i>  |   |                  |   |                    |
| • Actuarial gains / losses arising from changes in demographic assumptions | 0   | 0                | 0   | 0                  |
| • Actuarial gains / losses arising from changes in financial assumptions   | (23,471)  | 8,811            | (146,398)                                   | 61,790             |
| • Other (if applicable)  | 0   | 0                | 35,173                                      | 0                  |
| Past service cost  | 0   | 0                | 0   | (3,199)            |
| Losses / (gains) on curtailment (where relevant)                           | (235)   | 0                | 0   | 0                  |
| Benefits Paid  | 2,477   | 2,448            | 27,672                                      | 33,264             |
| Liabilities extinguished on settlements (where relevant)                   | (0)   | (0)              | (0)   | (0)                |
| <b>Closing balance at 31<sup>st</sup> March</b>                            | <b>(124,805)</b>                                    | <b>(123,284)</b> | <b>(1,016,308)</b>                          | <b>(982,911)</b>   |

## Local Government Pension Scheme assets comprised:

|                           | Fair value of Scheme assets |               |
|---------------------------|-----------------------------|---------------|
|                           | 2014/15                     | 2015/16       |
|                           | £'000                       | £'000         |
| Cash and cash equivalents | 695                         | 397           |
| Equity instruments        | 64,104                      | 65,214        |
| Bonds                     | 19,385                      | 18,252        |
| Property                  | 9,646                       | 10,513        |
| <b>Total Assets</b>       | <b>93,830</b>               | <b>94,376</b> |

**Basis for estimating Assets and Liabilities**

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

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

The significant assumptions used by the actuary have been:



|  | Local Government Pension Scheme |         | Police Pension Scheme |         |
|--|---------------------------------|---------|-----------------------|---------|
|  | 2014/15                         | 2015/16 | 2014/15               | 2015/16 |
| <b>Mortality assumptions:</b>                                  |                                 |         |                       |         |
| Longevity at 65 (60 for police scheme) for current pensioners: |                                 |         |                       |         |
| • Men  | 23.3                            | 23.4    | 27.2                  | 27.6    |
| • Women  | 25.8                            | 25.9    | 29.7                  | 30.2    |
| Longevity at 65 (60 for police scheme) for future pensioners:  |                                 |         |                       |         |
| • Men  | 25.5                            | 25.7    | 29.7                  | 30.3    |
| • Women  | 28.1                            | 28.2    | 32.2                  | 32.5    |
| <b>Other assumptions:</b>                                      |                                 |         |                       |         |
| Rate of inflation  | 2.1%                            | 2.0%    | 2.0%                  | 2.0%    |
| Rate of increase in salaries                                   | 3.6%                            | 3.5%    | 3.5%                  | 3.5%    |
| Rate of increase in pensions                                   | 2.1%                            | 2.0%    | 2.0%                  | 2.0%    |
| Rate for discounting scheme liabilities                        | 3.4%                            | 3.6%    | 3.3%                  | 3.6%    |

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

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

| Local Government Police Scheme 2015/16                                 | Impact on the defined benefit obligation in the scheme |                        |
|--|--|------------------------|
|  | Increase in assumption                                 | Decrease in assumption |
|  | £'000  | £'000                  |
| Longevity (increase or decrease by 1 year)                             | 2,296  | 0                      |
| Rate of inflation (increase or decrease by 0.1%)                       | 2,869  | 0                      |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 1,012  | 0                      |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 0  | 2,805                  |
| Police Pension Scheme 2015/16  | Impact on the defined benefit obligation in the scheme |                        |
|  | Increase in assumption                                 | Decrease in assumption |
|  | £'000  | £'000                  |
| Longevity (increase or decrease by 1 year)                             | 18,928   | 0                      |
| Rate of inflation (increase of decrease by 0.1%)                       | 20,191   | 0                      |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 5,191  | 0                      |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 0  | 19,752                 |

### Impact on the Group's Cash flows

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

| Year    | Employer rate |
|---------|---------------|
| 2016/17 | 11.6%         |

### 21. Contingent Liabilities

The Chief Constable of Dyfed Powys, along with other Chief Constables and the Home Office, currently has 14 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until 2017. Legal advice suggests that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2015/16 Accounting Statements.

Police Officers who have accrued 30 years' service are entitled to opt out from the Pension Scheme. This only applies to officers who are members of the 1987 pension scheme. There is the potential that some officers may claim that they have overpaid pension contributions and as such, they might be entitled to make a claim. No claims have been submitted to date and it would be difficult to provide a reliable estimate for such costs at this point in time. We have estimated that there would be a maximum of 5 Dyfed-Powys Police Officers affected.

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

#### Credit Risk

##### *Trade Receivables*

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

| Group Gross Debtors<br>£'000 | Bad Debt Provision for<br>the Group 2015/16<br>£'000 | Bad Debt Provision for<br>2015/16 as a % of<br>Group Trade Debtors |
|------------------------------|--|--|
| 1,743                        | 109  | 6.25   |

## Glossary of Terms

| Term                                | Definition  |
|-------------------------------------|---|
| 2014/15                             | This refers to the period covered by these accounts – 1 April 2015 to 31 March 2016   |
| 2015/16                             | This refers to the period covered by these accounts - 1 April 2014 to 31 March 2015.  |
| Accounting policies                 | These are a set of rules and codes of practice the used when preparing the accounts.  |
| Actuarial gains and losses          | For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made in the last valuation ;or</li> <li>• The actuarial assumptions have changed.</li> </ul>   |
| Carrying value                      | The carrying value of an asset is the value of the asset included in the Balance Sheet.   |
| CIPFA                               | The Chartered Institute of Public Finance and Accountancy, one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services.   |
| Commissioning                       | The entire cycle of assessing the needs of people in a local area, designing services, and then securing them.  |
| Consumer Price Index (CPI)          | Official measure of the general level of inflation as reflected in the retail price of goods and services – excludes mortgage interest payments, council tax and other housing costs.   |
| Contingent liabilities              | These exist where: <ul style="list-style-type: none"> <li>• a possible obligation arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisations control; or</li> <li>• a present obligation arises from past events but is not recognised because: <ol style="list-style-type: none"> <li>i. it is not probable that a transfer of economic benefits will be required to settle the obligation, or</li> <li>ii. the amount of the obligation cannot be measured with sufficient reliability.</li> </ol> </li> </ul> |
| Corporate and democratic core costs | These represent the costs of delivering public accountability and representation in policy-making and meeting the Commissioner's statutory reporting obligations.   |
| Corporation sole                    | A corporation sole is a legal entity consisting of a single ("sole") incorporated office, occupied by a single ("sole") man or woman i.e. the Commissioner and Chief Constable are both corporations sole under the PRSRA.  |
| Current assets                      | Current assets are items that can be readily converted into cash. By convention the items are ordered by reference to the ease that such conversion into cash can be carried out.   |

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

| 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. |
| Past service cost                                   | For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.   |
| Police Reform and Social Responsibility Act (PRSRA) | An Act of the Parliament of the United Kingdom which transferred the control of police forces from police authorities to elected Police and Crime Commissioners  |
| Prudential borrowing                                | Borrowing by local authorities without government financial support, but in accordance with the CIPFA prudential code of local authority borrowing   |
| Retail Price Index (RPI)                            | Official measure of the general level of inflation as reflected in the retail price of a basket of goods and services, including mortgage costs, council tax and other household costs.  |
| Revenue Budget                                      | The estimate of annual income and expenditure requirements, which sets out the financial implications of policies and the basis of the annual precept to be levied on collection funds.  |
| Revenue Support Grant (RSG)                         | A general government grant in support of local authority expenditure (including Commissioners) and fixed each year in relation to spending levels.   |
| Senior Employee                                     | An employee whose salary is more than £150,000 per year, or one whose salary is at least £60,000 per year (calculated pro rata for a part-time employee) and who is the designated head of paid service, chief of staff or a statutory chief officer. Typically the Commissioner's Chief of Staff and statutory Chief Officers.      |
| Single entity accounts                              | The individual accounts of each corporation sole.  |

