



# Chief Constable of Dyfed Powys

*Statement of Accounts 2016/17*  
(Single Entity)

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## Narrative Report

### 1.0 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 2016/17. 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 fifth 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 2016/17;
- **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, Cash flow Statement and Expenditure and Funding Analysis** is required as part of the Code. However, as the Chief Constable does not hold reserves or cash these statements are 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 £117.3 million on providing policing services to the Public of Dyfed Powys Police in 2016/17 which is close to the original budget. This is around £3.1 million more than the comparable figure spent in the prior financial year.
- 4.2 The Statement provides a split of this figure across the twelve main service components. For example, it can be seen that the largest element was spent on Policing Neighbourhoods which accounted for £54.0 million of the total in 2016/17.
- 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 £1,313 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.
- 4.5 This figure has been calculated independently on an actuarial basis and takes account of future salary levels, inflation, mortality rates etc. This has risen by £303 million during the year predominantly due to a reduction in discount rate assumed which is linked to an average yield on corporate bonds of around 2.6%. This compares to an assumed rate of 3.6% for 2015/16. The effect of this in general will be a significant increase of around 25% in liabilities for the typical scheme. It is important to note that all current and future police pension costs will be paid for by Government.

- 4.6 The Balance Sheet also shows the value of uniform and other inventories held by the Chief Constable (£0.4 million) and amounts owing to (£0.3 million - Debtors) or owed by (£5.2 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 2016/17 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 £91.5 million was set by Mr Christopher Salmon (the then Police and Crime Commissioner) for the Chief Constable for the year 2016/17 which incorporated a Council Tax freeze at band D and which relied upon the use of £3.1 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 the Force had already identified cost reductions of £4.029 million; roughly half of which were to be delivered in 2016/17 against staffing budgets through modernising workforce structures and reducing supervisory functions and overtime; with the remainder being delivered through significant reductions in non- pay spending delivered through procurement and other cost reduction initiatives.
- 5.4 The Table below sets out the final out-turn position for 2016/17 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 processed during the year.

	Original Budget	Revised Budget	Actual	Variance (Negative for Saving)
	£'000	£'000	£'000	£'000
<b><u>Expenditure</u></b>				
Chief Constable's Office	2,291	2,214	2,014	-200
Resources Directorate	7,579	7,623	8,127	504
Legal and Compliance Directorate	1,753	1,753	1,757	4
Finance Directorate	5,941	5,917	5,752	-165
Neighbourhoods	48,036	47,935	47,542	-393
Investigations	21,836	22,391	22,887	496
Scientific Support	1,763	1,808	1,491	-317
Criminal Justice	1,416	1,182	1,111	-71
Professional Standards	959	968	1,021	53
Staff Associations	184	187	189	2
Central Budget & Income	2,678	2,568	2,092	-476
Contribution from Reserves	-3,052	-3,072	-2,509	563
<b>Total Budget – Force</b>	<b>91,384</b>	<b>91,474</b>	<b>91,474</b>	<b>0</b>

- 5.5 It can be seen that a net increase in budget of £90K was approved in the year. This was in respect of the custody - appropriate adult services. In addition there are some significant savings, spending pressures and variations that were agreed during the year as a result of resource prioritisation decisions taken by the Chief Constable and local budget holders. The net impact of these is shown in the right hand column of the above table.
- 5.6 A brief explanation of the main reasons for the variances in budget for 2016/17 is provided below:
- i. Chief Constable's Office: *In total, an under spend of £200K was achieved against the Chief Constable's Office budget predominantly due to savings achieved against the Force-wide police officer ill-health retirement budget during the year which is managed by the Office.*
  - ii. Resources Directorate: *The Resources Directorate incorporates Estates, Business Support Unit, People's Services and Continuous Improvement Departments. In total, the Directorate overspent against the original budget by £504K. The Force experienced some significant cost pressures as a result of the implementation of the Living Wage in respect of Cleaning Contracts (£100K) and some payments of historic rates on collaborative buildings (£165K). In addition, the Force decided to employ or post additional staff on a temporary basis (£355K) to the Directorate to meet project and processing backlog pressures that emerged during the year. Additional income was received of £-116K across Estates and Business Support headings.*
  - iii. Legal and Compliance Directorate: *The Force incurred some additional temporary officers and staff costs against the original budget set for this Directorate (£228K) to meet some pressing processing requirements however this was offset by additional income and reductions in external legal expenses incurred during the year.*
  - iv. Finance Directorate: *This Directorate encompasses the Corporate Finance, Fleet, ICT and Procurement Departments of the Force. Additional staffing costs of £228K were agreed during the year to progress ICT project work which was offset by significant savings against fuel, other non-pay areas and additional income in respect of the sale of vehicles.*
  - v. Policing Neighbourhoods: *This heading encompasses all spending incurred on local policing as well as Specialist Operational Support, Communications Centre and Offender Management functions. Officer salary budgets were £57K lower than the level anticipated in the budget however overtime overspent by £239K due to a number of significant operational challenges. Some significant savings were experienced against police staff roles, fuel costs and income which have contributed to a net under spend against this heading.*
  - vi. Investigations: *The Force invested in additional capacity during the year into cyber-crime capabilities and into Investigative Units working to protect vulnerable children and adults which were funded from recurring savings generated by the Force through its "Spending Wisely" programme. The Force also incurred additional in-year overtime costs as a result of staff shortages, major operations and payments in respect of historic on-call working in compliance with Police Regulations. The Force also incurred additional costs in relation to the provision of medical support at its Custody Suites.*

- vii. Scientific Support Department: *The significant underspend against this heading occurred against forensic and other non-pay budgets due to collaborative procurement savings and lower than anticipated volume levels in respect submissions.*
- viii. Criminal Justice Department: *A non-recurring under spend against the budget of £71K occurred predominantly against non-pay and income headings.*
- ix. Professional Standards Department: *A non-recurring over spend against the budget of £53K occurred against non-pay and ICT headings which were funded from savings made elsewhere in the Force.*
- x. Staff Associations: *The small overspend occurred in respect of premises cost headings.*
- xi. Central Budget and Income: *An under spend of £476K was experienced against this centrally managed spending and income heading. This was predominantly due to additional income from escort duties in respect of windfarms. Savings arising in year against staffing budgets were also recorded against these headings which were largely netted off by corresponding additional payments against collaboration projects for the year.*
- 5.8 In respect of day-to-day revenue spending, a transfer from reserves of £2.5 million was required in 2016/17 which compares to an original budgeted figure of £3.1 million. A sum of £3.5 million will be transferred from reserves to fund capital expenditure for the year which is lower than planned due to capital scheme slippage.
- 5.9 The final reserves position for the Commissioner shows a figure of £27.3 million held as at 31<sup>st</sup> March 2017 which incorporates a sum of £16.1 million to support future capital budget commitments, a general reserve of £4.5 million for unforeseen events and a sum of £6.7 million that is required to fund predicted future MTFP revenue contributions and deficits.
- 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 2017/18 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 £91.5 million in 2017/18 by the Police and Crime Commissioner. This incorporates a transfer of budget of £3.2 million to the Commissioner in respect of Estates costs which were in previous years recorded and managed by the Force.
- 6.2.3 This funding will enable the Chief Constable to expand 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.
- 6.2.4 The Force continues to face considerable uncertainty in relation to future settlements which is making the formulation of a definitive Medium Term Financial Plan (MTFP) challenging at this stage. The Medium Term Financial outlook for Dyfed Powys Police is heavily influenced by the Home Office Review of the funding formula which is due to report its findings in the summer. It is expected that general police grant settlements from government will continue on a downward trajectory in cash terms despite a more favourable outcome for policing from the Comprehensive Spending Review (2015) than was expected.
- 6.2.5 On the spending side, although there has been stability in relation to pay and inflation cost pressures over recent years, the impact of Brexit on future costs and pay inflation is a further source of uncertainty. Changes in National Insurance rates for officers and staff have had a major impact on the cost base for 16/17 and 17/18 and the challenges posed by the costs of pensions continues to be a potential cause of concern over the medium term.
- 6.2.6 At a local level, past decisions in relation to council tax freezes and reductions have added to financial challenges with £3million of the Force's 2016/17 budget being funded from contributions from reserves which were not sustainable in the medium term. Alongside this, the Force has experienced significant increases in demand in relation to vulnerability, cyber-crime, serious/ organised crime and violent crime that need to be adequately resourced.
- 6.2.7 In terms of its assets, capital grants are significantly short of being sufficient to service the replacement and maintenance of its estate and vehicles and there are a number of national, collaborative and local investment priorities that the Force must progress through the use of reserves, transformation fund bids and prudential borrowing.
- 6.2.8 During the financial year 2016/17 the Force has conducted a significant amount of activity aimed at gaining a better understanding of demand for its services across the organisation as it has been recommended to do by HMIC. It has used this information to assess the capacity and capability of the Force's workforce



and other assets against current and predicted future demands, emerging trends and risks.

- 6.2.9 This work identified that a significant number of actions and the reshaping of the workforce was required which have been incorporated into 2017/18 budget allocations where these have been agreed following scrutiny by the Chief Officers Group.
- 6.2.10 On the 27th January 2017, the Police and Crime Commissioner presented a Financial Model that assumed the following level of budgets for the Force following consultation with the Chief Constable:

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Budget Requirement	94,639	95,518	96,329	98,026	99,675	101,306
Projected Allocation	-94,639	-94,135	-93,832	-96,232	-98,811	-101,582
Deficit	0	1,383	2,497	1,794	864	-276

- 6.2.11 This showed a balanced net position for 2017/18 and the end of 2022/23 based on an assumption of a 1.4% reduction in core grant, a £5million reduction from the Formula Review, a signed-off efficiency plan over the period of £6.0 million and a 5% forward level of precept increase. Pay awards were projected to remain at 1% for the period of this Parliament but increase to 2% thereafter.
- 6.2.12 The model also catered for the financial implications of the Capital Strategy which set out a future capital investment requirement of £36.6 million over the period with significant capital investments planned in relation to the Carmarthenshire Custody Project, CCTV as well as an ICT investment programme which fully incorporates National, collaborative and local investment priorities. This is funded by the use of grants, reserves (£14 million) and prudential borrowing (£16.5Million).
- 6.2.13 The Force has modelled this scenario further and has identified options for being able to negate these short term non-recurring deficits over the period by making adjustments to reserves, capital borrowing and spending profile assumptions.
- 6.2.14 The Force is progressing further potential efficiency and re-investment opportunities that will be available for consideration alongside these measures as part of the 2018/19 and future budget setting cycles.
- 6.2.15 Should all of these be implemented as set out, then the Force will have a balanced budget for each year until 2022/23 even allowing for a £6.6 million additional investment / precept reduction/ funding cut over and above those already catered for in the above MTFP Model over the period.
- 6.2.16 This ambitious Cost Reduction Plan together with the PCCs willingness to increase the precept in the event of the worst case scenario coming to pass would be sufficient to be able to produce a balanced financial position over the Medium Term.

### 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 2022/23 and has established appropriate project management arrangements to deliver against this. The focus of this work is now on implementing reductions through collaboration, continuous improvement, income generation 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 vehicle replacements. 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.

### 6.4 HMIC Profiles 2016

- 6.4.1 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:

- Lincolnshire
- Cumbria
- Norfolk

- 6.4.2 The latest dataset was received in October 2016 which was based on the 2016/17 original budget. This is available at the following website;

<https://www.justiceinspectrates.gov.uk/hmic/our-work/value-for-money-inspections/value-for-money-profiles/>

- 6.4.3 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.
- 6.4.4 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 other Forces in its Most Similar Force grouping. This suggests a good overall baseline position for value for money in terms of channelling Force resources towards front line policing activity compared to most similar Forces. Areas for improvement have already been incorporated into future savings plans for 2017/18 and beyond.

### 7. Policing Performance

- 7.1 The Police and Crime Commissioner Election was held in May 2016 and this resulted in a change, with Mr Dafydd Llywelyn becoming Police and Crime Commissioner for Dyfed Powys replacing Mr Christopher Salmon. Mr Mark Collins was appointed by the Police and Crime Commissioner as the Chief Constable (CC) for Dyfed Powys in October 2016; replacing the previous CC Mr Simon Prince.

7.2 As at April 2016, the priorities for policing in the local area were detailed in the Police and Crime Plan (PCP). A PCP document was compiled by the previous PCC in consultation with the CC and published. This PCP had focussed on six priorities namely:

- 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

7.3 These priorities have remained relevant over the course of the year and much of the scrutiny that has been undertaken by the PCC of the Force during 2016/17 has focussed on these areas.

7.4 With the election and appointment of the new PCC and CC over the course of the year, a new Police and Crime Plan has been agreed following significant consultation with the public and staff internally. The new priorities arising 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.

7.5 The PCP is an important document that sets out four priorities and five key delivery principles for the PCC namely:

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

7.6 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. In addition, the CC has established the following key priorities that have arisen from the ideas and thoughts of staff about how we can improve and deliver the best policing service for our Communities. These priorities are:

- To support and protect the most vulnerable in our communities.
- To improve standards across the Force – doing the basics brilliantly!
- To improve victim satisfaction and confidence in Policing.

7.7 These priorities set out what the CC expects staff to be focussing on delivering on a daily basis; in every contact with communities, partners and stakeholders.

7.8 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.dyfedpowys-pcc.org.uk/en/what-i-do/strategy/>

## Statement of Responsibilities

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

### The Chief Constable's responsibilities

The Chief Constable is required to:

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

I approve the Statement of Accounts for financial year 2016/17.



26/7/17

Chief Constable of Dyfed Powys

Date

### The Chief Financial Officer's responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Chief Constable at the reporting date and of its expenditure and income for the year ended 31<sup>st</sup> March 2017.



26/7/17

Chief Financial Officer to the Chief Constable

Date

## Annual Governance Statement

### Introduction

This Annual Governance Statement is a statutory document that has been prepared by the Chief Constable of Dyfed Powys Police. It provides a high level summary of the Governance arrangements that have been in place for the 2016/17 financial year and reports on the outcome of the reviews of the effectiveness of the system of internal control and governance that have been undertaken during the year. It also contains details of the risks and gaps identified as part of this process and the actions that are planned in order to improve governance. The format and content of the document follows the CIPFA "Delivering Good Governance" framework which was amended in 2016.

### Scope of responsibility

The Police and Crime Commissioner (PCC) Election was held in May 2016 and this resulted in a change, with Mr Dafydd Llywelyn becoming PCC for Dyfed Powys replacing Mr Christopher Salmon. Mr Mark Collins was appointed by the PCC as the Chief Constable (CC) for Dyfed Powys in October 2016; replacing the previous CC Mr Simon Prince. As CC, he is responsible for maintaining the Queen's Peace, and has direction and control over the Force's officers and staff.

He holds Office under the Crown, and is accountable to the law for the exercise of police powers, and to the PCC for the delivery of efficient and effective policing and for the 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.

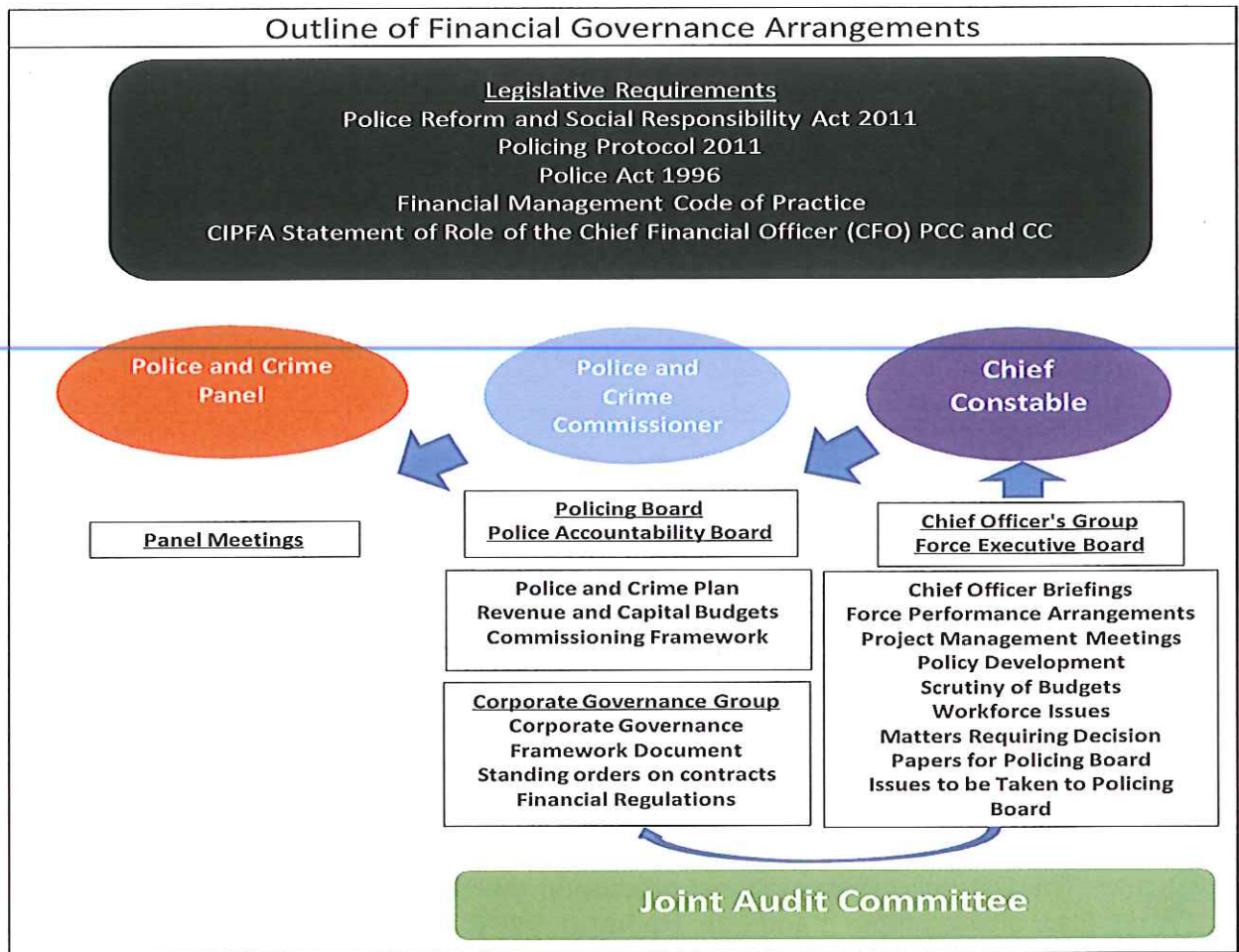
### Overview of Police Governance

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.

The governance framework has been in place at the Force throughout the year however the arrangements have been reviewed and amended as the year has progressed. The Force has undertaken a comprehensive review of governance arrangements internally. The main changes that have been implemented as a result are as follows:

- Policing Board meetings with the PCC are held on fortnightly rather than weekly basis.
- Police Accountability Board meetings with the PCC are held on a quarterly rather than monthly basis.
- Since January 2017, the Force holds Chief Officer Group meetings on a weekly rather than on a monthly basis.
- The Force is now holding a Force Executive Board each quarter with the first meeting taking place in March 2017.
- The Commissioner has drafted a new Police and Crime Plan during the year. A delivery plan is being formulated by the Chief Constable which will underpin delivery arrangements going forward.

An overview of the Governance Arrangements in being for the CC is shown below;



### The Core Principles of Good Governance

This Annual Governance Statement includes a summary of the governance arrangements in place for the CC for each of the seven core principles of good governance as identified in the revised *"Delivering Good Governance Guidance notes for Policing Bodies in England and Wales - 2016 Edition"*.

#### **Core Principle A – behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

The Policing Protocol 2011 requires all parties to abide by the seven Nolan principles and these are 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 Force has fully embedded and embraced the "Code of Ethics" and has linked this directly to its vision mission and values. This work was progressed through a working group to ensure that this was embedded from the "ground up" within the organisation.

Further work was 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.

The Professional Standards Anti-Corruption Unit (ACU) is responsible for oversight of gifts and hospitality arrangements within the Force, issues 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 maintaining a Business Interests / Notifiable Associations Policy and the 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 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 wide remit 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 which 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 their concerns in practice. It provides avenues for concerns to be raised in confidence and receive feedback on any action taken. The Force has also arranged specific training for staff dealing with whistle blowing issues from a QC.

The Force has strict rules over procurement and vetting and also supplements this with financial probity/ audit, anti-corruption/ probity work and legal advice to ensure that conflicts of interest or breaches in meeting legal requirements or standards of professional conduct are reported and investigated. The Force has invested in additional vetting capacity during the year.

### **Core Principle B – ensuring openness and comprehensive stakeholder engagement**

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. Dyfed-Powys Police 'Community Messaging' (DPCM) is available Force-wide. DCPM is a system which enables the Force to issue fast time messages to the public, and thereby enables the public to play a part in policing.

The Force works with its local partners in collaboration across Health, Local Government, Fire and Rescue, and the Third Sector across a number of key strands of its work and attends regular meetings with them e.g. Public Service Boards.

Victim satisfaction surveys are undertaken by interviewing a randomly selected sample of members of the public that have had contact with the Force as a result of a crime. 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.

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 MORILE process and Police and Crime Plan priorities. A THRIVES (Threat, Harm, Risk, Investigation, Vulnerability, Engagement and Safeguarding) assessment process is applied in determining operational policing response requirements.

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

Until recently, the PCC led in terms of strategic public consultation and engagement activity. This work is now done jointly by the PCC and CC with the Force investing in increased Corporate Communications capacity during the year. The Force utilises the outcomes of public engagement and consultation exercises to inform operational policing delivery and broader strategic policing requirements. The PCC and CC have media strategies to ensure that priorities are communicated to the public.

The Force has an Embracing Diversity Board to promote equality in its approach to policing and in the way it deals with its diverse workforce and population. The Dyfed-Powys Police Independent Advisory Group (IAG) provides the valuable role of critical friend to the Force and the Office of the Police and Crime Commissioner (OPCC). It is a forum where independent advisors can give objective advice about specific issues identified by the Police and the OPCC. The role of the IAG is not one of scrutiny, but provides a safeguard against disadvantaging any section of our communities through a lack of understanding, unconscious bias, ignorance or mistaken belief. The IAG consists of a cross-representation of the area's diverse communities of interest, in terms of age, gender, gender reassignment, disability, race, religion or belief, sexual orientation, and Welsh language.



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 providing a balance between education and safeguarding and this is used to inform long term crime prevention and harm reduction strategies linked to Wellbeing of Future Generations Act priorities.

The CC is committed to maintaining 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.

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 Force publishes details of all procurement contracts valued over £25K and transactions over £500 on-line 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 as part of a Southern Wales Collaboration arrangement. The Force has a Freedom of Information unit that supports responses to specific information requests.

The Force engages widely with its own staff through surveys, Chief Officer Roadshows and planned visits, staff representatives, staff networks, and its chaplaincy service.

### **Core Principle C – defining outcomes in terms of sustainable economic, social and environmental benefits**

As at April 2016, the priorities for policing in the local area were detailed in the Police and Crime Plan (PCP). A PCP document was compiled by the previous PCC in consultation with the CC and published. This PCP had focussed on six priorities 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

These priorities have remained relevant over the course of the year and much of the scrutiny that has been undertaken by the PCC of the Force during 2016/17 has focussed on these areas.

With the election and appointment of the new PCC and CC over the course of the year, a new Police and Crime Plan has been agreed following significant consultation with the public and staff internally. The new priorities arising 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 the Strategic Policing Requirement issued by the Home Secretary.

The PCP is an important document that sets out four priorities and five key delivery principles for the PCC namely:

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

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. In addition, the CC has established the following key priorities that have arisen from the ideas and thoughts of staff about how we can improve and deliver the best policing service for our communities. These priorities are:

1. To support and protect the most vulnerable in our communities.
2. To improve standards across the organisation – doing the basics brilliantly!
3. To improve victim satisfaction and confidence in Policing.

These priorities set out what the CC expects staff to be focussing on delivering on a daily basis; in every contact with communities, partners and stakeholders.

The Force is working with partners to meet the requirements of the Well-being of Future Generations (Wales) Act 2015. The Act establishes Public Services Boards (PSB) for each local authority area in Wales. The Members of the Board include the Local Authority, the Local Health Board, the Fire and Rescue Authority and Natural Resources Wales. The Chief Constable is an invited participant. The role of the PSB is to improve the economic, social, environmental and cultural well-being of its area by assessing the state of these aspects of well-being and setting objectives that are designed to maximise the PSBs contribution to the well-being goals.

The Force has a number of activities that are consistent with the principles of the Act including crime prevention activities e.g. offender management and school liaison and sustainability projects e.g. car sharing policy, cycle to work scheme, joint premises, energy efficiency schemes, biomass boilers, Carbon Trust feasibility studies, telematics in cars and a range of other policy initiatives including Welsh Language Standards.

#### **Core Principle D – determining the interventions necessary to optimise the achievement of the intended outcomes**

The PCP sets out the PCC's and CC's intended outcomes and the Force Control Strategy and service delivery plan supports the delivery of this. The Policing Board sits at the heart of the governance arrangements in Dyfed Powys Police. The Policing Board meets every two weeks and the papers focus on the above PCP Priorities. A Police

Accountability Board meets on a quarterly 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 and Force Executive Board. These groups enable the CC to maintain oversight of operational policing matters, risks, projects, operational performance and financial/VFM outcomes.

Chief Officers receive a formal briefing once a week on key operational matters from senior police officers. The CC has his own Force Performance arrangements 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 THRIVES (Threat, Harm, Risk, Investigation, Vulnerability, Engagement and Safeguarding) assessment process is applied in determining operational policing response requirements.

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 linked to PCP priorities. Employees are appraised against these objectives and performance throughout the year although no Reviews have been undertaken in 2016/17.

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 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 submission to the Crown Prosecution Service, digital interviewing and is currently investing 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.

#### **Core Principle E – developing the entity’s capacity, including the capability of its leadership and the individuals within it**

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 delivery of a specific Leadership Programme to the Force’s top 60 police officers and police staff leaders.

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 Term Financial Plan which is updated regularly to take account of National developments including local collaboration and procurement plans.

The CC ensures that his officers and staff receive appropriate induction and that training and development programmes are tailored to individual needs and opportunities, linked

to the Performance Development Review system. A forward workforce planning mechanism is used to determine longer term training capacity and capability needs relative to future demand and priorities.

The Force has a well-developed Coaching and Mentoring Scheme with ongoing collaborative delivery of ILM endorsed coaching. The Force considers a range of methods to attract and retain appropriate skills including transferees or an initial recruit programme.

A Force 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.

### **Core Principle F – managing risks and performance through robust internal control and strong public financial management**

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 Force Executive Board Group meetings and this has been strengthened and improved as a result of an Internal Audit Review of risk management. 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. Scarce ICT Development Resources are prioritised through Scrum and Sprint methodology which match planned developments to resources available over a four week cycle.

As well as the Policing Board and Police Accountability Board arrangements set out above, the CC has his own performance arrangements and “County Performance and Tasking Meetings” which also focus on PCP priorities the structure and contents of which have been reviewed as part of a wider reconsideration of Force governance.

Multi-Agency Risk Assessment Conference (MARAC), Multi Agency Public Protection Arrangements (MAPPA), Offender Management arrangements and Local Safeguarding Boards are established to deal with the operational risks associated with dangerous offenders and protecting the most vulnerable children and adults. The Force has also established a Central Referral Unit.

The Financial Management Code of Practice builds on the Policing Protocol and sets out the financial 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 2016/17 financial year.

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.

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, a focus on supervisory ratios and rota revision to better align resources to demand. 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.

The Force has engaged with AMs, MPs, partners, staff and external stakeholders including Police and Crime Panel and Joint Audit Committee members in relation to the Medium Term Financial outlook and formula funding issues for the Force at various seminars held during the year.

**Core Principle G – implementing good practices in transparency, reporting and audit to deliver effective accountability**

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.

All decisions made by Chief Officer Group and Policing Board are formally 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 decision-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.

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.

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.

## Review of effectiveness

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

## Corporate Governance Group

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

The Group met on the 1st of March and subsequently on the 12<sup>th</sup> June 2017 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 2016/17 particularly in relation to the following areas:

- A high level post implementation assessment of "Public First" had been completed.
- Work to embed the "Code of Ethics" document and the new mission, vision and values has been completed and leadership development work is ongoing.
- Work to establish Force Governance around Collaboration had been completed.
- The outstanding recommendation in relation to Business Continuity needs had been addressed during 2015/16 and 2016/17.
- Work has been initiated to review Corporate Governance arrangements of the Force and for the PCC was continuing however good progress had been made.
- 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.
- The IPCC investigation following referral by the Force into allegations received against the Director of Legal and Compliance has been completed. 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 and concluded that there was no case to answer for misconduct.

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

- The HMIC PEEL (Police Efficiency, Effectiveness, Leadership and Legitimacy) Inspection that took place in 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 2017 inspection. Delivery of elements of these remains in progress.
- 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 of

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 £120,000 was paid in 2016/17.

In considering the Corporate Governance Framework for 2016/17 the Force identified a number of areas of improvement and development that would be taken forward during the 2017/18 year. These are listed in the Table below.

### **Joint Audit Committee**

~~Joint Audit Committee Members received training on their roles and responsibilities during 2016/17. 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.

Following an external recruitment campaign to fill three vacancies on the Joint Audit Committee, Mr Alasdair Kenwright had been appointed for a further term and Mr Andre Morgan had been appointed as a member of the Joint Audit Committee as from March 2017.

The Joint Audit Committee met on the 29th of March 2017 to consider the Corporate Governance Framework and 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 2016/17 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 Police and Crime Commissioner and Chief Constable of Dyfed Powys Police has adequate and effective management, control and governance processes to manage the achievement of its objectives."*

The Joint Audit Committee received two reports providing a limited assurance rating in relation to internal controls and these were in respect of the Public Service Bureau and Creditor Payments. All other audits conducted during 2016/17 received an overall assurance rating of reasonable or substantial and all of the highest priority agreed actions have been completed. 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.

### **Independent Police Complaints Commission (IPCC)**

Processes for dealing with complaints against the police are governed by Acts of Parliament, Home Office guidance and Independent Police Complaints Commission (IPCC) statutory guidance. New regulations introduced in the Police Reform and Social Responsibility Act 2011 prompted revisions to Home Office guidance and IPCC statutory guidance. Force policies and procedures have been reviewed and amended to accommodate these.

### **Information Commissioner's Office**

The Information Commissioner's Office is an independent body set up to promote access to official information and to protect personal information. The Information Commissioner's Office ensures compliance by helping the Force understand what the Data Protection Act, Freedom of Information Act and related issues mean and advises us on how to protect personal information.

### **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 2016/17, the Force experienced a significant level of HMIC Inspection activity. The Police Effectiveness, Efficiency, Leadership and Legitimacy Programme have all reported with the Force being graded as "Requiring Improvement" overall and against each area.

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. The Chief Constable and Police and Crime Commissioner have committed to Complete the Areas for Improvement included in HMIC PEEL inspections and work towards improving the grading across the four strands to at least good over coming years.

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 completed 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 2016/17 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.

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 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 to strengthen these arrangements further are outlined below.

<b>Governance area</b>	<b>Action</b>
Core Principle A – Behaving with integrity, demonstrating commitment to ethical values and respecting the rule of law	Consider determining how well understood the Code of Ethics referral process is and reporting mechanism for feedback
Core Principle A – Behaving with integrity, demonstrating commitment to ethical values and respecting the rule of law	Ensure that ethics and integrity are reinforced through the new PDR process
Core Principle B – ensuring openness and comprehensive stakeholder engagement	Consider establishing a Professional Reference Group of internal staff to advise the Chief Constable in relation to policies and matters in development
Core Principle B – ensuring openness and comprehensive stakeholder engagement	Finalise a Corporate Communications Strategy and utilise Community Profiling tools
Core Principle C – defining outcomes in terms of sustainable economic, social and environmental benefits	Consider sustainable development principles for all key developments as part of a new front door process for ideas, business cases and future planning
Core Principle D – determining the interventions necessary to optimise the achievement of the intended outcomes	Embed the PCP delivery plan into the organisation through appropriate governance arrangements including performance structures
Core Principle E – developing the entity's capacity, including the capability of its leadership and the individuals within it	Create a repository of staff skills and qualifications and finalise the Leadership and Wellbeing Strategy. Implement the Transformational Leadership Programme
Core Principle F – managing risks and performance through robust internal control and strong public financial management	Complete the Historic Areas for Improvement included in HMIC PEEL inspections to improve the grading across the four strands.
Core Principle G – implementing good practices in transparency, reporting and audit to deliver effective accountability	Establish and publish a plan of our own audit of processes and systems and compliance testing. Link corporate governance action plan to risk register.

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:




**Mark Collins**  
**Chief Constable**  
Date: 26/7/17

Signed:



**Edwin Harries**  
**Chief Finance Officer**  
Date: 26/7/17

Signed:



**Darren Davies**  
**Deputy Chief Constable**  
**Chair of the Corporate**  
**Governance Group**  
Date: 20/07/2017.

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

I have audited the accounting statements and related notes of:

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

for the year ended 31<sup>st</sup> March 2017 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 2016-17 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 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 Financial Reporting Council's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable for Dyfed Powys 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<sup>st</sup> March 2017 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 2016-17.

### **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 of Dyfed Powys Police Pension Fund during the year ended 31<sup>st</sup> March 2017 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 2016-17.

**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; or
- I have not received all the information and explanations I require for my audit;
- the Annual Governance Statement does not reflect compliance with guidance.

**Certificate of completion of audit**

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

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

27<sup>th</sup> July 2017

The maintenance and integrity of the Dyfed Powys Police website is the Chief Constable's 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

This Statement has been completed in accordance with the new reporting requirements introduced by the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*. The 2015/16 figures have been restated accordingly.

2015/16 (Restated)				Note	2016/17		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000	
0	0	0	Office of the Police and Crime Commissioner		0	0	0
1,783	0	1,783	Chief Constable's Office		2,289	0	2,289
7,645	0	7,645	Central Budgeting/Finance		6,694	0	6,694
9,761	0	9,761	Resources Directorate		9,516	0	9,516
2,036	0	2,036	Legal and Compliance Directorate		2,085	0	2,085
5,676	0	5,676	Finance Directorate		6,345	0	6,345
59,421	0	59,421	Neighbourhoods		53,996	0	53,996
19,383	0	19,383	Investigations		25,710	0	25,710
1,650	0	1,650	Scientific Support		1,578	0	1,578
1,512	0	1,512	Criminal Justice		1,310	0	1,310
1,057	0	1,057	Professional Standards		1,134	0	1,134
257	0	257	Staff Associations		212	0	212
4,030	0	4,030	Holding Accounts/Self-Funded areas		6,460	0	6,460
114,211	0	114,211	<b>Cost of Services</b>		117,329	0	117,329
0	0	0	Other operating expenditure		0	0	0
34,076	0	34,076	Financing and investment income and expenditure	7	35,913	0	35,913
0	(148,287)	(148,287)	Commissioning Costs (intra-group transfer)		0	(153,242)	(153,242)
148,287	(148,287)	0	<b>(Surplus)/deficit on Provision of services</b>		153,242	(153,242)	0
		(66,541)	Actuarial (gains)/losses on pension assets/liabilities				271,423
		66,541	Commissioning Costs (intra-group transfer)				(271,423)
		0	Other comprehensive income and expenditure				0
		0	<b>Total comprehensive income and expenditure</b>				0

**Balance Sheet**

31 <sup>st</sup> March 2016		Note	31 <sup>st</sup> March 2017
£'000			£'000
0	Property, plant & equipment		0
0	Investment property		0
0	Intangible assets		0
0	Assets held for sale		0
1,011,919	Long term debtors	19	1,312,506
<b>1,011,919</b>	<b>Long term assets</b>		<b>1,312,506</b>
0	Short term investments		0
368	Inventories	9	429
339	Short term debtors	10	291
0	Cash and cash equivalents		0
(707)	Intra-group transfer		(720)
<b>0</b>	<b>Current assets</b>		<b>0</b>
0	Bank Overdraft		0
0	Short term borrowing		0
(5,607)	Short term creditors	11	(5,180)
0	Provisions		0
5,607	Intra - group transfer		5,180
<b>0</b>	<b>Current liabilities</b>		<b>0</b>
0	Long term creditors		0
0	Long term borrowing		0
(1,011,919)	Other long term liabilities	19	(1,312,506)
0	Provisions		0
0	Grant receipts in advance		0
<b>(1,011,919)</b>	<b>Long term liabilities</b>		<b>(1,312,506)</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 2015/16		Fund Account	Chief Constable 2016/17	
	£'000		£'000	£'000
		<b>Contributions receivable:</b>		
(10,348)		• Employer contributions	(10,236)	
(168)		• Other income	(373)	
(5,865)		Officers' contributions	(5,770)	
	<b>(16,381)</b>			<b>(16,379)</b>
(772)		Transfers in from other pension funds	78	
		<b>Benefits payable:</b>		
22,557		• Pensions	23,273	
7,281		• Commutations and lump sum retirement benefits	7,286	
	<b>29,066</b>			<b>30,637</b>
		<b>Payments to and on account of leavers:</b>		
(476)		• Transfers out to other pension funds	(58)	
0		• Refunds of contributions	5	
319		• Other expenditure	20	
	<b>(157)</b>			<b>(33)</b>
	<b>12,528</b>	<b>Net amount payable for the year</b>		<b>14,225</b>
	<b>(12,528)</b>	<b>Additional contribution from the Police Fund (re Home Office grant)</b>		<b>(14,225)</b>
	<b>0</b>			<b>0</b>

Chief Constable 2015/16	Net Assets Statement	Chief Constable 2016/17
£'000		£'000
	<b>Current Assets</b>	
49	Deficit due	0
<b>49</b>		<b>0</b>
	<b>Current Liabilities</b>	
(49)	Surplus owed	0
<b>(49)</b>		<b>0</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 2016/17 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.

## Notes to the Accounts

### 1. Accounting policies

#### General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2016/17 financial year and the position at the year-end of 31st March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, 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 service segments in accordance with the Chief Constable's arrangements for accountability and financial performance.

**Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the financial performance of the 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 19.

Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.6% (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.

LeasesThe 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**Note 8 – Financial Instruments

Following the completion of this note for the 2016/17 closure exercise, the figure entered within the actuarial gain part of the financial liabilities section for 2015/16 was incorrect.

An adjustment has been made in respect of this note in 2015/16 but it has had no impact upon the balance sheet as this was correct.

Previous Amount Carrying amount 31 <sup>st</sup> March 2016 £'000	Previous Amount Fair value 31 <sup>st</sup> March 2016 £'000	Financial Liabilities	Restated Amount £'000	Difference £'000
(1,011,819)	(1,011,819)	Liability relating to Defined Benefit Pension Scheme	(1,011,819)	0
(100)	(100)	Actuarial (gains)/losses on pension assets/liabilities	(66,541)	(66,441)
(1,266)	(1,266)	Trade Payables (Creditors)	(1,266)	0
(1,013,185)	(1,013,185)	Total Financial Liabilities	(1,079,626)	0

**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 2017:

- Amendment to the reporting of pension fund scheme transaction costs:

- the total amount of transaction costs of all major asset classes, including an explanation to enable users to understand the nature of the transaction costs and how they arise for different types of investment;
- Amendment to the reporting of investment concentration
  - Details of any single investment exceeding 5% of the net assets available for benefits

In the Financial Statements for 2017/18, 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, initially had 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. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

##### Undercover Policing Inquiry

On 12 March 2015 the then Home Secretary established an inquiry into undercover policing under the Inquiries Act 2005. The purpose of this inquiry is to investigate and report on undercover police operations conducted by English and Welsh police forces in England and Wales since 1968. The inquiry will examine the contribution undercover policing has made to tackling crime, how it was and is supervised and regulated, and its effect on individuals involved – both police officers and others who came into contact with them.

The work of the Inquiry ranges across the full scope of undercover policing work and will look at the work of the Special Demonstration Squad, the National Public Order Intelligence Unit and police forces across England and Wales. The inquiry will also examine whether people may have been wrongly convicted in cases involving undercover police officers, and refer any such cases to a separate panel for consideration.

At this stage, the inquiry is not far enough progressed to establish whether or not the Police and Crime Commissioner for Dyfed-Powys will have a 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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, an increase of 0.1% in pay award for the police officer pension scheme would result in an increase to the pension liability of £1.080 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 2016/17.

## 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.

2015/16		2016/17
£'000		£'000
0	Interest payable and similar charges	0
34,076	Pensions interest cost and expected return on pensions assets	35,913
0	Interest receivable and similar income	0
0	Investment Properties income and expenditure	0
0	Specific capital grants available during year	0
34,076	<b>Total</b>	<b>35,913</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 2016	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2017
	£'000	£'000	£'000	£'000
Trade Payables (Creditors)*	0	0	(1,266)	(2,042)
Liability related to Defined Benefit Pension Scheme**	(1,011,819)	(1,312,684)	0	0
<b>Total Financial Liabilities</b>	<b>(1,011,819)</b>	<b>(1,312,684)</b>	<b>(1,266)</b>	<b>(2,042)</b>
<i>Loans and receivables:</i>				
Trade Receivables (Debtors)*	0	0	338	291
<b>Total Financial Assets</b>	<b>0</b>	<b>0</b>	<b>338</b>	<b>291</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 2016	31 <sup>st</sup> March 2016		31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2017
£'000	£'000		£'000	£'000
		<b>Financial Liabilities:</b>		
(1,011,819)	(1,011,819)	Liability related to Defined Benefit Pension Scheme	(1,312,684)	(1,312,684)
(66,541)	(66,541)	Actuarial (gains)/losses on pension assets/liabilities	271,424	271,424
(1,266)	(1,266)	Trade Payables (Creditors)	(2,042)	(2,042)
(1,079,626)	(1,079,626)	<b>Total Financial Liabilities</b>	<b>(1,043,302)</b>	<b>(1,043,302)</b>
		<b>Financial Assets:</b>		
338	338	Trade Receivables (Debtors)	291	291
<b>338</b>	<b>338</b>	<b>Total Financial Assets</b>	<b>291</b>	<b>291</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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of year:	322	292	80	76	402	368
Purchases	316	392	247	196	563	588
Recognised as an expense in the year	(336)	(329)	(251)	(198)	(587)	(527)
Written off balances	(10)	0	0	0	(10)	0
Reversals of write offs in previous year/average price adjustment	0	0	0	0	0	0
<b>Balance outstanding at year end</b>	<b>292</b>	<b>355</b>	<b>76</b>	<b>74</b>	<b>368</b>	<b>429</b>



**10. Short-term Debtors**

31 <sup>st</sup> March 2016		31 <sup>st</sup> March 2017
£'000		£'000
0	Central Government bodies	0
3	Local authorities	0
0	Other Police Bodies	0
0	Other Public Bodies	1
327	Limited Companies	290
9	Other entities and individuals	0
0	Value added tax claims	0
<b>339</b>	<b>Total</b>	<b>291</b>

**11. Short-term Creditors**

31 <sup>st</sup> March 2016		31 <sup>st</sup> March 2017
£'000		£'000
379	Central Government bodies	73
692	Local authorities	622
1,848	Other Police Bodies	2,424
36	Other Public Bodies	19
1,400	Limited Companies	1,110
1,252	Other entities and individuals	932
<b>5,607</b>	<b>Total</b>	<b>5,180</b>

**12. Agency services**Pension services provided by Carmarthenshire County Council

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

2015/16		2016/17
£'000		£'000
82	Expenditure incurred in administering the Police and Local Government Pension Schemes	81
<b>82</b>	<b>Net surplus arising on the agency arrangements</b>	<b>81</b>

**13. Collaborative Arrangements**

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

The Police and Crime Commissioner for each Police Force will be responsible for ensuring the Strategic Policing Requirement is met. As part of this, he will look to work in collaboration with other Commissioner's and forces to provide the most effective service

possible. Such agreements are regulated by Section 22A of the Police Act 1996, as amended by the Police Reform and Social Responsibility Act 2011.

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

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:

2016/17	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	4,792	459	4,551	4,121	1,791	10,358	26,072
Non Pay Expenditure	1,700	27	358	1,174	381	1,366	5,006
<b>Gross Expenditure</b>	<b>6,492</b>	<b>486</b>	<b>4,909</b>	<b>5,295</b>	<b>2,172</b>	<b>11,724</b>	<b>31,078</b>
Specific Grant Income	(6,471)	(486)	(4,909)	(2,706)	(500)	0	(15,072)
Income	(21)	0	0	(55)	(55)	0	(131)
<b>Total Income &amp; Grants</b>	<b>(6,492)</b>	<b>(486)</b>	<b>(4,909)</b>	<b>(2,761)</b>	<b>(555)</b>	<b>0</b>	<b>(15,203)</b>
<b>(Surplus) or Deficit - to be funded from Force Contributions as follows:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,534</b>	<b>1,617</b>	<b>11,724</b>	<b>15,875</b>
<b>Force Contributions (Net):</b>							
Dyfed-Powys	0	0	0	(528)	(345)	(3,331)	(4,204)
Gwent	0	0	0	(674)	(441)	(2,854)	(3,969)
North Wales	0	0	0	0	0	0	0
South Wales	0	0	0	(1,332)	(831)	(5,539)	(7,702)
<b>Total Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,534)</b>	<b>(1,617)</b>	<b>(11,724)</b>	<b>(15,875)</b>

The tables below show each Force's contribution towards Expenditure and Income:

2016/17	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
Service Classification and agreed basis of apportionment	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	Intelligence/ Investigation (Population – national benefit basis)	Intelligence (Agreed Financial Contribution – local delivery)	Specialist Operations (Agreed Financial Contribution – local delivery)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dyfed-Powys	1,081	81	513	1,136	456	3,475	6,742
Gwent	1,219	91	578	1,281	543	2,817	6,529
North Wales	1,455	109	2,518	Note 1	Note 1	0	4,082
South Wales	2,737	205	1,300	2,878	1,173	5,432	13,725
<b>Gross Expenditure</b>	<b>6,492</b>	<b>486</b>	<b>4,909</b>	<b>5,295</b>	<b>2,172</b>	<b>11,724</b>	<b>31,078</b>
Dyfed-Powys	(1,081)	(81)	(513)	(592)	(116)	0	(2,383)
Gwent	(1,219)	(91)	(578)	(668)	(139)	0	(2,695)
North Wales	(1,455)	(109)	(2,518)	Note 1	Note 1	0	(4,082)
South Wales	(2,737)	(205)	(1,300)	(1,501)	(300)	0	(6,043)
<b>Total Income &amp; Grants</b>	<b>(6,492)</b>	<b>(486)</b>	<b>(4,909)</b>	<b>(2,761)</b>	<b>(555)</b>	<b>0</b>	<b>(15,203)</b>

**Note 1:** North Wales Police are basing their costs and income on actual costs rather than an allocation on Welsh population or agreed Financial Contribution. Furthermore, they are not included in the Regional Organised Crime Unit as they contribute to the North West region of England and North Wales. Also they do not contribute towards the Regional Task Force and Joint Firearms Unit which operate in the Southern Welsh Forces.

Each Police and Crime Commissioner may hold their own reserves for collaborative purposes.

#### 14. Officers' remuneration

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

	Year	Note	Salary (including fees and allowances)	Benefits in kind - lease cars	Benefits in kind - relocation expenses	Pay in Lieu of Notice / Exit Payment	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
			£	£	£	£	£	£	£
Chief Constable	2016/17	2	91,537	2,973	0	0	94,510	0	94,510
	2015/16		127,465	4,192	0	0	131,657	27,517	159,174
Chief Constable	2016/17	3	39,894	757	0	0	40,651	9,420	50,071
	2015/16		0	0	0	0	0	0	0
Deputy Chief Constable	2016/17	4	67,927	0	0	0	67,927	15,291	83,218
	2015/16	5	115,856	3,501	0	0	119,357	27,034	146,391
Deputy Chief Constable	2016/17	6	10,988	217	0	0	11,204	2,285	13,490
	2015/16		0	0	0	0	0	0	0
T/Deputy Chief Constable	2016/17	7	105,041	5,591	895	0	111,526	24,775	136,301
	2015/16	7	44,558	1,570	0	0	46,128	10,783	56,911
Assistant Chief Constable	2016/17	8	10,162	574	0	0	10,737	2,459	13,196
	2015/16	8	36,669	2,382	30,139	0	69,190	8,874	78,064
T/Assistant Chief Constable	2016/17	9	103,422	3,706	0	0	107,128	25,028	132,156
	2015/16		0	0	0	0	0	0	0
T/Assistant Chief Constable	2016/17		0	0	0	0	0	0	0
	2015/16	10	64,014	1,846	0	0	65,860	13,953	79,813
Director of Finance / Chief Financial Officer to the Chief Constable	2016/17		69,903	0	0	0	69,903	8,109	78,012
	2015/16		68,007	0	0	0	68,007	7,889	75,896
Director of Resources	2016/17		69,903	0	0	0	69,903	8,109	78,012

	2015/16		68,007	0	0	0	0	68,007	7,889	75,896
Director of Legal and Compliance	2016/17	11	73,934	0	0	95,301	169,235	0	0	169,235
	2015/16		69,498	0	0	0	69,498	0	0	69,498
<b>Total 2016/17</b>			<b>642,710</b>	<b>13,818</b>	<b>895</b>	<b>95,301</b>	<b>752,724</b>	<b>95,475</b>		<b>848,199</b>
<b>Total 2015/16</b>			<b>594,074</b>	<b>13,491</b>	<b>30,139</b>	<b>0</b>	<b>637,704</b>	<b>103,939</b>		<b>741,643</b>

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 Police Regulations.

Note 2: The Chief Constable retired on 17/12/16. The annualised salary for this post in 2016/17 was £125,853.

Note 3: The new Chief Constable was appointed on the 18/12/16. The annualised salary for this post in 2016/17 was £135,324.

Note 4: The Deputy Chief Constable retired from this seconded post on 23/10/16. The annualised salary for this post was £113,295. The salary cost of this post was recharged 1/3 Dyfed Powys, 1/3 Gwent and 1/3 South Wales for 2016/17.

Note 5: The Deputy Chief Constable was seconded to the role of "Deputy Chief Constable - All Wales" from 08/11/15 onwards. There was no change in remuneration as a result of this appointment.

Note 6: The new Deputy Chief Constable was appointed on the 26/02/17. The annualised salary for this post in 2016/17 was £113,295.

Note 7: The Temporary Deputy Chief Constable was in post between 08/11/15 - 25/02/17. The annualised salary for this post in 2016/17 was £113,295.

Note 8: The Assistant Chief Constable held this post from 01/04/15 – 07/11/15 and then reverted back to this post from 26/2/2017 onwards. The annualised salary for this post in 2016/17 was £110,148.

Note 9: The Temporary Assistant Chief Constable was in post from 01/04/2016 onwards.

Note 10: The Temporary Assistant Chief Constable was in post between 01/04/2015 - 27/06/2015 and 15/11/2015 - 31/03/2016. The annualised salary for this post in 2015/16 was £97,509.

Note 11: The Director of Legal and Compliance left the organisation on 03/03/17. The annualised salary for this post in 2016/17 was £70,192.

Other employees (excludes senior officers – itemised above)

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

2015/16		2016/17
Number of employees		Number of employees
4	£60,000 - £64,999*	6
5	£65,000 - £69,999	3
1	£70,000 - £74,999*	2
3	£75,000 - £79,999	3
3	£80,000 - £84,999	3
2	£85,000 - £89,999	0
0	£90,000 - £94,999	2
0	£95,000 - £99,999	1

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 2017; and
- the ratio of the amount in sub-paragraph (a) to the amount in sub-paragraph (b);

The remuneration of the Chief Constable for 2016/17 was £137,052.

The median full-time equivalent remuneration of all the Chief Constable's employees as at 31<sup>st</sup> March 2017 was £35,772.

The ratio of the Chief Constable's remuneration to the median Chief Constable employee's remuneration was 3.83:1.

Exit Packages

One member of staff exited the organisation during 2016/17.

The number of exit packages per band, along with total cost of the departures agreed for 2016/17 and 2015/16 are set out in the table below:

Exit package cost band	2015/16	2015/16	2016/17	2016/17
	Number of Departures agreed in each band	Departure cost (including payment in lieu of notice) £'000	Number of Departures agreed in each band	Departure cost (including payment in lieu of notice) £'000
£0 - £20,000	1	6	0	0
£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	1	95
£100,001 - £150,000	0	0	0	0
£150,000 +	0	0	0	0
	1	6	1	95

Flexible Retirement

The Force has recently adopted this policy and 4 police staff are currently employed under this policy option. Due to these early retirements, an actuarial strain has been applied to the Local Government Scheme which resulted in a cost of £13k to the Force.

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 2016/17, 50% of the cost of allowances and expenses paid is not material and has not been accounted for in the Chief Constable's accounts.

**15. External audit costs**

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

2015/16		2016/17
£'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	39
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
41	<b>Total</b>	<b>39</b>

**16. 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:



2015/16			2016/17	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
0	764	Home Office	0	994
0	3	Welsh Government	0	5

### 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 2016/17.

### Senior Officers

There were no material transactions between the Chief Constable and Senior Officers, or parties related to them in 2016/17.

### 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:

2015/16			2016/17	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
0	4,300	Carmarthenshire County Council	0	4,808
0	139	Ceredigion County Council	0	149
0	264	Pembrokeshire County Council	0	283
0	197	Powys County Council	0	155

### Entities Controlled or Significantly Influenced by the Chief Constable

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

## **17. Leases**

### **Chief Constable as Lessee**

#### Finance Leases

The Chief Constable does not have any Finance Leases.

#### Operating Leases

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

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

31 <sup>st</sup> March 2016		31 <sup>st</sup> March 2017
£'000		£'000
168	Not later than one year	175
416	Later than one year and not later than five years	485
977	Later than five years	884
1,561	<b>Total</b>	<b>1,544</b>

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

2015/16		2016/17
£'000		£'000
235	Minimum lease payments	217
0	Contingent rents	0
0	(Sublease payments receivable)	0
235	<b>Total</b>	<b>217</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.

## 18. Termination benefits

During 2016/17, 1 member of staff accepted an offer of benefits in exchange for the termination of employment.

## 19. Defined benefit pension schemes

### Participation in Pension schemes

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

The Chief Constable participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Carmarthenshire County Council – this is a funded defined benefit CARE (Career Average Revalued Earnings) 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 CARE

(Career Average Revalued Earnings) 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	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
<i>Cost of services:</i>				
• Current service cost	(4,189)	(4,139)	(19,508)	(16,484)
• Past service cost	0	0	(3,199)	0
• Other	(94)	(120)	(0)	0
<i>Financing and Investment Income and Expenditure:</i>				
• Net interest cost	(988)	(969)	(33,088)	(34,944)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(5,271)</b>	<b>(5,228)</b>	<b>(55,795)</b>	<b>(51,428)</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)	(3,960)	19,987	0	0
• Experience (gain)/loss	(0)	6,603	0	0
• Re-measurement gains and losses arising on changes in demographic assumptions	0	1,743	0	0
• Re-measurement gains and losses arising on changes in financial assumptions	8,711	(35,919)	61,790	(263,838)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(520)</b>	<b>(12,814)</b>	<b>5,995</b>	<b>(315,266)</b>
<b>Commissioning Costs (intra-group transfer)</b>	<b>520</b>	<b>12,814</b>	<b>(5,995)</b>	<b>315,266</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	0	0
• Employers' contributions payable to scheme	0	0	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	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(123,284)	(159,043)	(982,911)	(1,273,413)
Fair value of plan assets	94,376	119,772	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(28,908)</b>	<b>(39,271)</b>	<b>(982,911)</b>	<b>(1,273,413)</b>

The total liability recorded in the Chief Constable's accounts is £1,312.506 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	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>93,830</b>	<b>94,376</b>	<b>0</b>	<b>0</b>
Interest income	3,214	3,435	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>	(3,960)	19,987	0	0
Contributions from employer	2,596	2,749	0	0
Contributions from employees into the scheme	1,238	1,298	0	0
Benefits paid	(2,448)	(1,953)	0	0
Other (if applicable)	(94)	(120)	0	0
<b>Closing fair value of scheme assets</b>	<b>94,376</b>	<b>119,772</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	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Opening Balance at 1 <sup>st</sup> April:	(124,805)	(123,284)	(1,016,308)	(982,911)
Current service cost	(4,277)	(4,236)	(19,508)	(16,484)
Interest cost	(4,223)	(4,427)	(33,088)	(34,944)
Contributions from scheme participants	(1,238)	(1,298)	(5,862)	(5,771)
<i>Actuarial gains and (losses)</i>				
• Actuarial gains / losses arising from changes in demographic assumptions	0	1,743	0	0
• Actuarial gains / losses arising from changes in financial assumptions	8,811	(36,097)	61,790	(263,838)
• Other (if applicable)	0	6,603	0	0
Past service cost	0	0	(3,199)	0
Losses / (gains) on curtailment (where relevant)	0	0	0	0
Benefits Paid	2,448	1,953	33,264	30,535
Closing balance at 31 <sup>st</sup> March	(123,284)	(159,043)	(982,911)	(1,273,413)

## Local Government Pension Scheme assets comprised:

	Fair value of Scheme assets	
	2015/16	2016/17
	£'000	£'000
Cash and cash equivalents	397	959
Equity instruments	65,214	84,438
Bonds	18,252	23,236
Property	10,513	11,139
<b>Total Assets</b>	<b>94,376</b>	<b>119,772</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 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2015/16	2016/17	2015/16	2016/17
<b>Mortality assumptions:</b>				
Longevity at 65 (60 for police scheme) for current pensioners:				
• Men	23.4	22.8	27.6	27.8
• Women	25.9	25.5	30.2	30.3
Longevity at 65 (60 for police scheme) for future pensioners:				
• Men	25.7	25.0	30.3	30.1
• Women	28.2	27.8	32.5	32.6
<b>Other assumptions:</b>				
Rate of inflation	2.0%	2.3%	2.0%	2.3%
Rate of increase in salaries	3.5%	3.8%	3.5%	3.8%
Rate of increase in pensions	2.0%	2.3%	2.0%	2.3%
Rate for discounting scheme liabilities	3.6%	2.6%	3.6%	2.6%

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 2016/17	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	3,015	
Rate of inflation (increase or decrease by 0.1%)	3,531	
Rate of increase in salaries (increase or decrease by 0.1%)	1,080	
Rate for discounting scheme liabilities (increase or decrease by 0.1%)		3,454
Police Pension Scheme 2016/17	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	30,940	
Rate of inflation (increase or decrease by 0.1%)	26,726	
Rate of increase in salaries (increase or decrease by 0.1%)	6,801	
Rate for discounting scheme liabilities (increase or decrease by 0.1%)		26,127

### 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 2017 and details of the future employers' rates are shown below:

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

## 20. Contingent Liabilities

The Chief Constable of Dyfed Powys, along with other Chief Constables and the Home Office, initially had 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. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 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 7 Dyfed-Powys Police Officers affected.

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

### Credit Risk

#### *Trade Receivables*

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

Bad Debt Provision is calculated on a Group Level as the Chief Constable does not hold provisions. These figures are therefore for information only.

Group Gross Debtors £'000	Bad Debt Provision for the Group 2016/17 £'000	Bad Debt Provision for 2016/17 as a % of Group Trade Debtors
1,837	63	3.42



## Glossary of Terms

Term	Definition
2016/17	This refers to the period covered by these accounts – 1 April 2016 to 31 March 2017
2015/16	This refers to the period covered by these accounts - 1 April 2015 to 31 March 2016.
Accounting policies	These are a set of rules and codes of practice the used when preparing the accounts.
Actuarial gains and losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made in the last valuation ;or</li> <li>• The actuarial assumptions have changed.</li> </ul>
Carrying value	The carrying value of an asset is the value of the asset included in the Balance Sheet.
CIPFA	The Chartered Institute of Public Finance and Accountancy, one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services.
Commissioning	The entire cycle of assessing the needs of people in a local area, designing services, and then securing them.
Consumer Price Index (CPI)	Official measure of the general level of inflation as reflected in the retail price of goods and services – excludes mortgage interest payments, council tax and other housing costs.
Contingent liabilities	These exist where: <ul style="list-style-type: none"> <li>• a possible obligation arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisations control; or</li> <li>• a present obligation arises from past events but is not recognised because: <ol style="list-style-type: none"> <li>i. it is not probable that a transfer of economic benefits will be required to settle the obligation, or</li> <li>ii. the amount of the obligation cannot be measured with sufficient reliability.</li> </ol> </li> </ul>
Corporate and democratic core costs	These represent the costs of delivering public accountability and representation in policy-making and meeting the Commissioner's statutory reporting obligations.
Corporation sole	A corporation sole is a legal entity consisting of a single ("sole") incorporated office, occupied by a single ("sole") man or woman i.e. the Commissioner and Chief Constable are both corporations sole under the PRSRA.
Current assets	Current assets are items that can be readily converted into cash. By convention the items are ordered by reference to the ease that such conversion into cash can be carried out.

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

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.

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