

POLICE AND CRIME COMMISSIONER FOR
GWENT GROUP
STATEMENT OF ACCOUNTS

2019/20



Swyddfa Comisiynydd
Yr Heddlu a Throseddu
GWENT
Office of Police and
Crime Commissioner

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Narrative Report

Introduction

The purpose of the Statement of Accounts is to provide information about the financial position, performance, management accountability of resources, risks and uncertainties of the Police and Crime Commissioner for Gwent (Commissioner), which is useful to a wide range of users. Users of the financial statements may include the public, Government, grant-awarding bodies, employees, customers, suppliers and contractors of the Commissioner.

The accountability for public resources and the roles and responsibilities of the Commissioner and the Chief Constable set out in statute are documented in the Joint Annual Governance Statement. The review of the effectiveness of the governance arrangements of the Commissioner and Chief Constable is also set out in the Joint Annual Governance Statement, published as part of the Statement of Accounts.

This Statement of Account covers the 2019/20 financial year, so the vast majority of the reporting period was unaffected by the Coronavirus pandemic. However, the 'Looking Ahead' section of the narrative report highlights the potential impact on policing and commissioning arrangements throughout 2020/21 and beyond.

Statutory Framework for the Financial Statements

The Police Reform and Social Responsibility Act 2011 (PRSRA) established each Police and Crime Commissioner and Chief Constable in law as a 'corporation sole' - separate legal entities with their own legal personality. Each corporation sole is required to produce their own single entity Statement of Accounts, with the Commissioner also producing a Statement of Accounts for the Group (Commissioner Group) and the Police Pension Fund. The Commissioner is therefore responsible for the finances of the Commissioner Group and controls the assets, liabilities and reserves. The Commissioner also receives all the income and funding and makes all the payments for the Commissioner Group, including payments to officers and staff, from the General Police Fund. The Commissioner is also responsible for the funding of pension liabilities, both in the short and long term. In turn the Chief Constable fulfils her functions under the PRSRA with an annual devolved budget, set by the Commissioner in consultation with the Chief Constable.

The Accounts and Audit (Wales) Regulations 2014, require Local Government bodies to prepare a Statement of Accounts in accordance with proper practices. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) is identified as representing proper practices.

The Code applies to Local Government bodies set out in the Public Audit (Wales) Act 2004 who are required to prepare accounts for audit by the Auditor General for Wales and the Wales Audit Office. Section 12 of this Act has been amended by the PRSRA to replace reference to Police Authorities with Commissioners and Chief Constables.

The Code requires that Local Authorities prepare their Financial Statements in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code. The IASB Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users of the accounts. The Statement of Accounts continue to follow International Financial Reporting Standards (IFRS).

Statement of Accounts

The Commissioner Group and single entity Commissioner Statement of Accounts for the financial year ended 31st March 2020, which is in accordance with the Code in the United Kingdom 2019/20, consist of:

- **Narrative Report** – which provides an introduction to the Statement of Accounts and highlights significant matters reported in the Accounts;
- **Independent Auditor's Report** – which confirms the opinion of the auditor as to whether the accounting statements give a true and fair view of the financial position of the Commissioner and Group, and have been properly prepared in accordance with the Code;
- **Statement of Responsibilities** – which sets out the respective responsibilities of the Commissioner and the Chief Finance Officer in respect of the Statement of Accounts;
- **Annual Governance Statement** – which is a joint statement by the Commissioner and the Chief Constable, describing how the system of internal control has ensured that their functions have been exercised with a combination of economy, efficiency and effectiveness during the year;
- **Financial Statements:**
 - **Comprehensive Income and Expenditure Statement (CIES)** – This shows the accounting cost in the year of providing a Police and Commissioning service in accordance with International Accounting Standards (IAS) rather than the amount funded from Government grants and taxation;

- **Movement in Reserves Statement** – This shows the movement in the year on the different types of reserves and committed funds held by the Commissioner and provides a reconciliation between the funding and the cost of providing services reported in the CIES;
- **Balance Sheet** – This shows the value of the assets, liabilities and reserves (net worth) of the Commissioner as at 31st March 2020;
- **Cash Flow Statement** – This summarises, the changes in cash and cash equivalents during the financial year. Cash flows are categorised as operating, investing and financing activities;
- **Police Pensions Account** – This provides information about the financial transactions in respect of the Police Pension Schemes. Each individual Chief Constable is required by legislation (Police Pension Fund Regulations 2007) to operate a Pension Fund using monies provided by the Commissioner; and
- **Notes to the Financial Statements** – These provide further analysis and explanations on items of income, expenditure, assets, liabilities and reserves within the main accounting statements detailed above. Included within the Notes to the Financial Statements is the Expenditure and Funding Analysis. This shows how annual expenditure is used and funded from resources (government grants, council tax and business rates). It also shows how this expenditure is allocated for decision making purposes between the Commissioner group, Chief Constable and associated services/departments.

Financial Performance of the Commissioner Group

The following summary provides an overview of the financial position and performance of Gwent Police for the year ending 31st March 2020.

Revenue Income and Expenditure

The net revenue budget requirement for the year of £129.030m was approved by the Commissioner on 12th February 2019. After the Home Office Grant of £41.287m, Revenue Support Grant of £21.828m and National Non-Domestic Rates of £9.873m, the amount to be collected from Council Tax was £56.042m. The table below provides a breakdown of what this money was spent on and funded during the year.

| | 2019/20 % | 2019/20 £m | 2018/19 £m |
|---|--------------|---------------|---------------|
| Police officer and staff costs including pensions | 75 | 124.0 | 179.0 |
| Non- Pay costs (premises, transport, supplies and services, agency and contracted services) | 25 | 40.4 | 35.5 |
| Other service costs (depreciation, non-enhancing capital expenditure) | 0 | 0.6 | 0.5 |
| Gross Expenditure of Services | 100 | 165.0 | 215.0 |
| Less: grants and income | | (14.2) | (12.9) |
| Net Cost of Policing Services | | 150.8 | 202.1 |
| Accounting adjustments (pensions, depreciation, movements on General Fund reserves) | | (21.8) | (78.6) |
| Budget Requirement | | 129.0 | 123.5 |
| Non- ring-fenced government grants | 49 | 63.1 | 61.7 |
| Non-Domestic Rates Income | 8 | 9.9 | 9.8 |
| Council Tax | 43 | 56.0 | 52.0 |
| Total Funding | 100 | 129.0 | 123.5 |

Further analysis of how annual expenditure is used and funded can be found in the Expenditure and Funding Analysis (EFA) in Note 7 to the Financial Statements.

Savings arose through anticipated recurrent savings from the acceleration of efficiency schemes via the Force's Service Improvement Programme and reduced spend against demand led budgets. This was transferred to Usable Reserves. Usable Reserves at the end of the year after these transfers were £46.107m (2018/19 £55.310m). Usable Reserves are the General Fund and those other committed funds set aside from the General Fund to provide financing for future capital and revenue expenditure plans, for example the replacement of the current Police Headquarters. Note 9 to the Financial Statements provides more information on this.

Capital Expenditure and Capital Financing

During 2019/20, capital expenditure was £5.5m against a revised capital budget of £27.9m. This represents money spent for the purpose of purchasing, upgrading and improving assets such as property, vehicles and computer, communications and equipment. Capital expenditure was financed by reserves, specific grant, capital receipts and revenue contributions, and is summarised below:

| | 2019/20 % | 2019/20 £m | 2018/19 £m |
|--|--------------|---------------|---------------|
| Land and buildings | 0 | 0.0 | 0.5 |
| Vehicles, plant, furniture & equipment | 43 | 2.4 | 5.2 |
| Assets under construction | 53 | 2.9 | 1.0 |
| Intangible assets | 4 | 0.2 | 0.2 |
| Total | 100 | 5.5 | 6.9 |

There are ongoing works associated primarily with the building of a new headquarters building and the associated relocation which will be concluded in future financial years. The funding for these projects is significant and the funding for these is included within earmarked Capital Reserves.

Balance sheet

The table below is a summary of the Commissioner Group's balance sheet as at 31st March 2020. It summarises the Group's assets, liabilities and reserves.

| | 2019/20 £m | 2018/19 £m |
|---|---------------|---------------|
| Tangible assets (Property, vehicles, plant furniture and equipment) | 34.6 | 32.2 |
| Intangible assets (Computer software) | 0.4 | 0.6 |
| Assets held for sale and long-term debtors | 0.0 | 0.1 |
| Stocks | 0.5 | 0.6 |
| Debtors (money owed to Gwent Police) | 11.6 | 10.0 |
| Creditors (money owed by Gwent Police) | (13.8) | (14.6) |
| Temporary investments and deposits | 41.6 | 49.1 |
| Cash and cash equivalents | 5.8 | 10.4 |
| Provisions | (1.4) | (1.5) |
| Other long-term liabilities | (1,447.5) | (1,577.7) |
| Less: Unusable reserves | 1,414.3 | 1,546.1 |
| Total assets less liabilities | 46.1 | 55.3 |
| Financed by: | | |
| Usable reserves | (46.1) | (55.3) |
| | (46.1) | (55.3) |

Capital Borrowing and the Repayment of Debt

No new loans were taken up in respect of approved capital expenditure during the year and following the early settlement of all loan debt in previous financial years meant that there was no loan debt outstanding as at 31st March 2020.

In 2005/06 the PCC Group entered into a long-term contract under the PFI, whereby the contractor was responsible for the design, construction, finance and maintenance of a 31-cell custody unit and Police station at Ystrad Mynach. The agreement imposed a 30-year occupation/use of the facility on the PCC Group from the time it became operational during 2005/06. The accounting treatment of the PFI contract was deemed to be on Balance Sheet.

An evaluation determined that it was value for money to undertake a voluntary termination of the PFI agreement. A voluntary termination proposal, which was approved by the Office of the PCC, was sent to Welsh Government for approval at the end of June 2019 and subsequently approved. As a result, the PFI contract was terminated on 31st January 2020, and therefore there are no further liabilities and payments after this date.

Pensions Liability

The Pension Scheme for Police Officers is an unfunded scheme. The Government Actuary's Department calculate the potential liability of the Police schemes based on Actuarial review, using Pension and Payroll data.

In the case of Police Staff, Gwent Police is an admitted body to the Greater Gwent (Torfaen) Pension Fund Local Government Pension Scheme which is a funded scheme.

The impact of an increase in scheme liabilities as a result of the McCloud/Sargeant ruling on claims of unlawful discrimination arising from the Transitional Provisions of the Police Pension Regulations 2015, will be measured through the valuation process which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24. The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require the Police and Crime Commissioner to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the Police and Crime Commissioner in the form of a central government top-up grant. The estimated impact of the McCloud/Sargeant ruling has been reflected in the past service costs, notional scheme liabilities and IAS19 disclosures of both pension schemes for 2018/19 and 2019/20.

The estimated net liabilities for both schemes decreased over the year from £1,573.2m to £1,447.5m, a decrease of 8.0%, which was mainly due to changes in actuarial assumptions and the McCloud/Sargeant ruling. The unrealised net losses or gains for the year on both schemes have no direct impact on the cost of services in the comprehensive income and expenditure statement and the notional liability is recognised in the balance sheet only.

Following a revaluation of public sector pensions, police forces are facing increased police officer pensions costs of around £330m per annum from 2019/20 onwards. As part of the 2016 Pension Valuation, HMT have announced Public Sector Pension Valuation 'Directions', which serve to increase the Employer's Contribution rate from 2019/20 for Public Sector Pension Schemes (including the Police Pension Scheme). The main change is the reduction to the 'discount rate', which is used to convert future pension payments into present day value. This rate reflects the Office for Budget Responsibility's view on the national economic outlook, which in turn reflected a particularly uncertain period prior to Brexit. There remained an overall shortfall of funding from Government of around £13m nationally at the time. In relation to Gwent Police, this left a gap of £0.43m in 2019/20. However, With Police Officers and Police Staff receiving a 2.5% pay award in September 2019, coupled with a significant number of Gwent Police Officers being new to the Police Service and therefore receiving pay increments, the estimated pension shortfall (assuming flat cash pension grant) has risen by £669k to £1.098m for 2020/21. This shortfall will be met from a contribution from reserves and committed funds and not from Council Tax Precept. We have assumed in future years' forecasts that the Specific Pension Grant will be recurrently provided to meet the recurrent pension costs, but this is not yet certain.

Looking Ahead

Since 2010/11, following the worldwide economic crisis and associated Government's austerity programme, policing saw an unprecedented financial impact on account of the Home Office being one of the Government Departments whose budgets were unprotected during this time. The result was the largest reduction in central government funding for policing in a generation. Against this backdrop however, Gwent Police has been proactive in responding to the Government's austerity programme, through the Staying Ahead Programme. This was initiated by the Force to address efficiency requirements, with its underlying ethos to deliver service improvement through transformational change, to meet current and future demand and deliver efficiency savings. To the end of 2019/20 therefore, Gwent Police has delivered cumulative recurring cashable efficiency savings of £50.772m. This has been achieved through the continuing success of the Staying Ahead Programme; which over recent years has become core Force business within its Strategy, Performance and Change Department. In addition, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services' (HMICFRS) Value For Money (VFM) Profiles are a key tool in indicating potential areas for saving schemes' opportunities.

In addition to the above, Brexit uncertainty since 2016 has brought further financial challenges; with Government funding being set aside for 'no-Deal scenarios; market uncertainty increasing pension costs in the short to medium term; and cost inflation increasing budgets for building works and ICT investment. The latter two implications have added multi-million financial pressures on policing budgets in Gwent.

Whilst setting the 2020/21 budget, further significant uncertainty still remained:

- The General Election meant that the expected 2019 Comprehensive Spending Review (CSR) (which would have set Government Department's budgets for the next three to five years from 2020/21) was deferred until 2020. Therefore, on 4th September 2019, a one year 'Spending Round' was announced to deliver on the Prime Minister's priorities – including health, schools and the police. On the plus side, the Spending Round provided the Home Office with a 6.3% increase in real terms to the Department's resource budget between 2019/20 and 2020/21. In headline figures, this was the largest planned annual growth rate in at least 15 years;

- The knock-on effect of a deferred CSR further delayed the Home Office's review of the Police Funding Formula. By way of background, once the overall size of the policing budget is determined by the Home Office (via the CSR), then the amount of funding provided to respective Police and Crime Commissioners is determined by the Police Funding Formula. It has been well publicised that the current formula is out-dated, overly complex, opaque and in need of review. Following a 'false start' to the review process during the latter half of 2015, the review was brought back on track with a hope to produce its findings by February/March 2017, with implementation for the 2018/19 financial year. However, it is believed that with the significant implications of the Brexit negotiations; the result of the 'snap' General Election in June 2017 (and subsequent one); and the significant increase in the threat of terrorism, the implementation has been delayed. Indeed, in the Provisional 2018/19 Police Funding Settlement, which was announced in a Written Ministerial Statement (WMS) by the Minister of State for Policing and the Fire Service Nick Hurd MP (Minister) on Tuesday 19th December 2017, the Minister states: "I am grateful for the work of the Core Grant Distribution Review, earlier this year, which considered potential changes to the police funding formula. In the context of changing demand and following my engagement with police leaders, providing funding certainty for 2019/20 is my immediate priority. It is intended that the funding formula will be revisited at the next Comprehensive Spending Review." On account of the 2019 CSR being delayed until 2020 and with no further updates available, it was expected that once the work is restarted in 2020 as part of CSR 2020 (following full consultation throughout 2021/22), it is assumed that any impact will not occur until the 2022/23 financial year; and
- On 25th October 2019, the then Chancellor of the Exchequer (Chancellor), Rt. Hon. Sajid Javid MP, wrote to the Treasury Select Committee to confirm that the Autumn Budget will not take place on 6th November 2019. The original intentions for that date was based on the expectation of the UK securing a deal and leaving the EU on the 31st October 2019. It was planned therefore that this would be the first Budget after leaving the EU, setting out the plan to shape the economy for the future and triggering the start of the 'infrastructure revolution'. Conversely, in the event of no deal, the Government would act quickly to outline its approach and take early action to support the economy, businesses and households. On the 7th January 2020 therefore, the Chancellor announced the 11th March 2020 as the date for his first Budget - the first since the General Election. The Chancellor confirmed that billions of pounds will be invested in an "infrastructure revolution in our great country", with HMT "prioritising the environment" and reiterated a plan to make use of low borrowing rates to spend on public services. He further announced that "There will be up to an extra £100bn of investment in infrastructure over the next few years that will be transformative for every part of our country. In the Budget, we will be setting out how we are going to take advantage of all the huge opportunities that Brexit will bring." Alongside the annual Autumn Budget, the Office for Budget Responsibility (OBR) publishes its Economic and Fiscal Outlook (EFO), containing its forecasts for the economy and the public finances. However, with the Chancellor cancelling his Autumn Budget, the latest EFO was produced in March 2019, to accompany the Chancellor's Spring Statement. Therefore, up to date economic forecasts on such things as Gross Domestic Product (GDP), Consumer Price Index (CPI) inflation, Public Sector Net Debt (PSND) and unemployment rates were not available.

However, following the General Election in December 2019; the UK's withdrawal from the European Union in January 2020; and the Home Office providing the financial means to meet the Prime Minister's pledge to recruit an additional 20,000 police officers by March 2023, investment and the associated financial stability in policing was looking more positive than it had for a decade. Police Officer recruitment plans started in earnest in the latter part of 2019/20 and importantly, additional funding was provided for the associated infrastructure needed to make those new Police Officers as effective as they could be.

In February 2020, at the conclusion of the 2020/21 budget setting round, despite the above outstanding issues, the financial future for policing in Gwent looked positive. The 2020/21 Medium Term Financial Projections (MTFP) covering the five-year period to 2024/25 identified the budget required and the funding available. Assuming a further £0.539m of savings were delivered in 2020/21, the MTFP presented a balanced budget for the 2020/21 financial year.

Over the five-year period of the MTFP, there were additional local uncertainties, including the future growth in national ICT infrastructure costs; the policing impact of the International Convention Centre for Wales at the Celtic Manor Resort; and the funding of the Police Education Qualifications Framework. After reflecting the 2020/21 Final Settlement; the estimated impact of CSR 2020; Brexit and the Police Funding Formula review; and further funding pressures, the recurring funding deficit for 2024/25 was forecast to be £7.284m. Further savings had therefore been targeted, resulting in a net funding deficit after efficiencies of £5.608m by 2024/25.

At this time, the pressures and service developments recognised were consistent with those identified within local, regional and national priorities, identified in the Commissioner's Police and Crime Plan 2017-2021 and the Strategic Policing Requirement. These areas of focus and investment built upon the Forces 'Investment Strategy' which was incorporated into the 2017/18 budget setting round and which has gained significant momentum during the 2017/18, 2018/19 and 2019/20 financial years. In particular, the MTFP sought to:

- Deliver the six strands of the Policing Vision 2025 which sets out the future for policing over the next five years, and shapes decisions about how police forces use their resources to keep people safe. The six strands are to tailor local policing to community needs; enhance specialist capabilities; develop workforce skills and diversity; digital policing; enable business delivery; and ensure clear governance and accountability;
- Improve the quality of service whilst delivering efficiencies;
- Manage a changing landscape – crime is increasing and becoming more complex; increase the pace of technological change; increase in terrorism threats; and reduced public services funding;
- A refocus and prioritisation of Threat, Risk and Harm;

- Tackle the increased demand within Serious Organised Crime and vulnerability, and providing innovation to identify and support vulnerable people; and
- Develop collaborative work to meet demand, improve systems, and enhance efficiency and effectiveness.

On the 5th March 2020 however, the UK reported its first death from Coronavirus and the UK went into lockdown on the 23rd March in response to this universal threat. The economic impact of this response will be unprecedented in peace time, with the Chancellor, in response to OBR forecasts, already announcing multi billion pounds of Government support in an economic response to protect millions of jobs, businesses, self-employed people, charities and households.

The medium to long term impact on public service budgets is unknown at this stage, although there is a high degree of certainty that the primary sources of funding for Police Service budgets (Central Government Grant Funding and Council Tax Precept) will be adversely affected. The MTFP described above which was finalised ahead of the lockdown, is now defunct and a revised MTFP is beginning to be populated, albeit, on uncertain estimates of future funding levels. The joint Annual Governance Statement (published within this Statement of Accounts) provides more detail regarding Gwent Police's approach to dealing with the pandemic; the latest direct costs; and the measures in train to take learning from the crisis.

It is clear that, at the precise moment when policing felt it was free of the last ten years of austerity and that investment in policing was back on the table, a significant period of financial uncertainty now awaits Gwent Police. However, Gwent Police has a strong track record of operating within funding constraints and will therefore continue to manage reductions in real term funding from the Government and public of Gwent, throughout the period of the MTFP. The Commissioner and Chief Constable will remain focused on delivering a new generation of savings schemes and maintaining a detailed schedule of planned work to review functions and departments; balanced against the operational policing needs of Gwent.

Signed:



Darren Garwood-Pask FCCA

Chief Finance Officer

Date: 8 October 2020

Independent Auditor's Report

The Independent auditor's report of the Auditor General for Wales to Police and Crime Commissioner for Gwent Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Police and Crime Commissioner for Gwent;
- Gwent Police Pension Fund; and
- Police and Crime Commissioner for Gwent Police Group.

for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent; the Gwent Police Pension Fund; and the Police and Crime Commissioner for Gwent Police Group as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinion

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

Emphasis of Matter: Pension Fund Valuation Uncertainty

I draw attention to Note 38 of the financial statements, which describes the impact of a material uncertainty disclosed in a pension fund manager report in their year-end valuation report for the UK property fund they manage on behalf of the greater Gwent Pension Fund. The Police and Crime Commissioner for Gwent has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and Crime Commissioner for Gwent or the Police and Crime Commissioner for Gwent Police Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20;
- The information given in the Joint Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Joint Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Adrian Crompton

Auditor General for Wales
Date: 12 October 2020

24 Cathedral Road
Cardiff
CF11 9LJ

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

Statement of Responsibilities

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

The Commissioner's Responsibilities

The Commissioner is required to:

- (i) Make arrangements for the proper administration of his financial affairs and to ensure that one of his officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer;
- (ii) Manage his affairs to secure economic, efficient and effective use of resources and safeguard his assets; and
- (iii) Approve the Statement of Accounts.

I approve the Statement of Accounts for the financial year 2019/20.

Signed:



Jeff Cuthbert
Police and Crime Commissioner for Gwent
Date: 8 October 2020

Chief Finance Officer's Responsibilities

The Chief Finance Officer (Section 151 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 Great Britain (The Code of Practice).

In preparing the statement of accounts, the Chief Finance Officer has:

- (i) Selected suitable accounting policies and then applied them consistently;
- (ii) Made judgements and estimates that were reasonable and prudent; and
- (iii) Complied with the Code of Practice.

The Chief Finance Officer has also:

- (i) Kept proper accounting records which were up to date; and
- (ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts, present a true and fair financial position of the Commissioner at 31st March 2020 and his income and expenditure for the period then ended.

Signed:

(by Responsible Financial Officer)



Date: 10/06/2020
Darren Garwood-Pask FCCA
Chief Finance Officer

Signed:

(prior to the approval of the Police and Crime Commissioner)



Date: 8/10/2020
Darren Garwood-Pask FCCA
Chief Finance Officer

Joint Annual Governance Statement of the Police and Crime Commissioner for Gwent and the Chief Constable for Gwent

INTRODUCTION

The purpose of this Annual Governance Statement is to explain how the Police and Crime Commissioner (Commissioner) and the Chief Constable of Gwent have complied with their joint Manual of Corporate Governance (MoCG) during 2019/20 and in particular, the Code of Corporate Governance therein.

To this end, the Annual Governance Statement is written in two parts. Part one describes the governance arrangements in place during 2019/20. Part two reports on the review of the effectiveness and the outcomes of these arrangements.

This Annual Governance Statement assesses the governance arrangements in place during the 2019/20 financial year, so the vast majority of the assessment period will be unaffected by the Coronavirus pandemic. Furthermore, the conclusion of the Annual Governance Statement, on whether or not the governance arrangements are fit for purpose, should generally reflect normal operations. However, as the Annual Governance Statement must be current at the time of its publication (normally the 31st July but this may be delayed as a result of the Coronavirus pandemic), any impact on the Governance arrangements from the 1st April 2020 up to the publication date will be reflected.

PART ONE

SCOPE OF RESPONSIBILITIES

The Commissioner and Chief Constable's governance arrangements are designed to ensure appropriate accountability and to assist effective leadership. The Police Reform and Social Responsibility Act 2011 created two separate 'corporations sole' within each police force: the Commissioner and the Chief Constable. They each have clear and separate roles and responsibilities set out in statute.

The core statutory functions of the Commissioner are to secure the maintenance of the police force; ensure that the force is efficient and effective; and hold the Chief Constable to account for the exercise of her functions and the functions of persons under her direction and control. The Commissioner also has:

- Responsibility for the delivery of community safety and crime reduction;
- The ability to make crime and disorder reduction grants within the force area;
- A duty to ensure that all collaboration agreements with other Commissioners and forces deliver better value for money or enhance the effectiveness of policing capabilities and resilience; and
- A wider responsibility for the enhancement of the delivery of criminal justice locally.

Overarching these functions is a responsibility for ensuring business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; and that it is used economically, efficiently and effectively.

The operational independence of the Chief Constable is protected in legislation. She has a statutory responsibility for the control, direction and delivery of operational policing services provided by the Force. The Chief Constable is responsible for ensuring that police powers are exercised in accordance with the law and proper standards and is accountable to the Commissioner for the delivery of efficient and effective policing; management of resources; and expenditure by the police force.

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

The financial management arrangements conform principally with the governance requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) *Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and Chief Financial Officer of the Chief Constable* and the Home Office *Financial Management Code of Practice for the Police Service of England and Wales (new version issued in July 2018)*. Revised guidance for 'Delivering Good Governance' for Policing Bodies was also published by CIPFA in July 2016 and these have been taken into account both in reviewing our governance arrangements and in preparing this Annual Governance Statement.

This Annual Governance Statement meets the requirements of the Accounts and Audit (Wales) Regulations 2014 in relation to the publication of a Joint Annual Governance Statement which must accompany the Statement of Accounts.

This is the third time that the Commissioner and Chief Constable have jointly produced a single Annual Governance Statement. Much of the governance framework is shared but this Statement highlights the few areas where governance arrangements differ.

PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values that the Commissioner and Chief Constable use to direct and control their activities, and to engage with and be accountable to the community. The framework enables them to influence and monitor the achievement of strategic Policing and Crime Reduction objectives and to consider whether those objectives have delivered the Police and Crime Plan in an efficient and effective manner.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to:

- Identify and prioritise the risks to the achievement of policies, aims and objectives;
- Evaluate the likelihood of those risks being realised and the impact should they be realised; and
- Manage risks effectively, efficiently and economically.

The findings of the review of the system of internal control are reviewed by the Commissioner and the Chief Constable and independently reviewed by the Joint Audit Committee.

The Commissioner and the Chief Constable will formally approve any changes to the MoCG and framework on an annual basis as part of the governance review.

PRINCIPLES OF GOOD GOVERNANCE

The Policing Protocol Order 2011 requires the Commissioner and the Chief Constable to adopt and abide by the Nolan Principles for Conduct in Public Life. It also highlights the expectation that the relationship between all parties will be based upon the principles of goodwill, professionalism, openness and trust.

This is reflected in the Principles of Relationship document agreed by the Commissioner and the Chief Constable which forms part of their MoCG.

The MoCG is also consistent with the seven core principles of good governance set out in the International Framework for Good Governance in the Public Sector¹: -

1. *Behave with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;*
2. *Ensure openness and comprehensive stakeholder engagement;*
3. *Define outcomes in terms of sustainable economic, social and environmental benefits;*
4. *Determine the interventions necessary to optimise the achievement of the intended outcomes;*
5. *Develop the entity's capacity, including the capability of its leadership and the individuals within it;*
6. *Manage risks and performance through robust internal control and strong public financial management; and*
7. *Implement good practices in transparency, reporting and audit to deliver effective accountability.*

The Code of Ethics issued by the College of Policing introduced two additional principles to the seven Nolan principles: Fairness and Respect (see the 'extended' Nolan Principles as set out below).

The Nolan Principles refer to Leadership in terms of promoting and supporting the principles of Conduct in Public Life but the Commissioner and the Chief Constable are explicitly committed to providing a robust, timely and caring response to events that affect the public and our communities. This is reflected in a clear statement in the Police and Crime Plan for 2017 - 2021 "Delivering a Safer Gwent", the priority given to preventing harm and protecting victims (particularly vulnerable people); to addressing the threats to community safety; and to working with local partner agencies in the public interest.

Selflessness: Decisions will be taken solely in terms of the public interest, and not for personal financial or other gain, whether for such person, their family or their friends.

Integrity: The Commissioner, the Chief Constable, their officers and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.

Objectivity: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, the Chief Constable, their officers and staff will make choices on merit.

Accountability: The Commissioner, the Chief Constable, their officers and staff will be accountable for their decisions and actions to the public and will submit themselves to whatever scrutiny is appropriate.

Openness: The Commissioner, the Chief Constable, their officers and staff will be as open as possible about all decisions and action they take. Reasons for decisions will be made available and information will be restricted only when so required by the wider public interest.

Honesty: The Commissioner, the Chief Constable, their officers and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any conflicts arising in a way that protects the public interest

Leadership: The Commissioner, the Chief Constable, their officers and staff will promote and support these principles through leadership and by example.

Fairness: The Commissioner, Chief Constable, their officers and staff will act with fairness and impartiality.

Respect: The Commissioner, Chief Constable, their officers and staff will act with self-control and tolerance, treating members of the public and colleagues with respect and courtesy.

The table at Appendix 1 illustrates how these Standards have been applied in the work of the Commissioner and the Chief Constable during the 2019/20 financial year, as well as identifying measures that will be undertaken in 2020/21.

¹ International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014)

GOVERNANCE ARRANGEMENTS

This governance framework aims to provide a strong focus on the drivers for policing within Gwent Police, and to ensure that there is a clear 'line of sight' between decisions taken and the Police and Crime Plan. The key elements of the framework are:

Manual of Corporate Governance

The Commissioner and the Chief Constable have in place a joint MoCG. The MoCG includes a Scheme of Delegation, Financial Regulations, the Principles of Relationships and Standing Orders relating to contracts. It also includes a decision making framework which ensures that, where possible, all the Commissioner's decisions are published and available for public scrutiny.

Principles of Relationships

This document recognises the Chief Constable's operational responsibilities, within the policy and accountability framework set by the Commissioner. The Principles enable the Commissioner to pursue his policy intentions that are reflected in operational plans for the Force and the accountability of the Chief Constable for their delivery. Notwithstanding their formal 'corporations sole' status, the relationship between the Commissioner and the Chief Constable is based on working together for the benefit of the people of Gwent under the joint banner of 'Gwent Police'.

The Principles also specify that the relationship between the Commissioner and Chief Constable will be built on trust, confidence and transparency. The governance arrangements adopted are consistent with the need to ensure accountability both between the parties and also accountability to the public. A transparent and auditable approach has been adopted which remained valid in 2019/20.

Governance Framework

As reported in the 2018/19 Annual Governance Statement, a review was undertaken in 2018 and this concluded that the principles of collaboration (as set out in the Principles and in the MoCG) would be best reflected through the establishment of a new meeting and reporting structure for the Chief Constable, aligned to the delivery of the Police and Crime Plan, addressing both performance and delivery issues.

The Scrutiny Executive Board (chaired by the Deputy Chief Constable) feeds into the monthly Chief Officer Team meeting and ultimately into the quarterly Strategy and Performance Board.

In addition, issues from the Joint Strategic Planning Group continue to be reported to both the Chief Officer Team meeting and to the Commissioner's Strategy and Performance Board. These two Boards also collate recommendations from other internal meetings such as the Joint Audit Committee, Independent Ethics Committee and Estate Strategy Board.

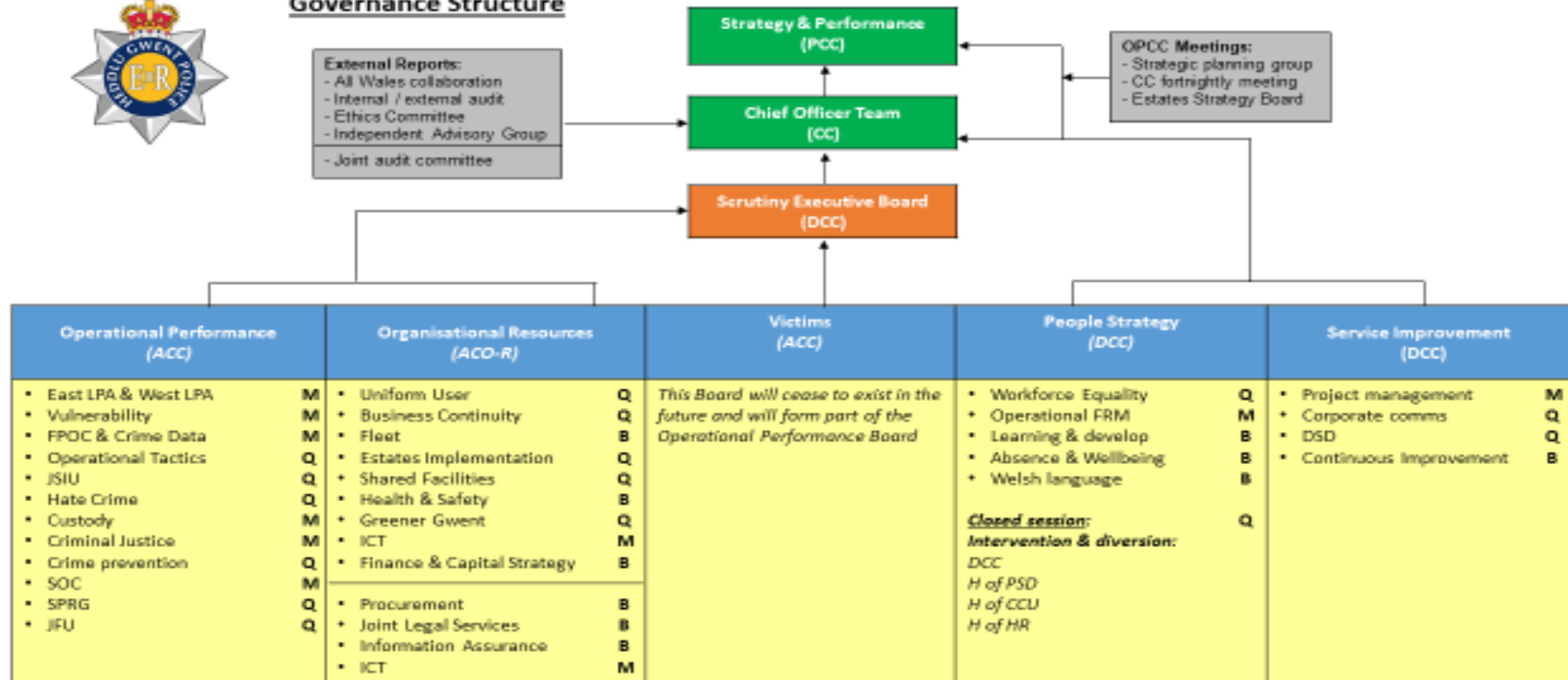
This governance meeting structure was further reviewed during 2018/19 and 2019/20, to make some further changes to the same and the diagram below sets out the revised meeting structure within the Force and between the Office of the Police and Crime Commissioner for Gwent (OPCC). The diagram below however, which reflects normal operations, does not include the Coronavirus Gold/Silver command structure, which was stood up on the 18th of March 2020 to co-ordinate Gwent Police's response to the pandemic. The workings of this group are explained more fully in Part Two.

The colour key to the diagram is as follows:

| | |
|------------|--|
| Green | Executive Boards; |
| Orange | Scrutiny Meeting; |
| Light Blue | Thematic Governance Boards; |
| Yellow | Departmental Meetings and sources of update that feed into Governance Boards; and |
| Grey | OPCC Meetings and independent Boards and bodies which impact the Governance Structure and contribute to the governance arrangements. |



Governance Structure



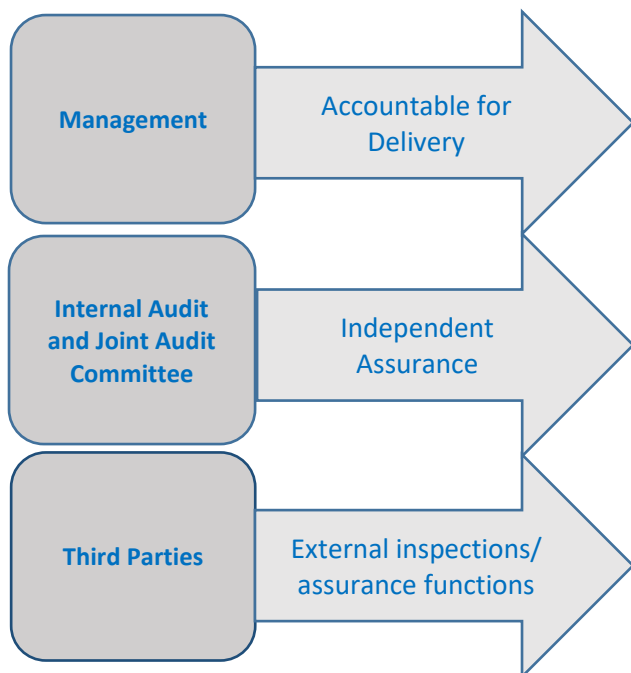
PART TWO

REVIEW OF EFFECTIVENESS

The Commissioner and Chief Constable have responsibility for conducting, at least annually, a review of the effectiveness of their governance framework including the system of internal control. The review of effectiveness is informed by:

- The work of Chief Officers and senior managers who have responsibility for the development and maintenance of the governance environment;
- The Internal Audit annual reports;
- The annual report of the Joint Audit Committee;
- The view of the external auditor through the annual audit letter; and
- Reports from other review inspectorates.

There are, accordingly, three principal lines of assurance methodology:



It is important to note that this Joint Annual Governance Statement and the work undertaken in its preparation is a tool in the self-evaluation by the Commissioner and the Chief Constable of their governance arrangements.

The Annual Governance Statement is submitted for consideration to the Joint Strategic Planning Group and the Joint Audit Committee, before being approved at the Commissioner's Strategy and Performance Board. The Wales Audit Office (WAO) also reviews the Annual Governance Statement during its development and reports (by exception), if the Annual Governance Statement does not comply with requirements, as part of their Annual Audit Report.

The roles of the various bodies are detailed below:

Joint Audit Committee

In conjunction with the Chief Constable, the Commissioner established an independent Joint Audit Committee which provides assurance to enhance public trust and confidence in the governance of the Commissioner and the Chief Constable.

This approach is consistent with the Financial Management Code of Practice which states that such a combined body should consider the internal and external audit reports of both the Commissioner and the Chief Constable. The Joint Audit Committee also considers reports from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in relation to the annual Value for Money Profiles (but only the expenditure profiles therein) and other relevant reports of a non-operational nature. The Joint Audit Committee advises the Commissioner and the Chief Constable according to good governance principles and provides:

- Independent assurance to the Commissioner and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment;
- Independent scrutiny of the Chief Constable's and the Commissioner's financial performance; and
- Oversight in relation to the financial reporting process adopted from the CIPFA Audit Committees Practical Guidance for Local Authorities.

The Joint Audit Committee provides comments, advice and assurance on matters relating to the internal control environment of the Force and the OPCC. It also has oversight of general governance matters. The Joint Audit Committee has specific responsibility to provide independent assurance on the arrangements for governance, including risk management and the internal control environment. During 2019/20, the Joint Audit Committee was composed of five individuals appointed by the Commissioner and the Chief Constable to act as independent advisers.

The Joint Audit Committee reports directly to the Commissioner and the Chief Constable. Four formal quarterly committee meetings are held each year in addition to an exceptional meeting to consider the Statement of Accounts and also an All-Wales Training Day for Joint Audit Committee members.

The Joint Audit Committee has formal terms of reference, covering its core functions, and these are also set out in the joint MoCG. These include reference to the Joint Audit Committee's role in respect of the corporate governance arrangements and in maintaining an overview of the regulatory framework. The Joint Audit Committee's terms of reference were reviewed and revised during 2019/20 in response to the publication of CIPFA's 'Audit Committees: Practical Guidance for Local Authorities and Police 2018 Edition'. The Commissioner and Chief Constable are both represented at all meetings of the Joint Audit Committee.

The Joint Audit Committee Annual Report for 2019/20 confirmed that the Joint Audit Committee remains satisfied that the Commissioner and the Chief Constable can be reasonably assured that the control, risk and governance position for 2019/20 was appropriate.

Independent Ethics Committee:

This was jointly established by the Commissioner and the Chief Constable in April 2015. It is comprised of ten independent members as well as police officers and police staff. The Independent Ethics Committee provides advice, support and assistance concerning ethical challenges arising from operational, administrative or organisational matters facing Gwent Police.

Internal audit

Internal audit perform a range of reviews based on an agreed audit plan and in compliance with Public Sector Internal Audit Standards (PSIAS). The audit plan has regard to risks and recognises that key financial systems and other areas of wider business risk need to be reviewed on a cyclical basis to provide assurance with regard to internal controls and systems for governance. The plan is agreed by the Chief Finance Officers of both corporations sole, and is presented to the Joint Audit Committee for comment.

Regulation 5 of the Accounts and Audit (Wales) Regulations 2014 makes provision in respect of the internal control system that should be maintained in accordance with proper internal audit practices. The responsibility for the maintenance of an efficient internal audit function rests with both corporations sole (the Commissioner and Chief Constable). The role and standards of Internal Audit are defined in the PSIAS. The PSIAS encompasses the definition of Internal Auditing, a Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. Internal Audit is required to provide an assurance opinion on the adequacy and effectiveness of systems of internal control. They also provide assurance in relation to the management of financial and operational business risks, corporate governance and the entire control framework.

The review of both the corporate governance and risk management arrangements (which are captured in the joint Risk Register maintained by the Chief Constable and the Commissioner) periodically feature in the annual audit plan. Corporate governance and risk management issues may also arise through other reviews carried out by Internal Audit. In these cases the issues will be dealt with initially in the relevant audit report.

Internal Audit then present their reports on the adequacy of controls in the systems audited to the Joint Audit Committee, setting out any areas of concern.

Internal Audit Work During 2019/20

The internal audit work for the last year was risk based and focused on significant financial and operational risks. The incumbent internal audit service for the Commissioner and Chief Constable are TIAA, following their reappointment from 1st April 2019.

However, by virtue of the Commissioner and Chief Constable being members of the Shared Resource Services (SRS), for the delivery of Information Communication Technology (ICT) services in collaboration with Torfaen County Borough Council (TCBC), Monmouthshire County Council (MCC), Blaenau Gwent County Borough Council (BGCBC) and Newport City Council (NCC), from May 2016, the TCBC internal audit service was selected to undertake the audit plan for the SRS. This was to ensure that a consistent audit approach was adopted across all constituent SRS partners and therefore TIAA were formally advised that they would no longer be expected to provide assurance to the Joint Audit Committee for the ICT services operated by Gwent Police. Progress on the delivery of the internal audit plan for ICT services is reported to the Joint Audit Committee alongside the audit plan delivered by TIAA. Such assurance will be provided by TCBC internal audit function, to which the WAO will refer in considering the control framework for the ICT functions.

During 2019/20 TIAA undertook 20 audits (including 5 undertaken collaboratively across all Welsh Forces) of which 7 were assessed as providing substantial assurance (2 in 2018/19), 10 with reasonable assurance (15 in 2018/19), 2 with limited assurance (5 in 2018/19) and 1 was advisory with no assessment given.

| | |
|--|-------------|
| New HQ - Contract Management (Visit 1 Q2) | Substantial |
| New HQ - Contract Management (Visit 2 - Q4) | Substantial |
| Treasury Management | Substantial |
| Budgetary Control | Substantial |
| Payroll (Collaborative) | Substantial |
| Fixed Assets | Substantial |
| Fleet Management – Repairs and Maintenance | Substantial |
| Creditors (Collaborative) | Reasonable |
| Debtors (Collaborative) | Reasonable |
| General Ledger | Reasonable |
| Counter Fraud - Whistleblowing | Reasonable |
| Duty Resource Management | Reasonable |
| Risk Management - Mitigating Controls | Reasonable |
| HR Management – Absence Management | Reasonable |
| Internet/Email/Social Media | Reasonable |
| Estate Management - Delivery (Collaborative) | Reasonable |
| Single Online Home (Collaborative) | Reasonable |
| Victims' Hub | Limited |
| Local Policing - Property and Cash | Limited |
| Collaborative Change Control | Advisory |
| Performance Management | Deferred |
| Corporate Communications | Deferred |

These reports generated 64 recommendations, of which only 5 were urgent, 29 were considered important and 30 were categorised as routine.

Of the 2 Limited Assurance internal audits the actions either have been addressed or actions taken to mitigate the risk.

As part of the audit programme, the internal auditors also carried out 3 follow up audits to check progress against all Priority 1 and 2 Recommendations. These reports were discussed at the Joint Audit Committee.

Two audits have been deferred to 2020/21 at management's request, due to the completion of departmental restructures or the creation of management frameworks within the areas for audit occurring later in the financial year than originally planned.

TIAA's Annual Opinion was that they were satisfied that sufficient internal audit work has been undertaken to allow them to draw a positive conclusion as to the adequacy and effectiveness of the Police and Crime Commissioner's and the Chief Constable's risk management, control and governance processes. In their opinion, the Police and Crime Commissioner and the Chief Constable have adequate and effective management, control and governance processes in place to manage the achievement of their objectives for the areas reviewed during the year.

During 2019/20 TCBC undertook 11 audits, which includes 2 deferred from 2018/19 (the third report deferred from 2018/19 has been further deferred until 2020/21). In addition, one audit originally planned to be undertaken in 2019/20 (Back Office) was also deferred into quarter one of 2020/21, as a result in delays in preceding audits. The scope of one of the 11 audits undertaken (CCTV) did not involve Gwent Police, therefore the assessments of the 10 Gwent Police audits undertaken confirm that 5 were assessed as providing substantial assurance (2 in 2018/19), 2 with moderate assurance (3 in 2018/19), 2 with limited assurance (3 in 2018/19) and 1 was advisory with no assessment given.

| | |
|------------------------------------|-------------|
| Firewall | Substantial |
| Mobile Computing | Substantial |
| Identity and Access Management | Substantial |
| Performance Management – SRS | Substantial |
| Virtualisation | Substantial |
| Supplier Management | Moderate |
| Software Licensing/Management | Moderate |
| Enterprise Architecture Management | Limited |
| IT Disposals | Limited |
| Memorandum of Understanding | Advisory |
| Cyber Security | Deferred |
| Back Office | Deferred |

These reports generated 55 recommendations, of which one was high, 39 were medium and 15 were categorised as low and confirms significant improvement on the preceding year’s audit performance.

Of the 2 Limited Assurance internal audits the actions either have been addressed or actions taken to mitigate the risk.

TCBC’s Annual Opinion was that they were satisfied that sufficient internal audit work has been undertaken to allow an overall opinion to be given as to the adequacy and effectiveness of governance, risk management and control of the SRS’s framework of governance. TCBC’s Annual Opinion was generally satisfactory, with some improvement required in relation to the adequacy and effectiveness of governance, risk management and control.

This opinion is defined as:

- Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or
- High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and
- None of the individual assignment reports have an overall classification of critical risk.

External Audit

The Public Audit (Wales) Act appoints the Auditor General for Wales to audit the financial statements of the Commissioner and the Chief Constable. The Act also requires the Auditor General for Wales to assess whether the Commissioner and the Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

The WAO, on behalf of the Auditor General for Wales, audit the financial statements of the Commissioner and Chief Constable, as well as the Group accounts and also report (by exception) on the Joint Annual Governance Statement if it does not comply with requirements.

The WAO in their annual audit report also comment on the financial aspects of corporate governance. This includes the legality of financial transactions, financial standing, systems of internal financial control and the standards of financial conduct, fraud and corruption.

Such external audit plans and reports, including the annual audit letter, are considered by the Joint Audit Committee at appropriate times in its annual cycle of meetings.

Both the Commissioner and the Chief Constable have a duty to respond to reports by the external auditor.

Other Bodies

The Welsh Government, Home Office and a number of other bodies require financial returns to monitor expenditure on revenue and capital. Strict terms and conditions are in place to govern additional external funding received from these bodies.

Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS/the Inspectorate)

The role of the HMICFRS (which also has Fire Service responsibilities for England only) is to promote the economy, efficiency and effectiveness of policing in England, Wales and Northern Ireland, through inspection of police organisations and functions to ensure agreed standards are achieved and maintained; good practice is spread; and performance is improved. HMICFRS inspects the functions of the Chief Constable, not the Commissioner. It also provides advice and support to the tripartite partners (Home Secretary, Commissioners and Chief Constables).

HMICFRS is independent of the Commissioner, the Chief Constable and the United Kingdom and Welsh Governments. Its remit is to assess the work of police forces in different areas of business, including neighbourhood policing, serious and organised crime, anti-social behaviour and tackling major threats such as terrorism. HMICFRS also actively monitors the performance of the Force in relation to their plans for ensuring the sustainability of an efficient and effective police service in light of the significant grant reductions from recent Comprehensive Spending Reviews. To date, reports in this area of inspection have been positive and encouraging. Reports are published on the following website:
<https://www.justiceinspectors.gov.uk/hmicfrs/>

HMICFRS reports are sent to the Chief Constable and the Commissioner for consideration and appropriate action. HMICFRS plays a key role in informing the Commissioner and the public on the efficiency and effectiveness of their forces and, in so doing, facilitate the accountability of the Commissioner to the public.

The Commissioner has a duty in law to respond to any HMICFRS report within 56 days of its publication with any response forwarded to the Home Secretary and the HMICFRS. Responses should include an update on any actions the Force is/is not taking in relation to any recommendations made within the report.

Inspection Work During 2019/20

HMICFRS's reports during 2019/20 supported the monitoring and development of many Force priorities. They also produced a suite of value for money indicators to challenge areas of exceptional spend, demand and performance in comparison with Gwent Police's most similar forces. The results of the benchmarks inform the Force's change programme.

PEEL Assessment by HMICFRS

During 2019/20, HMICFRS published its assessments of police forces which would allow members of the public to see how well its local force is performing. These are known as PEEL assessments (and examine **P**olice **E**ffectiveness, **E**fficiency and **L**egitimacy):

- **Effectiveness:** how well the force carries out its responsibilities, including cutting crime, protecting vulnerable people, tackling anti-social behaviour and dealing with emergencies and other calls for service;
- **Efficiency:** how well the force provides value for money; and
- **Legitimacy:** how well the force provides a service that is fair and treats people properly and within the law.

The PEEL assessments given to Gwent Police from the 2019/20 programme of work are as follows:

- The extent to which the Force is **effective** at keeping people safe and reducing crime – Overall **Good**:
 - Preventing Crime and Tackling ASB – **Good**;
 - Investigating Crime – **Good**;
 - Protecting Vulnerable People – **Good**; and
 - Tackling SOC – **Good**.
- The extent to which the Force is **efficient** at keeping people safe and reducing crime – Overall **Good**:
 - Meeting Current Demands and Using Resources – **Good**; and
 - Planning for the Future – **Good**.
- The extent to which the force is **legitimate** at keeping people safe and reducing crime – Overall **Requires Improvement**:
 - Fair Treatment of the Public (Stop and Search) – **Requires Improvement**;
 - Ethical and Lawful Workforce – **Requires Improvement**; and
 - Fair Treatment of Workforce – **Good**.

In relation to the areas that 'Require Improvement', the Force recognises:

- The importance of working closely with communities, with Police Officers and Police Staff understanding how important it is to treat people with fairness and respect. However, it was acknowledged that frontline Police Officers and Police Staff varied in their knowledge of unconscious bias;
- That the workforce understand how and when to use 'Stop and Search', however, the monitoring of the use of 'Stop and Search' needs to improve;
- That more needs to be done to ensure that all members of the workforce are appropriately vetted for the posts they hold. In addition, the monitoring of people who apply for roles needs to be undertaken, to see if they belong to certain protected minority groups; and
- The need to improve how it spots and manages risk of corruption and to ensure it has enough people and resources to do this work.

HMICFRS also undertook a number of national/thematic reviews in 2019/20. Gwent were subject to a National Child Protection Inspection review visit in January 2020 and were also part of a pilot Joint Inspection of Child Protection Arrangements in Newport in December 2019. Current inspection timetable has been suspended by HMICFRS due to COVID-19.

Police and Crime Panel

The Police and Crime Panel (the Panel) is responsible for supporting the effective exercise of the functions of the Commissioner through reviewing or scrutinising decisions made, or other action taken, by the Commissioner in connection with the discharge of his functions

The Panel is not there to scrutinise the performance of the Chief Constable and her Force directly – that is the role of the Commissioner.

The Panel is made up of twelve local Councillors, representing the local councils in Gwent, along with two independent members.

The responsibilities and powers of the panel include:

- Making reports and recommendations about actions and/or decisions of the Commissioner;
- Scrutinising the draft Police and Crime Plan;
- Summoning the Commissioner, and his staff, for public questioning;
- Scrutinising and potentially, by two-thirds majority, vetoing the police budget and council tax precept;
- Scrutinising and potentially, by two-thirds majority, vetoing the appointment of the Chief Constable;
- Holding confirmation hearings for the Commissioner's senior staff (including the Deputy Police and Crime Commissioner, the Chief Executive and the Chief Finance Officer); and
- Dealing with lower level complaints against the Commissioner.

The Panel's agendas and minutes are published on the following website:

<http://www.gwentpcp.org.uk/>

During 2019/20 the work of the Panel included consideration of the following:

- The Police and Crime Plan;
- Scrutiny of OPCC evidence for monitoring Force Performance;
- Undertaking the confirmation hearing for the new Chief Constable
- Medium Term Financial Projections;
- Precept proposal 2020/21;
- Progress on the Estate Strategy;
- Implementation of Welsh Language Standards across Gwent Police – Annual Report;
- Treasury Management Strategy;
- Absence Management in Gwent Police; and
- A 'Deep Dive' into - 'A Day in the Life of Gwent Police'

There were 5 meetings of the Police and Crime Panel in 2019/20, including the 'Deep Dive'.

Coronavirus Command Structure

In addition to the various bodies and groups which are instrumental in Governance terms during normal operations, the Force prepared for Coronavirus by instigating a new, Force-wide Gold/Silver command structure prior to 'lockdown', on March 18 2020.

A daily Gold meeting was established to manage the Force, chaired by the Assistant Chief Constable (ACC) and also two daily Silver meetings (chaired by a Chief Superintendent or police staff equivalent) were also set up to ensure continuity of Operational Policing and Business Support functions. Each of these meetings was attended by representatives from all operational and business support functions across the force, along with the Staff Associations and a representative from the OPCC. Gold and Silver meetings ran 7 days a week until the 15th of June, whereupon, they transitioned into business as usual within the Force's operational Daily Management Meeting (DMM).

Business continuity plans were requested from all Departments across the Force (including the OPCC) in early March 2020, to help plan for staff absences and any shortages of supplies and equipment. These have been kept up to date and constantly reviewed by Heads of Department. They proved effective in ensuring Gwent Police were able to continue providing its full range of services to communities throughout the pandemic.

The plans were supported by Gwent Police's mobile IT capability, which ensured officers and staff were already well equipped with mobile phones and laptop devices. This ensured non-operational staff had the ability to work from home without a loss of capability. Meetings and communications were uninterrupted and governance arrangements remained robust, as both the OPCC and the Force adopted an online solution provided by Microsoft 'TEAMS', in place of face to face contact. The use of TEAMS was shared with our partners, which ensured multi-agency meetings and work, including safeguarding of the vulnerable, was able to continue.

Staff from the Continuous Improvement Department were utilised to quickly and efficiently introduce a Logistics Cell. This Cell co-ordinated allocation of Personal Protective Equipment (PPE); reviewed daily abstracts; allocated additional laptops to self-isolating staff; and arranged COVID 19 testing appointments with the Public Health testing Centres. The Cell also began to produce a new, daily performance report for the Gold Meeting. This report contains up-to-date daily data about Crime, ASB, hate incidents, domestic abuse and other areas of work, so the organisation can respond to threat, risk or harm trends. The report kept staff up to date by summarising the latest updates from national and regional governments and policing bodies. It also contained the results of Force horizon scans to ensure Gwent Police is sighted on potential future developments, thereby being able to put appropriate plans in place.

The Force responded to the initial outbreak by providing all available PPE to officers and staff. Due to initial shortages suffered by all agencies across the country, 'COVID Cars' (vehicles crewed by officers who had immediate access to enhanced PPE equipment) were used to deploy to incidents where the presence of the virus was suspected. This was recognised as best practice nationally and some Forces still use this approach. Gwent Police's approach was subsequently enhanced so that every Response Policing vehicle was equipped with two enhanced PPE kits, thereby turning every vehicle into a 'COVID Car'. PPE was successfully sourced through both local and national channels to ensure there was sufficient supply within a short period of time. The Force did not experience the anticipated spike in absences as a result of Coronavirus. This was facilitated by robust daily management, clear guidance and recording protocols issued through an internal communications strategy and regular contact with officers and staff who were unwell or experiencing symptoms. A new, central reporting line was established for officers and staff to phone into if they were unwell, which streamlined the process and made absence reporting more efficient and effective.

University accommodation was sourced for officers and staff who were concerned about residing at home during the Coronavirus outbreak, due to living with vulnerable family members. This provision enabled officers and staff to continue to work during the pandemic, whilst providing a level of protection to their family members.

Welfare support for officers and staff has been prioritised by the Occupational Health Unit, who have worked closely with the Force Logistics Cell and the Gwent's Strategic Co-ordination Group (a multi-agency forum that directs the partnership response to the crisis and which is chaired by the ACC). There has been a focus on arranging the Coronavirus testing of officers and staff and providing clear guidance about self-isolation and shielding. Staff Associations were involved in the process and dialled into Gold/ Silver meetings each day to provide additional support.

To maximise operational capability, officers and staff who are self-isolating but had the ability to work from home were provided with a laptop (if they did not already have access to one) and tasked with organisationally important work. The Force implemented a structured process to ensure those officers and staff were both properly supported and effectively tasked. This involved personal telephone contact from a supervisor, which provided an opportunity for wellbeing check-ins and a skills and abilities assessment. Examples of the work completed were:

- The use of shielding Custody Detention Officers to complete outstanding tasks in the Force's Records Management System (Niche);
- Schools Liaison Officers being deployed to other areas of work, such as the Force Control Room; and
- Staff from across the Force, including Community Support Officers (CSOs), interview transcript clerks, Station Enquiry Officers (SEOs) and business support officers undertaking:
 - A review of custody records;
 - Improving data quality in NICHE;
 - Processing of central ticket office backlogs;
 - Completing taped interview transcripts; and
 - Reviewing open investigations.

Gwent Police's First Point of Contact centre (Control Room) has continued to operate normally, after being redesigned and relocated to three separate sites to ensure the safety of officers and staff.

There has been a substantial increase in demand on the Social Media Desk. This provision has helped ensure that call demand remains manageable.

With regards to officer training, the Learning & Development Department introduced online 'virtual learning' for the January 2020 intake of new student officers. Where classroom-based learning was still required, social distancing measures have been introduced and classes were split into smaller 'pods' to provide a safer environment. Online 'Skype' interviews were also arranged for the next set of potential Gwent Police recruits.

In the event of a second spike in the Coronavirus pandemic, the proven arrangements highlighted above will be stood up again to meet the policing response.

ANNUAL ASSESSMENT AND ACTION PLANS

The diagram below shows the relationship between the seven core principles of good governance. The central two principles underpin the whole framework and relate to 'acting in the public interest'. These two principles are implicit in the remaining five which concern 'achieving good governance'.

Acting in the Public Interest at all Times



The assessment of effectiveness considered the range of evidence available: Internal and externally published material; professional independent opinion; and the views of senior management, the Police and Crime Panel and professional leads. A summary of the evidence in support of the assessment can be found at Appendix 1.

A summary of the 2019/20 assessment is shown below:

| Good Governance Category | | Assurance |
|-------------------------------|----------------------------------|------------|
| Acting in the Public Interest | Behaving with Integrity & Ethics | Reasonable |
| | Openness & Engagement | Reasonable |
| Achieving Good Governance | Sustainable Outcomes | Reasonable |
| | Determine Interventions | Reasonable |
| | Capacity & Leadership | Reasonable |
| | Risks & Performance | Reasonable |
| | Transparency & Accountability | Reasonable |

| Assurance Definitions | |
|-----------------------|--|
| Substantial | All areas reviewed were found to have effective corporate processes and external requirements in place. Behaviours and outcomes were well evidenced and the risks against the achievement of objectives are well managed. |
| Reasonable | Most areas reviewed were found to have effective corporate processes and external requirements in place. Most behaviours and outcomes were well evidenced and in general, the risks against the achievement of objectives are well managed. |
| Partial | A number of areas reviewed were found not to have effective corporate processes and external requirements in place. Some behaviours and outcomes were well evidenced, but key risks against the achievement of objectives were not well managed. |
| None | A significant number of areas reviewed were found not to have effective corporate processes and external requirements in place. Behaviours and outcomes were not well evidenced and risks against the achievement of objectives were not well managed. |

2019/20 Action Plan

No significant governance issues were identified for 2019/20; however, the following action plan addresses the issues identified:

| Category | Risk Area/Weakness | Action to be Delivered in 2020/21 and Beyond |
|--|---|--|
| Behaving with Integrity and Ethics; and Capacity and Leadership. | Need to establish the effectiveness of ethical awareness training and the degree it underpins organisational culture. (OPCC and Force) | The Ethics Committee will be tasked with establishing the most appropriate mechanism to determine effectiveness. Its recommended approach will be delivered as an action plan throughout 2020/21. |
| Behaving with Integrity and Ethics; Sustainable Outcomes; and Capacity and Leadership. | Need to ensure that whistleblowing policies are in place and working effectively. (OPCC and Force) | The findings of the 2019/20 Internal Audit will be implemented. |
| Behaving with Integrity and Ethics; Openness and Engagement; and Determine Interventions. | Protocols for Partnership working to be established; to include how values are embedded and evidenced. (OPCC and Force) | Partnership working protocols to be developed. |
| Behaving with Integrity and Ethics. | Need to evidence that there is two-way interaction between the Commissioner's Police and Crime Plan and the community plans of Local Authorities. (OPCC and Force) | Ongoing attendance of OPCC staff at the Gwent Public Services Boards will assist in embedding the benefits of a two-way interaction between devolved and reserved Functions in Wales. |
| Sustainable Outcomes, Managing Risks and Transparency and Accountability. | Need to evidence that Gwent Police is acting upon HMICFRS assessments and recommendations. (OPCC and Force) | This will be delivered through the revised meeting structure within the Force and between the OPCC. |
| Determine Interventions; and Risks and Performance. | Performance Management Framework and Measures for the Police and Crime Plan yet to be finalised. (OPCC and Force) | Performance Management Framework and Measures to be finalised for the Police and Crime Plan and evidence of corrective action (where necessary) provided. |
| Determine Interventions. | Business Plans do not demonstrate consideration of 'Social Value'. (OPCC and Force) | Consideration should be given to embedding the concept of 'social value' across the OPCC and Force through a social value policy. |
| Risks and Performance | <p>The effectiveness of business continuity planning needs to be assessed in light of the Coronavirus pandemic and the transition to the 'new norm'.</p> <p>At the 30th June 2020, the direct costs of £650k in responding to the pandemic since March 2020 have been:</p> <p>£433k - PPE Purchases; £71k – Testing; £62k - ICT Costs; £52k – Overtime; £19k - Estate Costs (incl. Cleaning and H&S measures; £9k - Fleet Costs; and £4k – Training Cancellations</p> <p>In July 2020, the Home Office confirmed that the costs of PPE will be reimbursed to Forces.</p> <p>It is expected that the above costs will also be partly offset from savings in other budget areas such as travel and subsistence, utilities etc, by virtue of lockdown restrictions.</p> | <p>Existing Internal Audit recommendations to be finalised on business continuity plan.</p> <p>The Business Support Silver group has been tasked with managing the recovery of Gwent Police. Each Department (including the OPCC) has been tasked with developing plans that will lead to:</p> <ul style="list-style-type: none"> • A resumption of business as usual; • Anticipating and planning for a new normal; • Delivering improved and transformed operating processes and procedures building on lessons learnt and capturing and embedding good practice; and • An appreciation of the short-term, medium and long-term direct costs of Coronavirus to Gwent Police. <p>In addition, senior leaders in both the OPCC and the Force will undertake an assessment of the longer-term disruption and consequences arising from the coronavirus pandemic, such as:</p> |

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| | <p>Looking longer term, both the Commissioner' Police and Crime Plan and Force's Delivery plan will need to reflect the changing world which will emerge post Coronavirus.</p> <p>(OPCC and Force)</p> | <ul style="list-style-type: none"> • The medium to long-term impact on Government Grant; Precept Income; expenditure projections; and access to borrowing; • The Impact on the Commissioner's Estate Strategy (the building of the new HQ development has been largely unaffected by the pandemic and its future use is also assured, based on currently expected changes to working practices); • The future reliance on ICT systems to support agile working; and • The impact on the People Strategy to reflect the fundamentally different working practices that have evolved as a result of the pandemic. |
| Risks and Performance | <p>Due to an unexpected internet interruption in August 2019, the Assistant Accountant (Treasury) was unable to transfer funds to a Money Market Fund that day. This resulted in the Commissioner retaining funds in the bank account (£5.5m), in excess of the level determined in the Treasury Management Strategy (£2m). This minor breach of the Commissioner's Treasury Management Strategy was rectified the following day. (OPCC and Force)</p> | <p>Contingency plans for events outside the control of the Finance Department, to avoid breaches in Financial Strategies, Regulations and Procedures should be reviewed.</p> |
| Risks and Performance | <p>During 2019/20, the OPCC experienced one data breach, through the loss of a mobile phone. Due to the security features in place and the ability to delete the contents of the phone remotely, this breach was not significant enough to report to the Information Commissioner's Office.</p> <p>Furthermore, the Force experienced 65 data breaches during 2019/20. Details of breaches, impact, mitigation and outcome are recorded and kept by the Record Review Officer in line with MOPI and GDPR.</p> | <p>Officers and staff will continue to be reminded of the importance of security of data and the wider requirements and implications of the General Data Protection Regulations (GDPR). There are mandatory NCALT packages, the completion of which can be monitored.</p> <p>Details of breaches, impact, mitigation and outcome are recorded and kept by the Record Review Officer (OPCC) and Data Protection Officer (Force) in line with MOPI and GDPR.</p> |
| Transparency and Accountability | <p>The effectiveness of the governance arrangements for collaboration agreements needs to be determined. (OPCC and Force)</p> | <p>The WAO are undertaking a review of the governance arrangements across Welsh Forces within collaborative areas of work. Their findings will be reported during 2020/21.</p> |

Progress against 2018/19 Action Plan

| Category | Risk Area/Weakness | Action to be Delivered in 2019/20 and Beyond |
|--|--|--|
| Behaving with Integrity and Ethics; and Capacity and Leadership. | Behaving with Integrity and Ethics not formally built into induction programmes for staff. (OPCC) | Formal induction programme for OPCC to be established, including the standards of behaviour expected. 2019/20 Update: Complete - OPCC Staff attend the Gwent Police formal induction programme, which is overlaid with a specific OPCC induction process, containing a general element for the OPCC and a specific role element. |
| Behaving with Integrity and Ethics; Sustainable Outcomes; and Capacity and Leadership. | Staff Performance Framework to be established. (OPCC) | OPCC Business Plan to be finalised and associated Staff Performance Framework to be created. 2019/20 Update: Complete – 2020/21 OPCC Business plan created and communicated, with associated Performance Framework established. |
| Behaving with Integrity and Ethics; Openness and Engagement; and Determine Interventions. | Clarity required over 'decision making' framework and procedures, including how evidence is collected that shared values guide decision making. (OPCC and Force) | Decision Making framework and procedures to be considered. 2019/20 Update: Partly Complete - OPCC away days have considered the purpose and values of the OPCC and also the Nolan principles. This has been supplemented by clarification of role profiles and portfolios for the executive team. The revised meeting structure within the Force and between the OPCC will need time to 'bed in' to determine its effectiveness. |
| Behaving with Integrity and Ethics; Openness and Engagement; and Determine Interventions. | Protocols for Partnership working to be established; to include how values are embedded and evidenced. (OPCC and Force) | Partnership working protocols to be developed. 2019/20 Update: Ongoing – Formal protocols yet to be established. Carry forward to 2020/21 Action Plan. |
| Behaving with Integrity and Ethics. | Job Description and Portfolios to be established for Commissioner, Deputy Commissioner and Chief Officers. (OPCC) | Job Description to be finalised for Deputy Commissioner and Portfolios confirmed across the entire Executive Team. 2019/20 Update: Complete – Job description and portfolios finalised. |
| Openness and Engagement; Risks and Performance; and Transparency and Accountability. | Chief Officer Level Management Group Minutes are not published (OPCC and Force). | Review the degree of publication of Chief Officer Level Management Group minutes across policing. 2019/20 Update: Complete – There is no requirement to publish Chief Officer Level Management Group minutes across policing, as the formal decisions arising from these meetings are separately published either as Decision Logs or via the minutes of the subsequent formal meetings which have decision making powers. |

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| Determine Interventions; and Risks and Performance. | Performance Management Framework and Measures for the Police and Crime Plan yet to be finalised. (OPCC and Force) | Performance Management Framework and Measures to be finalised for the Police and Crime Plan and evidence of corrective action (where necessary) provided. 2019/20 Update: Ongoing – Significant progress and reporting to governance boards. Format due to be finalised. Carry forward to 2020/21 Action Plan. |
| Determine Interventions. | Business Plans do not demonstrate consideration of 'Social Value'. (OPCC and Force) | Consideration should be given to embedding the concept of 'Social Value' across the OPCC and Force. 2019/20 Update: Ongoing – Both the Commissioning Framework and Procurement Strategy consider the wider social elements and provide the main general commitment to social value. In addition Gwent Police has signed up to the Welsh Government Code of Practice on ethical supply chains. Further embedding of this concept could be through the development of a Social Value Policy. Carry forward to 2020/21 Action Plan. |
| Risks and Performance. | In November 2018, a threshold within the 2018/19 Treasury Management Strategy was breached, by virtue of the monetary limit to be placed with one counterparty being exceeded. The investment overlap was discovered on the same day the investment was made and the Commissioner's Chief Finance Officer was contacted immediately for a decision on how to rectify. One option was to unwind the one investment early losing £2,000 of interest so there was no breach, or breaching the limit for six weeks until the planned repayment date. Due to the low risk of the counter party (a Local Authority) it was decided to breach the limit for 6 weeks. The Commissioner had no liquidity difficulties during this period. | Staff undertaking the Treasury Management Function have been reminded of the need to strictly adhere to the relevant Treasury Management Strategy. 2019/20 Update: Complete – However note further unconnected breach in 2019/20 assessment above. |

CONCLUSION AND OPINION

The Commissioner and Chief Constable are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, they are responsible for putting in place proper arrangements for the governance of their affairs, facilitating the effective exercise of their functions, which includes arrangements for the management of risk.

The impact of the Coronavirus pandemic, at the time of signing this Annual Governance Statement, has not adversely impacted upon the governance arrangements in place. Indeed, recent investment in digital and mobile technology, coupled with 'cultural' investment in agile working practices, has enabled both corporations sole to maintain 'business as usual'.

This Annual Governance Statement is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

However, based upon the above review of the sources and effectiveness of assurance set out in this Annual Governance Statement, the Commissioner and Chief Constable are satisfied that they have in place **'Reasonable'** governance arrangements, including appropriate systems of internal control and risk management, which facilitate the effective exercise of their functions.

The Commissioner and Chief Constable propose over the coming year to take steps to address the Governance actions as outlined in the action plan, to ensure governance arrangements within the OPCC and the Force continue to be enhanced and improved as identified in their review of effectiveness. The monitoring of their implementation and operation will form part of the next annual review.

Jeff Carr

Police and Crime Commissioner for Gwent

D.G. Gwynedd - Park

Chief Finance Officer (Commissioner)

Sian Lulay

Chief Executive (Commissioner)

P. C. Kelly

Chief Constable of Gwent

Nigel Stephens

Chief Finance Officer (CC)

APPENDIX 1

The following tables details how the Commissioner and Chief Constable have complied with the governance framework to meet of each of the Nolan principles (as extended) and the seven international good governance principles. Each section of the statement includes a commentary on work undertaken during the last year, areas identified for development and improvement as part of the review process which forms an action plan for the forthcoming year.

Nolan Principles

| <u>Principle:</u> | <u>What we do:</u> | <u>Specific action taken in 2019/20 and plan(s) for 2020/21:</u> |
|--|--|--|
| <p>Selflessness:</p> <p>Decisions will be taken solely in terms of the public interest, and not for personal financial or other gain, whether for such person, their family or their friends.</p> | <p>Commissioner:</p> <ul style="list-style-type: none"> Compliance with the Elected Local Policing Bodies (Specified Information) Order 2011 and the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2012 which requires the publication of information in relation to various matters including, the names of the Commissioner and Deputy Commissioner, correspondence address for each, salaries, expenses, register of interests and the number of complaints about them which are brought by the Panel; Specific reference to interests on the decision form; The Commissioner's, Deputy Commissioner's and senior officers' salaries and expenses are disclosed in Statement of Accounts; and Details of key decisions taken by the Commissioner are published on the website. <p>Chief Constable:</p> <ul style="list-style-type: none"> The Force's external website contains details of declared business interests and of gifts and hospitality accepted and declined by Chief Officers; and Senior officers' salaries and expenses are disclosed in the Statement of Accounts. | <ul style="list-style-type: none"> Monitoring any changes to the 2011 and 2012 Orders and continuously seeking to ensure all relevant information is captured and disclosed as required; Updated details in relation to the 'Related Parties Disclosure' in the Force accounts to accord with the current guidance and the list of affected staff was extended to ensure transparency; and Ensure that decision logs are maintained and updated regularly and that these are accessible on external websites. |
| <p>Integrity:</p> <p>The Commissioner, the Chief Constable, their officers and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.</p> <p><i>IFGG Standard 1: Behave with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</i></p> | <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> Compliance with the MoCG and Principles of Relationships agreed between the Chief Constable and the Commissioner; Ensuring that the register of gifts and hospitality is updated as and when offers are received; Ensuring related parties' disclosure in the Statement of Accounts; The Chief Officer Team creates a climate of ethical behaviour and encourages others to challenge unprofessional behaviour, leading by example. Officers and staff are aware of the boundaries of professional behaviour, and more serious unprofessional behaviour is investigated by the Professional Standards Department; The Force has utilised a variety of media to raise awareness of integrity issues for staff, including extending the membership of the Ethics Committee to include representation from both officers and staff (in addition to independent members) thus providing further emphasis on the importance of ethical behaviour and integrity. Arrangements are in place to ensure that staff understand and adhere to the Code of Ethics; All requests for authorisation of a business interest are recorded in a central electronic register; There are confidential mechanisms and a clear policy to support staff reporting wrongdoing; and 2019/20 continued to see public Police Misconduct Hearings chaired by independent Legally Qualified Chairs. | <ul style="list-style-type: none"> Review and reinforce the procedures set out in the MoCG to ensure understanding and compliance; Durham University was contracted to undertake a corporate health/staff survey to support the wider wellbeing agenda in 2018 and this will be repeated to monitor progress made. The results were very positive in terms of staff integrity and public service ethos; In 2018/19 Chief Officers introduced a new register in which they disclosed any media contacts in accordance with the recommendation (no 76) made by Leveson, and this will be maintained and monitored in 2019/20; and The Ethics Committee will report to the Chief Constable and the Commissioner on any recommendations they have made in 2019/20. |

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| <p>Objectivity:</p> <p>In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, the Chief Constable, their officers and staff will make choices on merit.</p> | <p>Commissioner:</p> <ul style="list-style-type: none"> All posts are made on merit in compliance with section 7 of the Local Government and Housing Act 1989; All posts within the Commissioner's staff are politically restricted, with the exception of the Commissioner and Deputy Commissioner; The Chief Executive/Monitoring Officer and Chief Finance Officer have specific legal responsibilities to advise on the lawfulness and budget implications of transactions; and Where relevant, details of posts are included within the annual Statement of Accounts. <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> The MoCG (including the Financial Regulations and the Standing Orders Relating to Contracts) expressly provide for the processes to be applied in relation to contracts. Such processes are transparent and auditable with full use being made of the etenderwales and Sell2Wales systems; Contract documentation is published on the Blue Light Police Database, which is a national system accessible by the public; Contracts are also published in accordance with the requirements of the 2011 Order (as amended); and All force appointments (both into operational and support roles) are made in accordance with force recruitment policies and in accordance with the requirements of current legislation. | <ul style="list-style-type: none"> Any further appointments will be made in compliance with the requirements of the Act and Regulations; and Adoption of new Southern Wales procurement strategy - which will continue to be monitored during 2020/21. |
| <p>Accountability:</p> <p>The Commissioner, the Chief Constable, their officers and staff will be accountable for their decisions and actions to the public and will submit themselves to whatever scrutiny is appropriate.</p> <p><i>IFGG Standard 6: Manage risks and performance through robust internal control and strong public financial management.</i></p> <p><i>IFGG Standard 4: Determine the interventions necessary to optimise the achievement of the intended outcomes.</i></p> | <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> Informed and Transparent Decisions: All decision making operates within the specific legislative and regulatory frameworks that confer on both the Commissioner and the Chief Constable duties, powers and responsibility; As set out above, the Commissioner holds the Chief Constable to account for the maintenance of an efficient and effective force. The Commissioner and the Chief Constable ensure that information relating to decisions is made readily available to local people; Scrutiny: The independent Joint Audit Committee appointed jointly by the Commissioner and the Chief Constable has held 5 formal meetings during the course of the year. The Joint Audit Committee has attended a national training event with CIPFA. As an advisory body, the Joint Audit Committee has undertaken a significant amount of work to review and make recommendations in respect of the arrangements adopted by the Commissioner and the Chief Constable for governance and management of risk; Risk remains a standing agenda item on all strategic meetings within the Force and all decision making meetings of the Commissioner. The joint risk management adopted by the Commissioner and the Chief Constable establishes how risk is embedded throughout the various elements of corporate governance of the corporation(s) sole; The Chief Finance Officers for the Commissioner and for the Chief Constable advise their respective corporation sole on the safeguarding of assets, risk management and insurance. They ensure that in relation to any strategic business decisions of the Commissioner and the Chief Constable, that consideration is given to immediate and longer term implications, opportunities and risks. They will follow the new CIPFA Guidance for the role of the Chief Finance Officer and the new Financial Management Code of Practice issued in July 2018; Part of the approach to risk management involves the purchasing of insurance cover to protect assets and liabilities where it is either required or cost effective to do so. The organisation is proactive in self-insuring some elements of the overall insurance package. The Commissioner and Chief Constable maintain an insurance provision which is reviewed annually to help meet claims; | <ul style="list-style-type: none"> The Joint Audit Committee has held 5 formal meetings during the course of the year. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the arrangements adopted by the Commissioner and the Chief Constable for governance and management of risk; During 2019/20 the matters identified through the Joint Risk Register have been managed through the governance infrastructure set out in the MoCG. Boards within the structure continue to own and manage the issues relevant to their remit and the risks are updated in the Joint Risk Register and escalated as appropriate; 2020/21 will see further engagement with the Panel to create a development and briefing programme of work to support them in undertaking their functions; and Repeat of annual update training to the members of the Joint Audit Committee, with external providers such as CIPFA and the WAO. |

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| | <ul style="list-style-type: none"> • Decision records are published on public website in compliance with the 2011 and 2012 Orders and with the requirements of section 11 of the Police Reform and Social Responsibility Act 2011; • The Commissioner provides the Panel with any information which it may reasonably require (in compliance with section 13 of the Police Reform and Social Responsibility Act 2011) and also seeks to keep them informed of significant developments. The Commissioner produces an annual report in accordance with section 12 of the Police Reform and Social Responsibility Act 2011. The Panel do not scrutinise the performance of the Chief Constable or those responsible to her as this is the responsibility of the Commissioner, but both the Commissioner and the Chief Constable seek to ensure that Panel Members are well informed on operational issues. The meetings of the Panel are held in public and it met 5 times during 2019/20 – however, as one of these meetings was a ‘Deep Dive’, only 4 were held in public; • Statements of Account are produced annually and subject to public inspection and audit by WAO. WAO report by exception on the Joint Annual Governance Statement. WAO assess the arrangements for securing economy, efficiency and effectiveness in the use of resources; • The Commissioner and Chief Constable jointly commission an Internal Audit service and have agreed the audit plan; and • The HMICFRS conducts its own comprehensive inspection of Force performance and the Commissioner comments on the findings. HMICFRS reports are published on their website and are publicly accessible. | |
| <p>Openness:</p> <p>The Commissioner, the Chief Constable, their officers and staff will be as open as possible about all decisions and action they take. Reasons for decisions will be made available and information will be restricted only when so required by the wider public interest.</p> <p><i>IFGG Standard 2: Ensure openness and comprehensive stakeholder engagement</i></p> <p><i>IFGG Standard 3: Define outcomes in terms of sustainable economic social and environmental benefits.</i></p> | <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> • The Commissioner and Chief Constable have adopted arrangements for effective engagement with key stakeholders, ensuring that where appropriate such stakeholders remain closely involved in decision making, accountability and the future direction of the service; and • In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 and 2012 (and the guidance provided by the Information Commissioner) a range of information has been made publically available through the force and Commissioner’s websites over the course of the last year. The Commissioner’s decisions, which are of significant public interest, are publicised on his website (unless there are specific reasons why a decision should be exempt). | <ul style="list-style-type: none"> • Public consultation and/or engagement will continue to be undertaken by way of a comprehensive strategy which includes: <ul style="list-style-type: none"> ○ Regular meetings with the local authorities in Gwent; ○ Frequent meetings with other key partners, including the Welsh Government; ○ Public consultation on the Police and Crime Plan and Precept; ○ Widespread use of social media and the Commissioner’s website. ○ Press, TV and radio articles and interviews; ○ Responding to complaints; and ○ Surveys. • Alignment with Local Government wellbeing plans and continuing adoption of the principles of the Wellbeing of Future Generations (Wales) Act 2015; and • Gwent Police remain committed to sustainable environmental initiatives and this will be reflected in its proposals for the development of a new Gwent Police Headquarters and its wider Estate Strategy. • |

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|--|---|---|
| <p>Honesty:</p> <p><i>The Commissioner, the Chief Constable, their officers and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.</i></p> <p><i>IFGG Standard 7: Implement good practices in transparency, reporting and audit to deliver effective accountability</i></p> | <p>Commissioner:</p> <ul style="list-style-type: none"> A Register is maintained of the Commissioner’s disclosable interests in accordance with Schedule 1, Paragraph 1(e) of the Elected Local Policing Bodies (Specified Information) Order 2011 (as amended). <p>Chief Constable:</p> <ul style="list-style-type: none"> Any business interests are disclosed and maintained in a Register (which is accessible to the public). | <ul style="list-style-type: none"> The Professional Standards Department (Chief Constable) and the Chief Executive (Commissioner) will continue to monitor compliance by Police Officers and Police Staff with these requirements. |
| <p>Leadership:</p> <p><i>The Commissioner, the Chief Constable, their officers and staff will promote and support these principles through leadership and by example.</i></p> <p><i>IFGG Standard 5: Develop the entity’s capacity, including the capability of its leadership and the individuals within it.</i></p> | <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> Adoption of Nolan Principles in the MoCG; Adoption and embedding of the Code of Ethics (including the establishment of a joint Independent Ethics Committee); Clear Leadership Team; The Police and Crime Plan outlines the police and crime objectives (outcomes) and the strategic direction for policing. The Commissioner and the Chief Constable both have regard to the Plan; and Key departments e.g. Legal Services have acquired Investors in People status. <p>Chief Constable:</p> <ul style="list-style-type: none"> A medium term financial strategy has been jointly developed and is reviewed quarterly to support delivery of these plans; Information is provided by the Chief Constable’s Professional Standards Department – this outlines major areas of organisational and the behavioural expectations for all staff; and The Force maintains an internal website which contains information and guidance on ethics and behaviour. | <ul style="list-style-type: none"> Implementation of a new PDR system for the development of staff which supports the HMICFRS recommendations in terms of using such process effectively to identify leadership potential; and Repeat of the staff survey by Durham University to support the wider wellbeing agenda. |
| <p>Fairness:</p> <p><i>The Commissioner, the Chief Constable, their officers and staff will act with fairness and impartiality.</i></p> | <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> The Commissioner and Chief Constable strive to treat each other fairly, with dignity and with respect, and this is reflected in their agreed Decision Making and Accountability Framework within the MoCG; Duties are undertaken in accordance with the laws relating to human rights and equality; It is recognised that some individuals who come into contact with the police are vulnerable and that many require additional support and assistance; and A proactive approach is taken to opposing discrimination and this is reflected in the learning strategies of the force. | <ul style="list-style-type: none"> The Commissioner has continued to drive efforts to achieve a more representative workforce - through recruitment, retention and progression of officers and staff members; Review and reinforce the procedures set out in the MoCG to ensure understanding and compliance; and Continuing to deliver and comply with the Joint Strategic Equality Plan. |

| | | |
|---|---|--|
| <p>Respect:</p> <p>The Commissioner, the Chief Constable, their officers and staff will act with self-control and tolerance, treating members of the public and colleagues with respect and courtesy.</p> | <p>Commissioner:</p> <ul style="list-style-type: none"> The Commissioner is responsible for handling any complaints and conduct matters in relation to the Chief Constable, monitoring complaints against his staff, and monitoring the way in which Gwent Police complies with the requirements of the Independent Office of Police Conduct. <p>Chief Constable:</p> <ul style="list-style-type: none"> The Chief Constable manages all complaints against the Force, its officers and staff and ensures that the Commissioner is kept informed; Serious complaints and matters to do with conduct are referred to the Independent Office of Police Conduct in line with the requirements of legislation; The Police Staff Council has adopted standards of professional behaviour that reflect relevant principles enshrined in the European Convention on Human Rights and the Council of Europe Code of Police Ethics. These apply to all police staff; The values of 'protecting and reassuring' are guiding principles for all staff and officers; and In support of this standard, the Chief Constable requires all officers to remain composed and respectful (even in the face of provocation) and this is reflected in the force training undertaken. <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> Authority is only exercised in a way which is proportionate, lawful, accountable, necessary and ethical; Implementation of the Code of Ethics and the oversight and recommendations provided by the Independent Ethics Committee; and A system of Performance Development Reviews is in place for Police Officers and Police Staff. This process allows for focused performance review, and for the cascading and targeting of key objectives which are directly linked to the Police and Crime Plan and the Force Delivery Plan. | <ul style="list-style-type: none"> Implementation and embedding of the changes to the complaints and discipline system introduced by the Policing and Crime Act 2017; and An amended performance development review process to be delivered from the start of 2020/21. |
|---|---|--|

Comprehensive Income and Expenditure Statement (CIES) for the PCC Group 2019/20

This statement shows the accounting cost in year to 31st March 2020, of providing services for the PCC Group, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| 2018/19 | | | | 2019/20 | | |
|----------------|------------------|----------------|--|----------------|------------------|------------------|
| Expenditure | Income | Net | | Expenditure | Income | Net |
| £000 | £000 | £000 | Notes | £000 | £000 | £000 |
| 76,015 | 0 | 76,015 | | 86,730 | 0 | 86,730 |
| | | | Police Officer Salaries and Allowances | | | |
| 28,373 | 0 | 28,373 | | 32,337 | 0 | 32,337 |
| | | | Police Staff Salaries and Allowances | | | |
| 4,012 | 0 | 4,012 | | 4,004 | 0 | 4,004 |
| | | | PCSO Salaries and Allowances | | | |
| 2,378 | 0 | 2,378 | | 2,474 | 0 | 2,474 |
| | | | Police Officer Overtime and Enhancements | | | |
| 1,148 | 0 | 1,148 | | 1,078 | 0 | 1,078 |
| | | | Police Staff Overtime and Enhancements | | | |
| 426 | 0 | 426 | | 369 | 0 | 369 |
| | | | PCSO Overtime and Enhancements | | | |
| 66,628 | 0 | 66,628 | | (2,993) | 0 | (2,993) |
| | | | Other Employee Related Costs | | | |
| 6,247 | 0 | 6,247 | | 7,394 | 0 | 7,394 |
| | | | Premises Costs | | | |
| 3,088 | 0 | 3,088 | | 3,825 | 0 | 3,825 |
| | | | Transport Costs | | | |
| 26,181 | 0 | 26,181 | | 29,193 | 0 | 29,193 |
| | | | Supplies and Services | | | |
| 306 | 0 | 306 | | 472 | 0 | 472 |
| | | | Major Incident Schemes | | | |
| 241 | 0 | 241 | | 145 | 0 | 145 |
| | | | Proactive Operational Initiatives | | | |
| 0 | (12,935) | (12,935) | | 0 | (14,232) | (14,232) |
| | | | Other Income | | | |
| 215,043 | (12,935) | 202,107 | 7 | 165,028 | (14,232) | 150,796 |
| | | | Cost of Services | | | |
| 1,412 | (17,588) | (16,176) | 10 | 0 | (19,148) | (19,148) |
| | | | Other Operating Expenditure | | | |
| 40,289 | (3,864) | 36,425 | 11 | 43,952 | (3,919) | 40,033 |
| | | | Financing and Investment Income and Expenditure | | | |
| 0 | (124,450) | (124,450) | 12 | 0 | (130,053) | (130,053) |
| | | | Taxation and Non Specific Grant Income | | | |
| 256,744 | (158,837) | 97,906 | | 208,980 | (167,352) | 41,628 |
| | | | Surplus or Deficit on Provision of Services | | | |
| | | 51,337 | 38 | | | (164,460) |
| | | | Remeasurement of the net defined benefit liability / asset | | | |
| | | 51,337 | | | | (164,460) |
| | | | Other Comprehensive Income and Expenditure | | | |
| | | 149,244 | | | | (122,832) |
| | | | Total Comprehensive Income and Expenditure | | | |

Comprehensive Income and Expenditure (CIES) for the Police and Crime Commissioner 2019/20

| 2018/19 | | | 2019/20 | | |
|----------------|------------------|--|----------------|------------------|------------------|
| Expenditure | Income | Net | Expenditure | Income | Net |
| £000 | £000 | £000 | £000 | £000 | £000 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 1,001 | 0 | 1,001 | 1,223 | 0 | 1,223 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 68 | 0 | 68 | 17 | 0 | 17 |
| 5 | 0 | 5 | 5 | 0 | 5 |
| 30 | 0 | 30 | 27 | 0 | 27 |
| 3,190 | 0 | 3,190 | 3,951 | 0 | 3,951 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | (12,935) | (12,935) | 0 | (14,232) | (14,232) |
| 4,294 | (12,935) | (8,641) | 5,223 | (14,232) | (9,009) |
| 248,477 | 0 | 248,477 | 198,479 | 0 | 198,479 |
| 0 | (17,588) | (17,588) | 0 | (19,148) | (19,148) |
| 665 | (556) | 109 | 1,992 | (633) | 1,359 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | (124,450) | (124,450) | 0 | (130,053) | (130,053) |
| 253,436 | (155,529) | 97,907 | 205,694 | (164,066) | 41,628 |
| | | 557 Remeasurement of the net defined benefit liability / asset | | | (389) |
| | | 50,780 Intra-Group Transfer | | | (164,071) |
| | | 51,337 Other Comprehensive Income and Expenditure | | | (164,460) |
| | | 149,244 Total Comprehensive Income and Expenditure | | | (122,832) |

Balance Sheet for the PCC Group 2019/20

The Balance Sheet shows the value as at 31st March 2020 of the assets and liabilities recognised by the PCC Group. The net assets of the PCC Group (assets less liabilities) are matched by the reserves held by the PCC Group. The reserves are presented within two categories, usable reserves and unusable reserves. Usable reserves may be used to provide services subject to statutory limitations on their use and the need to maintain prudent level of reserves for financial stability. Unusable reserves cannot be used to fund PCC Group services.

| 31 March 2019 | | | | 31 March 2020 | | | |
|--------------------|--------------------|-------|-------------------------------|--------------------|--------------------|--|------|
| OPCC | Group | | | OPCC | Group | | |
| £000 | £000 | Notes | | £000 | £000 | | £000 |
| 32,227 | 32,227 | 13 | Property, Plant and Equipment | 34,635 | 34,635 | | |
| 579 | 579 | 14 | Intangible Assets | 384 | 384 | | |
| 165 | 165 | 20 | Assets Held for Sale | 0 | 0 | | |
| 22 | 22 | | Long-Term Debtors | 31 | 31 | | |
| 32,993 | 32,993 | | Long Term Assets | 35,050 | 35,050 | | |
| 49,153 | 49,153 | 16 | Short-Term Investments | 41,624 | 41,624 | | |
| 0 | 560 | 17 | Inventories | 0 | 474 | | |
| 9,966 | 9,966 | 18 | Short-Term Debtors | 11,576 | 11,576 | | |
| 10,377 | 10,377 | 19 | Cash and Cash Equivalents | 5,815 | 5,815 | | |
| 69,496 | 70,056 | | Current Assets | 59,015 | 59,489 | | |
| (14,039) | (14,599) | 21 | Short-Term Creditors | (13,290) | (13,764) | | |
| (1,497) | (1,497) | 22 | Provisions | (1,417) | (1,417) | | |
| (15,536) | (16,095) | | Current Liabilities | (14,707) | (15,181) | | |
| (1,569,969) | 0 | 21 | Long-Term Creditors | (1,444,332) | 0 | | |
| (7,764) | (1,577,733) | 38 | Other Long-Term Liabilities | (3,172) | (1,447,504) | | |
| (1,577,733) | (1,577,733) | | Long Term Liabilities | (1,447,504) | (1,447,504) | | |
| (1,490,780) | (1,490,780) | | Net Assets | (1,368,146) | (1,368,146) | | |
| (55,310) | (55,310) | 23 | Usable Reserves | (46,107) | (46,107) | | |
| 1,546,090 | 1,546,090 | 24 | Unusable Reserves | 1,414,253 | 1,414,253 | | |
| 1,490,780 | 1,490,780 | | Total Reserves | 1,368,146 | 1,368,146 | | |

Movement in Reserves Statement for the PCC Group 2019/20

| | Notes | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Capital Receipts Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|--|-------|---------------------------------|--|-------------------------------------|----------------------------------|---------------------------|------------------------|
| Balance at 31 March 2019 | | (8,987) | (43,996) | (2,327) | (55,310) | 1,546,090 | 1,490,780 |
| Movement in reserves during 2019/20 | | | | | | | |
| Surplus or deficit on the provision of services | | 41,628 | | | 41,628 | | 41,628 |
| Other Comprehensive Income / Expenditure | | | | | | (164,460) | (164,460) |
| Total Comprehensive Income and Expenditure | | 41,628 | 0 | | 41,628 | (164,460) | (122,832) |
| Adjustments between accounting basis and funding basis under regulations | 8 | (32,452) | | (171) | (32,623) | 32,623 | 0 |
| Other Reserve Transfers | | 198 | | | 198 | 0 | 198 |
| Net Increase or Decrease before Transfers to Earmarked Reserves | | 9,374 | 0 | (171) | 9,203 | (131,837) | (122,634) |
| Transfers to / from Earmarked Reserves | | (9,472) | 9,472 | | 0 | 0 | 0 |
| Increase or Decrease in 2019/20 | | (98) | 9,472 | (171) | 9,203 | (131,837) | (122,634) |
| Balance at 31 March 2020 | | (9,085) | (34,524) | (2,498) | (46,107) | 1,414,253 | 1,368,146 |

The other reserves transfer relates to the restatement of collaborative costs that reflects the difference between the fair value of collaborative costs and actual expenditure incurred in accordance with accounting standards

Movement in Reserves Statement for the PCC Group 2018/19

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Capital Receipts Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|--|---------------------------------|--|-------------------------------------|----------------------------------|---------------------------|------------------------|
| Balance at 31 March 2018 | (14,694) | (41,318) | (1,700) | (57,712) | 1,399,289 | 1,341,577 |
| Movement in reserves during 2018/19 | | | | | | |
| Surplus or deficit on the provision of services | 97,907 | | | 97,907 | | 97,907 |
| Other Comprehensive Income / Expenditure | | | | | 51,337 | 51,337 |
| Total Comprehensive Income and Expenditure | 97,907 | 0 | | 97,907 | 51,337 | 149,244 |
| Adjustments between accounting basis and funding basis under regulations | (94,915) | | (626) | (95,541) | 95,541 | 0 |
| Other Reserve Transfers | 37 | | | 37 | (77) | (40) |
| Net Increase or Decrease before Transfers to Earmarked Reserves | 3,029 | 0 | (626) | 2,403 | 146,801 | 149,204 |
| Transfers to / from Earmarked Reserves | 2,678 | (2,678) | | 0 | 0 | 0 |
| Increase or Decrease in 2018/19 | 5,707 | (2,678) | (626) | 2,403 | 146,801 | 149,204 |
| Balance at 31 March 2019 | (8,987) | (43,996) | (2,327) | (55,310) | 1,546,090 | 1,490,780 |

Cash Flow Statement

Cash Flow Statement shows the changes in cash and cash equivalents of the PCC Group during the reporting period.

The statement shows how the PCC Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the PCC Group are funded by way of taxation and grant income or from the recipients of services provided by the PCC Group.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the PCC Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing by the PCC Group).

| 2018/19 | | | 2019/20 |
|----------------|-------|---|--------------|
| £000 | Notes | | £000 |
| 97,907 | | Net (surplus) or deficit on the provision of services | 41,628 |
| (105,139) | 25 | Adjustment to surplus or deficit on the provision of services for noncash movements | (39,619) |
| 1,266 | 25 | Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 757 |
| (5,966) | | Net cash flows from operating activities | 2,766 |
| 4,098 | 26 | Net cash flows from investing activities | (2,715) |
| 175 | 27 | Net cash flows from financing activities | 4,511 |
| (1,693) | | Net (increase) or decrease in cash and cash equivalents | 4,562 |
| 8,684 | | Cash and cash equivalents at the beginning of the reporting period | 10,377 |
| 10,377 | | Cash and cash equivalents at the end of the reporting period | 5,815 |

Police Pensions Account

The Police Pension Fund Account at the 31st March 2020 is detailed below

| 2018/19 £000 | | 2019/20 £000 |
|-----------------|---|-----------------|
| | Contributions Receivable: | |
| (10,816) | Employer Contributions | (14,066) |
| (1,628) | Injury Pensions including Gratuities Paid | (1,676) |
| (313) | Early Retirements (Capital Equivalent Charges) | (241) |
| 0 | Un-authorized Backdated Lump Sum Tax Payments (Home Office funding) | 0 |
| (215) | Transfers in from other Schemes | (364) |
| (5,986) | Members Contributions | (6,079) |
| (18,958) | Net Income | (22,426) |
| | Benefits Payable: | |
| 31,264 | Pensions Paid | 32,043 |
| 18 | Refunded Contributions | 20 |
| 5,125 | Lump Sum Benefits | 7,642 |
| 0 | Un-authorized Backdated Lump Sum Tax Payments | 0 |
| 115 | Lump Sum Death Benefits | 74 |
| 0 | Transfers out to other Schemes | 2 |
| 36,522 | Net Expenditure | 39,781 |
| 17,564 | Net Amount Payable for the Year | 17,355 |
| (17,564) | Additional Contribution from the Police & Crime Commissioner | (17,355) |
| 0 | (Surplus)/Deficit on Fund | 0 |

The Police Pension Fund Account Net Assets at the 31st March 2020 are:

| 31 March 2019 £000 | | 31 March 2020 £000 |
|-----------------------|--|-----------------------|
| | Current Assets: | |
| 2,312 | Prepaid Pension Benefits | 2,430 |
| 2,791 | Funding to meet deficit due from Police & Crime Commissioner/Home Office | 3,027 |
| 0 | Recovery of Pension Benefits | 0 |
| | Current Liabilities: | |
| 0 | Provision for Backdated Lump Sums | 0 |
| (4,949) | Overdrawn Pension Cash Position | (4,527) |
| (154) | Unpaid Pension Benefits | (930) |
| 0 | Total | 0 |

Notes to the Police Pension Fund Account – to be reviewed and updated

1. The accounting policies followed and assumptions made regarding the Police Pensions Account are in line with those set out in Note 1, Accounting Policies;
2. The Police Pension Scheme is administered by Capita Plc. under contract;
3. There are no investment assets in the fund. The payments in and out of the Pension fund are balanced to nil each year by receipt of additional contributions from the General Police Fund, which in turn is reimbursed by a specific Home Office grant (Top Up Grant); and
4. The Pension Fund's financial statements do not take account of future pension obligations after the 31st March 2020. However, these are presented on the Balance Sheet under Net Pension Liability with detailed disclosures in Note 38, Defined Benefit Pension Schemes.

Notes to the Financial Statements for the PCC Group

This set of notes represents the consolidated notes for the Statement of Accounts for 2019/20.

Note 1 - Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the PCC Group's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. The PCC Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice (The Code) on Local Authority Accounting in the UK 2019/20 and the CIPFA Service Reporting Code of Practice 2019/20, 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. The Statement of Accounts have been prepared on a going concern basis.

1.2 Charges to Revenue for Non-Current Assets

The cost of Police Services is debited with the following to record the cost of holding fixed assets during the year:

- (i) Depreciation attributable to the assets used by the relevant service;
- (ii) Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- (iii) Amortisation of intangible fixed assets attributable to the service.

The charges to revenue for the above are charged via way of an intra-group funding adjustment to the Chief Constable's Net Cost of Services.

The PCC Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the PCC in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP) or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account (Unusable Reserve) in the Movement in Reserves Statement for the difference between the two.

1.3 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:

- (i) Revenue from the sale of goods is recognised when the PCC Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC Group;
- (ii) Revenue from the provision of services is recognised when the PCC Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC Group;
- (iii) 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;
- (iv) 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;
- (v) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- (vi) 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

1.4 Exceptional Items

When items of income and expense are material, their nature and extent 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 the understanding of the PCC Group's financial performance.

1.5 Capital Receipts

Capital receipts (arising from the disposal of capital assets) where the sale proceeds are in excess of £10,000 which have not been set aside for the redemption of debt or to finance new capital expenditure are held in the Usable Capital Receipts Reserve. Receipts appropriated to this Reserve are presented in the Movement on Reserves Statement.

1.6 Cash and Cash Equivalents

Cash and cash equivalents (highly liquid investments) are represented by cash in hand, deposits and investments that have an original term of less than three months and are repayable on notice of not more than 24 hours without material penalty. In the Balance Sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the PCC Group's cash management.

1.7 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 salaries, paid annual leave and overtime on the card and are recognised as an expense for services in the year in which employees render service to the PCC Group. An accrual is made for the cost of holiday entitlements (or any form of leave, flexi balances and overtime on the card) 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 the salary rates applicable at the end of the accounting period in question. The accrual is charged to the 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 PCC Group to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. When the PCC Group is demonstrably committed to the termination of the employment of an employee or group of employee's, or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective service line in the CIES.

Post-employment Benefits

The pension costs included in the accounts have been determined in accordance with relevant Government regulations. IAS 19 requires that current and future pension liabilities appear in the accounts of organisations (both public and private). It requires that there is full recognition of the asset/liability; that a pension reserve appears in the Balance Sheet; and entries in the CIES record movements in the asset/liability.

The PCC Group participates in two post-employment pension schemes. The Police Pension Scheme, for Police Officers and the Greater Gwent (Torfaen) Local Government Pension Scheme, for Police Staff. Both schemes provide defined benefits to members e.g. retirement lump sums and pensions, earned as employees working for the PCC Group, or for related parties.

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

Discretionary Benefits

The PCC Group provides discretionary post-employment benefits which arise from additional service and are awarded on a discretionary basis. These benefits are unfunded with costs met directly from the PCC Group's revenue account.

Injury Benefits

The PCC Group also pays injury benefits to those Police Officers who have been medically retired as a result of an injury on duty. Amounts are paid as part of the Officers' monthly pension but rather than being an item of expense in the Police Pensions Account these amounts are transferred into CIES and are a charge against the General Police Fund balance.

1.8 Financial Instruments

Financial Liabilities

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

Financial Assets

Are classified into two types:

- (i) Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- (ii) Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The valuation applied to loans and receivables is their carrying value, as these assets cannot be sold and hence there is no market valuation. The PCC Group does not have any available-for-sale assets.

1.9 Fair Value

IFRS 13 Fair Value Measurement has been adopted by the Code and applied accordingly in the Financial Statements. This IFRS seeks to increase the consistency and comparability in the fair value measurement and related disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The PCC Group uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- (i) Level 1 – quoted prices;
- (ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
- (iii) Level 3 – unobservable inputs for the asset or liability.

1.10 Government Grants and Contributions

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

- (i) The PCC Group will comply with the conditions attached to the payments, and
- (ii) The grants or contributions will be received.

Amounts recognised as due to the PCC Group are not credited to the CIES until conditions attached to the grant or contribution, have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

1.11 Inventories and Long Term Contracts

The PCC Group maintains stocks of uniforms, body armour and vehicle parts. Stocks of diesel, custody items and computer consumables have been removed from the Balance Sheet and expensed to the CIES during the year as balances held were not deemed to be material. The value of stocks held at the end of the year is recorded in the accounts at current cost, with the exception of vehicle parts which are recorded at historical cost.

1.12 Service Expenditure Analysis and Overheads

The disclosure initiative 'Telling the Story' resulted in amendments to IAS 1 Presentation of Financial Statements.

As a result, and consistent with prior year, the Net Cost of Police Services has been reported in line with internal management reports for the PCC Group and Chief Constable. The presentation is not segmental and the costs of overheads and support services have not been re-allocated. However, the format is in accordance with the PCC Group's arrangements for accountability and financial performance.

1.13 Intangible Assets

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

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

The principal asset categories and their useful economic lives, amortised on a straight-line basis in accordance with IAS 38 Intangible Assets, are:

| Principal Asset Categories and their Useful Economic Lives | Years |
|--|-------|
| Other Assets e.g. Software Licences | 3, 5 |

1.14 Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. The expenditure is capitalised provided that the fixed asset yields an enduring benefit to the PCC Group for a period of more than one year and that the asset value exceeds the £6,000 de-minimis level. Expenditure on maintenance is charged to the income and expenditure account.

Measurement

Initially fixed assets are measured at cost, comprising of the purchase price and any costs attributable to bringing the asset into use.

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

- (i) Land and Buildings – Current Value based on Market Value (MV), Existing Use Value (EUV) or Depreciated Replacement Cost if the MV or EUV cannot be determined;
- (ii) Vehicles, Plant, Furniture and Equipment – Current Value based on EUV or Depreciated Replacement Cost if the EUV cannot be determined;
- (iii) Non-Operational Surplus Assets – Measured in accordance with IFRS 13 Fair Value Measurement based on the price that would be received to sell the asset in an orderly transaction between market participants (Level 1 in the Fair Value Hierarchy) at the measurement date; and
- (iv) Assets Held for Sale – The lower of carrying amount and Fair Value (based on MV or EUV) less costs to sell.

Separate valuations for land and buildings are undertaken as a minimum every five years; the last revaluation took place in 2016/17. For other classes of assets annual reviews are undertaken by the asset owners, which includes a review of the carrying amount of the asset in the Balance Sheet. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairments

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

Where the loss is determined for a previously re-valued asset, it is written off against any revaluation gains held for the asset in the Revaluation Reserve, with any excess charged to the CIES. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful finite life. The principal asset categories and their useful economic lives, depreciated on a straight-line basis in accordance with IAS 16 Property Plant and Equipment, are:

| Principal Asset Categories and their Useful Economic Lives | Years |
|--|---------------------|
| Buildings | 12, 35, 75, 100 |
| Land | Not Depreciated |
| Vehicles | 5 |
| Plant and Machinery | 5-10 |
| Computer Equipment (Hardware) | 5-10 |
| Radio Masts | 15 |
| Telephone and Radio Equipment | 5-10 |
| Assets Held for Sale | Not Depreciated |
| Non Operational Surplus Assets | As per set Category |

A recharge is made from the PCC accounts in relation to depreciation charged on the PCC's assets to reflect the use of these assets by the CC.

1.15 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

The class of Assets Held for Sale has strict criteria that need to be met before assets can be included under its heading. Where assets are not in use but do not meet these criteria they are accommodated in the Non Operational/Surplus category of Property, Plant and Equipment.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenses line in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income & Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received in excess of £10,000 are categorised as capital receipts.

The written-off value of disposals is not a charge against the Council Tax as the cost of fixed assets is fully provided under separate arrangements for capital financing. Disposal gains and losses are therefore appropriated to the Capital Adjustment Account from the Police Fund Balance in the Movement on Reserves Statement.

1.16 Leases

The rentals payable under operating leases are charged to the CIES on an accruals basis.

1.17 Interests in Subsidiaries, Associates and Jointly Controlled entities including Joint Arrangements

The Code requires the PCC Group to disclose any material interests in subsidiaries, associates and jointly controlled entities in a set of group accounts. This requirement means the consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures. With the exception of the Office of the Chief Constable for Gwent, the PCC Group does not hold any material interests in subsidiaries, associated or jointly controlled entities that require consolidation. The PCC Group's policy is to disclose as a note to the financial statements details of any related companies.

Where the PCC Group has entered into collaborative arrangements with other Commissioners/ Forces an assessment has been made against IFRS 11 Joint Arrangement to determine the appropriate accounting treatment. IFRS11 requires all such arrangements to be classed as either Joint Ventures or Joint Operations.

1.18 Prior Period Adjustments, Changes in Accounting Policies, 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 PCC Group's financial position or financial performance. 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 period.

1.19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

In accordance with the Code of Practice the PCC Group has properly provided for liabilities known or certain to occur but for which the timing and amount are uncertain. Such provisions are included within the operating expenditure in the CIES.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the PCC Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the PCC Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent Assets

A contingent asset arises where an event has taken place that gives the PCC Group a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the PCC Group.

Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.20 Private Finance Initiative (PFI)

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

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

- (i) Fair value of the services received during the year;
- (ii) Finance costs;
- (iii) Contingent rent;
- (iv) Payment towards liability; and
- (v) Lifecycle replacement costs.

The PFI contract for the provision of a Custody Unit and Police Station at Ystrad Mynach had been deemed to be on Balance Sheet in accordance with the International Financial Reporting Interpretations Committee's (IFRIC), interpretation number 12, and the Government's Financial Reporting Manual. In order to 'smooth-out' profiling differences between the unitary charge payments to the contractor and specific grant income from the Welsh Government, a sinking fund had been set up to hold initial funding 'surpluses' and provide for future funding shortfalls.

Following approval by the Welsh Government and the Commissioner, the PFI contract was terminated on 31st January 2020 with the loan fully paid off and all liabilities and compensation payments discharged on that date. The Custody Unit and Police Station at Ystrad Mynach remains as an asset on the balance sheet.

1.21 Reserves

The PCC Group sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Police Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The category of unusable reserves includes those reserves which are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the PCC Group. These reserves are explained in the relevant notes.

1.22 Value Added Tax (VAT)

Income and expenditure excludes any amounts relating to VAT as all VAT is remitted to/from HM Revenue & Customs. The Core Financial Statements have therefore been prepared exclusive of VAT.

1.23 Events after the Reporting Period

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 event can be identified:

- (i) 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; and
- (ii) Those that are indicative of conditions that arose after the end of 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.

Note 2 - Accounting Standards that have been issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), the PCC Group is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

Paragraph 3.3.2.13 of the 2019/20 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

In addition, paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year:

- (i) IFRS 16 – Leases, issued in January 2019. The adoption of this standard has been deferred to the 2020/21 Code.
- (ii) Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- (iii) Annual Improvements to IFRS Standards 2015-2017 Cycle
- (iv) Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

Given the above the PCC Group does not anticipate any additional disclosures to be required in the 2019/20 financial statements in respect of accounting changes that were introduced in the 2019/20 Code.

There are no new accounting standards that have not yet been issued but will significantly impact financial reporting in future years.

Note 3 - Critical judgments in applying accounting policies

In applying the accounting policies set out in Note 1, the PCC Group did not have to make any critical judgements about complex transactions or those involving uncertainty about future events.

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

Note 4 - Assumptions made about future and other sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC Group 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 PCC Group's Balance Sheet as at 31st March 2020 for which there is a significant risk, of material adjustments in the forthcoming financial year are as follows:

To be updated:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|---|--|
| Property, plant and equipment | Non-current assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred. The current economic climate makes it uncertain that the PCC Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives of the assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset decreases. It is estimated that the annual depreciation charge for property, plant and equipment would increase by approximately £1.243m every year the useful lives of the PCC Group's property, plant and equipment asset base were reduced. |
| Police pensions liability | Estimation of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) have been engaged to provide the PCC Group with expert advice about the assumptions to be applied. | <p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the rate of increase in salaries would have a £15m increase in the Police Pension Scheme Liability.</p> <p>A one year increase in the life expectancy of Police Pensioners would result in the Police Pension Liability increasing by £40m.</p> <p>However, the assumptions interact in complex and sensitive ways. During 2019/20, GAD advised that the net pensions' liability had decreased by £116m due to changes in financial assumptions used. In the previous financial year the net pension liability increased by £130m attributable to changes in financial assumptions.</p> <p>In their IAS19 report on the Police Officer Pension Scheme the actuary has reported that the new scheme came into place in 2015 and that this may impact on retirement patterns. However there is no scheme experience data yet which would highlight this change. Any adjustment that could be made would be highly subjective therefore no adjustment has been made.</p> |
| Accumulated Absences | Estimation of the liability with respect to untaken annual leave, flexi balances, rest days for recovery and overtime on the card requires the use of sampling techniques to form a reliable estimate of the outstanding liability. Sample size and methodology can all impact on the final estimated liability. | The effect of a 1% increase in untaken accumulated absences results in a £17,777 increase in the estimated liability. |
| Arrears | At 31st March 2020, the PCC Group had a balance of Sundry Debtors of £742k. A review of historical levels of debt that have had to be written off in previous years suggested that a year-end provision for bad debts of £6k was required. | A 1% increase in the average amount of debts requiring write off would require no change to bad debt provision at 31 st March 2020. |

Note 5 - Material items of Income & Expenditure

The PFI Contract was terminated on the 31st January 2020, please refer to Note 36 for further detail. There were no further material items of income and expenditure.

Note 6 - Events after the Balance Sheet date

The Draft Statement of Accounts was authorised for issue by the Chief Finance Officer on 10th June 2020. There are no adjusting or non-adjusting events not already reflected in this Statement of Accounts.

Note 7 -Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, income, council tax and business rates) by the PCC Group in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the PCC Group, Chief Constable and associated services/departments. Income and expenditure is presented more fully in the CIES on page 34.

| Net Expenditure Chargeable to the General Fund Balance | 2018/19 | | Net Expenditure in the Comprehensive Income and Expenditure Statement | 2019/20 | | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|---------------|----------------|---|-----------------|---------------|---|
| | Adjustments | | | Adjustments | | |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 65,571 | 10,444 | 76,015 | Police Officer Salaries and Allowances | 69,446 | 17,284 | 86,730 |
| 23,954 | 4,419 | 28,373 | Police Staff Salaries and Allowances | 26,645 | 5,692 | 32,337 |
| 4,012 | 0 | 4,012 | PCSO Salaries and Allowances | 4,004 | 0 | 4,004 |
| 2,392 | (14) | 2,378 | Police Officer Overtime and Enhancements | 2,491 | (17) | 2,474 |
| 1,148 | 0 | 1,148 | Police Staff Overtime and Enhancements | 1,078 | 0 | 1,078 |
| 426 | 0 | 426 | PCSO Overtime and Enhancements | 369 | 0 | 369 |
| 2,891 | 63,737 | 66,628 | Other Employee Related Costs | 3,216 | (6,209) | (2,993) |
| 6,050 | 197 | 6,247 | Premises Costs | 7,256 | 138 | 7,394 |
| 2,731 | 356 | 3,088 | Transport Costs | 2,781 | 1,044 | 3,825 |
| 22,134 | 4,047 | 26,181 | Supplies and Services | 25,911 | 3,282 | 29,193 |
| 306 | 0 | 306 | Major Incident Schemes | 472 | 0 | 472 |
| 241 | 0 | 241 | Proactive Operational Initiatives | 145 | 0 | 145 |
| (12,042) | (893) | (12,935) | Other Income | (15,395) | 1,163 | (14,232) |
| 731 | (731) | 0 | Contribution to Police Computer Co. | 820 | (820) | 0 |
| 9,159 | (9,159) | 0 | Other Approved Revenue Requirements | 15,096 | (15,096) | 0 |
| 129,704 | 72,404 | 202,108 | Net Cost of Services | 144,335 | 6,461 | 150,796 |
| (126,678) | 22,476 | (104,202) | Other Income and Expenditure | (134,961) | 25,793 | (109,168) |
| 3,026 | 94,881 | 97,907 | Surplus or Deficit on Provision of Services | 9,374 | 32,254 | 41,628 |
| (56,011) | | | Opening Combined General Fund Balance | (52,983) | | |
| 3,026 | | | Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis) | 9,374 | | |
| (52,985) | | | Closing Combined General Fund Balance | (43,609) | | |

Note 7a - Note to the Expenditure and Funding Analysis

The following note to the EFA provided a reconciliation of the EFA adjusting items and the (Surplus) or Deficit on the Police Fund. The adjustments are summarised into different categories and include adjustments for capital purposes, pensions and other differences. Other differences include disclosure adjustments between amounts reported to management and those reported in the CIES under generally accepted accounting practices.

These adjustments are also disclosed in Note 8 – Adjustments between Accounting Basis and Funding Basis.

| | 2019/20 | | | Total Adjustments |
|---|---|--|----------------------|----------------------|
| | Net Capital Statutory Adjustments | Net Pensions Statutory Adjustments | Other Differences | |
| | £000 | £000 | £000 | £000 |
| Police Officer Salaries and Allowances | 0 | 37,460 | (20,176) | 17,284 |
| Police Staff Salaries and Allowances | 0 | 7,492 | (1,800) | 5,692 |
| PCSO Salaries and Allowances | 0 | 0 | 0 | 0 |
| Police Officer Overtime and Enhancements | 0 | 0 | (17) | (17) |
| Police Staff Overtime and Enhancements | 0 | 0 | 0 | 0 |
| PCSO Overtime and Enhancements | 0 | 0 | 0 | 0 |
| Other Employee Related Costs | 0 | (6,210) | 1 | (6,209) |
| Premises Costs | 512 | 0 | (374) | 138 |
| Transport Costs | 1,056 | 0 | (12) | 1,044 |
| Supplies and Services | 1,530 | 0 | 1,752 | 3,282 |
| Major Incident Schemes | 0 | 0 | 0 | 0 |
| Proactive Operational Initiatives | 0 | 0 | 0 | 0 |
| Other Income | 0 | 0 | 1,163 | 1,163 |
| Contribution to Police Computer Co. | 0 | 0 | (820) | (820) |
| Capital Charges | 0 | 0 | 0 | 0 |
| Other Approved Revenue Requirements | (9,594) | 0 | (5,502) | (15,096) |
| Net Cost of Services | (6,496) | 38,742 | (25,785) | 6,461 |
| Other Income and Expenditure | 0 | 0 | 25,793 | 25,793 |
| | (6,496) | 38,742 | 8 | 32,254 |
| Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement | | | | |

| | 2018/19 | | | |
|---|---|--|----------------------|----------------------|
| | Net Capital Statutory Adjustments | Net Pensions Statutory Adjustments | Other Differences | Total Adjustments |
| | £000 | £000 | £000 | £000 |
| Police Officer Salaries and Allowances | 0 | 28,320 | (17,876) | 10,444 |
| Police Staff Salaries and Allowances | 0 | 6,286 | (1,867) | 4,419 |
| PCSO Salaries and Allowances | 0 | 0 | 0 | 0 |
| Police Officer Overtime and Enhancements | 0 | 0 | (14) | (14) |
| Police Staff Overtime and Enhancements | 0 | 0 | 0 | 0 |
| PCSO Overtime and Enhancements | 0 | 0 | 0 | 0 |
| Other Employee Related Costs | 0 | 63,737 | 0 | 63,737 |
| Premises Costs | 680 | 0 | (483) | 197 |
| Transport Costs | 1,041 | 0 | (685) | 356 |
| Supplies and Services | 1,742 | 0 | 2,305 | 4,047 |
| Major Incident Schemes | 0 | 0 | 0 | 0 |
| Proactive Operational Initiatives | 0 | 0 | 0 | 0 |
| Other Income | 0 | 0 | (893) | (893) |
| Contribution to Police Computer Co. | 0 | 0 | (731) | (731) |
| Capital Charges | 0 | 0 | 0 | 0 |
| Other Approved Revenue Requirements | (6,453) | 0 | (2,706) | (9,159) |
| Net Cost of Services | (2,990) | 98,343 | (22,950) | 72,404 |
| Other Income and Expenditure | 0 | 0 | 22,476 | 22,476 |
| Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement | (2,990) | 98,343 | (474) | 94,881 |

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations

The note below details the adjustments that are made to the total CIES recognised by the PCC Group in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the PCC Group to meet future capital and revenue expenditure.

| 2019/2020 | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|--|--|--|--|---|
| Adjustments to the Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | |
| Pension cost (transferred to (or from) the Pensions Reserve) | (38,742) | | | 38,742 |
| Holiday pay (transferred to the Accumulated Absences reserve) | (441) | | | 441 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (3,034) | | 0 | 3,034 |
| Total Adjustments to Revenue Resources | (42,217) | 0 | 0 | 42,217 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 171 | (171) | | |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 9,594 | | | (9,594) |
| Total Adjustments between Revenue and Capital Resources | 9,765 | (171) | 0 | (9,594) |
| Other adjustments | 0 | 0 | 0 | 0 |
| Total Adjustments | (32,452) | (171) | 0 | 32,623 |

| 2018/2019 | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|--|------------------------------------|--|--|---|
| Adjustments to the Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | |
| Pension cost (transferred to (or from) the Pensions Reserve) | (98,343) | | | 98,343 |
| Holiday pay (transferred to the Accumulated Absences reserve) | 156 | | | (156) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (3,981) | | 0 | 3,981 |
| Total Adjustments to Revenue Resources | (102,168) | 0 | 0 | 102,168 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 626 | (626) | | |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 6,453 | | | (6,453) |
| Total Adjustments between Revenue and Capital Resources | 7,079 | (626) | 0 | (6,453) |
| Other adjustments | 175 | 0 | 0 | (175) |
| Total Adjustments | (94,915) | (626) | 0 | 95,541 |

Note 9 - Transfers to/from Earmarked Reserves

This note shows the amounts set aside from the PCC Group's Police Fund balances in Earmarked Reserves, to provide financing for future expenditure plans and also those used to meet Police Fund expenditure in 2019/20.

| | Balance at 1 April 2018 | Transfers In 2018/19 | Transfers Out 2018/19 | Balance at 31 March 2019 | Adjustment to Opening Balance | Transfers In 2019/20 | Transfers Out 2019/20 | Balance at 31 March 2020 |
|---------------------------------|-------------------------|----------------------|-----------------------|--------------------------|-------------------------------|----------------------|-----------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund Reserves: | | | | | | | | |
| Speed Awareness | (64) | 0 | 0 | (64) | 0 | 0 | 0 | (64) |
| PFI - Investment | (12,217) | 0 | 1,226 | (10,990) | 0 | (85) | 11,075 | 0 |
| Future Budgetary Balance | (4,379) | 0 | 0 | (4,379) | 0 | 0 | 690 | (3,689) |
| Debt Repayment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Staying Ahead Team | (1,613) | 0 | 1,613 | 0 | 0 | 0 | 0 | 0 |
| PCC Commissioning Strategy | (899) | (125) | 531 | (493) | 0 | (201) | 493 | (201) |
| PCC Drug Intervention Programme | (167) | 0 | 0 | (167) | 0 | 0 | 0 | (168) |
| Workstream Specific | (3,785) | (1,484) | 780 | (4,488) | 0 | (929) | 1,824 | (3,593) |
| Pending Legal Cases | (149) | 0 | 0 | (149) | 0 | 0 | 0 | (149) |
| Proceeds of Crime Act | (194) | (150) | 39 | (305) | 0 | (150) | 117 | (338) |
| Third Party Funds | (175) | 0 | 111 | (64) | 0 | 0 | 0 | (64) |
| Victim Services Commissioning | (228) | 0 | 0 | (228) | 0 | (6) | 87 | (147) |
| Innovation Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unspent Revenue Grants | (287) | (31) | 24 | (294) | 0 | 0 | 6 | (288) |
| Police HQ Replacement | (13,058) | (7,804) | 2,802 | (18,060) | 0 | (5,275) | 3,119 | (20,216) |
| Airwave | (2,381) | (210) | 0 | (2,591) | 0 | (2,016) | 0 | (4,607) |
| Earmarked Capital Reserve | (1,723) | 0 | 0 | (1,723) | 0 | 0 | 1,723 | 0 |
| Operation Uplift | 0 | 0 | 0 | 0 | 0 | (1,000) | 0 | (1,000) |
| Total General Fund | (41,318) | (9,804) | 7,126 | (43,996) | 0 | (9,662) | 19,134 | (34,524) |

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

Speed Awareness

This is to fund schemes in relation to raising awareness of the impact of speeding.

PFI Investment Reserve

This is used to fund future expenditure against the PCC Group's PFI Site at Ystrad Mynach. The PFI contract was terminated at the 31st January 2020 and this reserve will no longer be in use.

Future Budgetary Balance Reserve

This will be utilised to ensure that the PCC is able to set a balanced budget between 2019/20 and 2023/24 in accordance with the PCC's medium term financial plan.

Debt Repayment

The PCC Group has not set aside amounts for the repayment of debt into the Capital Adjustment Account as the debt has been repaid in 2016/17. This reserve remains active to accommodate funds reserved to repay any future borrowing.

Staying Ahead Team

A dedicated organisational change team is in place to ensure that the PCC Group is able to meet the budgetary challenges that it is facing. This reserve funded the cost of this team between 2016/17 and 2017/18 and will no longer be in use.

PCC Commissioning Strategy

This is to fund the PCC's three tiered Commissioning Strategy in relation to the Positive Impact Programme, Partnership Fund and Strategic Commissioning.

PCC Drug Intervention Programme

The Drug Intervention Programme aims to engage with drug users already within the criminal justice system in order to prevent them re-offending.

Work-stream Specific

Used to fund such things as the Command and Control Project Team, body armour replacement, first line manager training, Go-Safe contingency and drug testing.

Pending Legal Cases

This is to fund potential liabilities arising from present/future legal cases that may adversely affect the PCC Group such as the Regulation A19.

Proceeds of Crime Act

Holds funds that have been awarded to the PCC Group under a cash forfeiture order or confiscation order.

Third Party Funds

This is for funding the development of the Welsh Interpretation and Translation Service and Local Resilience Forum.

The Victims Servicing Commissioning Reserve

The Victims' Hub Service supports victim's needs to enable them to cope and recover.

Innovation Fund

This is to fund women's offender management through the IOM Diversion Scheme.

Unspent Revenue Grants

These are revenue grants received in the current and prior years that remain unspent.

Operation Uplift

This is used to fund costs in relation to the additional officers recruited under Operation Uplift.

Police HQ and Capital Replacement Reserve

This is required to fund the replacement of the current Police Headquarters at Croesyceiliog, Cwmbran. It is anticipated that this will be utilised between 2017/18 and 2020/21 to acquire new accommodation. This fund is also used to fund the other capital replacement requirements of the group.

Airwave/ESN Reserve

This is used to fund the cyclical replacement of the Airwave Communication System used by the Force and also invest into the transition to the new Emergency Services Network (ESN).

Earmarked Capital Reserve

This is to fund future capital schemes.

Note 10 - Other Operating Expenditure

Other Operating Income and Expenditure reported includes all levies payable, (gains)/losses generated from in year disposals of non-current assets and Home Office Top Up Grant due to fund the Police Officer pension account deficit at 31st March 2020. These are all items which could not be allocated or apportioned to service areas.

| 2018/19 | | 2019/20 |
|-----------------|--|-----------------|
| £000 | | £000 |
| 1,412 | Levies | 0 |
| (24) | Gains/losses on the Disposal of Non-Current Assets | (23) |
| (17,564) | Other | (19,125) |
| (16,175) | Total Other Operating Expenditure | (19,148) |

Note 11 - Financing and Investment Income and Expenditure

Financing, investment income, and expenditure, arising from the PCC Groups involvement in financial instruments and similar transactions involving interest, including net pension interest charged in the period on the net defined benefit liability (asset).

| 2018/19 | | 2019/20 |
|---------------|---|---------------|
| £000 | | £000 |
| 483 | Interest payable and similar charges | 1,802 |
| 36,385 | Net interest on the net defined benefit liability (asset) | 38,755 |
| (443) | Interest receivable and similar income | (524) |
| 36,425 | Total | 40,033 |

Note 12 - Taxation and Non-Specific Grant Income

All non-specific grants and contributions receivable that cannot be identified to any particular service area and therefore cannot be credited to the gross income amount relevant to a service area. In addition, all capital grants and contributions are credited to non-specific grant income even if service specific.

| 2018/19 | | 2019/20 |
|------------------|---|------------------|
| £000 | | £000 |
| (52,035) | Council tax income | (56,042) |
| (9,750) | Non-domestic rates income and expenditure | (9,873) |
| (62,216) | Non-ringfenced government grants | (63,679) |
| (449) | Capital grants and contributions | (459) |
| (124,451) | Total | (130,053) |

Note 13 - Property, Plant and Equipment

Movement on Property, Plant and Equipment balances during 2019/20.

Movements to 31 March 2020

| | Land and Buildings | Vehicles, Plant, Furniture & Equipment | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|--------------------------|---|-------------------|------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | |
| at 1 April 2019 | 26,609 | 17,974 | 250 | 1,009 | 45,842 |
| Adjustments to cost/value & depreciation/impairment | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 2,378 | 0 | 2,917 | 5,295 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 |
| Derecognition – disposals | 48 | (1,627) | (8) | 0 | (1,587) |
| Reclassifications and transfer | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | 0 |
| at 31 March 2020 | 26,657 | 18,725 | 242 | 3,926 | 49,550 |
| Accumulated Depreciation and Impairment | | | | | |
| at 1 April 2019 | (1,469) | (12,139) | (7) | 0 | (13,615) |
| Adjustments to cost/value & depreciation/impairment | 0 | 0 | 0 | 0 | 0 |
| Depreciation charge | (544) | (2,264) | (3) | 0 | (2,811) |
| Derecognition – disposals | (54) | 1,565 | 0 | 0 | 1,511 |
| Reclassifications and transfers | 0 | 0 | 0 | 0 | 0 |
| Eliminated on reclassification to Held for Sale | 0 | 0 | 0 | 0 | 0 |
| at 31 March 2020 | (2,067) | (12,838) | (10) | 0 | (14,915) |
| Net Book Value | | | | | |
| at 31 March 2020 | 24,590 | 5,887 | 232 | 3,926 | 34,635 |
| at 31 March 2019 | 25,140 | 5,835 | 243 | 1,008 | 32,227 |

Movements to 31 March 2019

| | Land and Buildings | Vehicles, Plant, Furniture & Equipment | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|--------------------------|---|-------------------|------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | |
| at 1 April 2018 | 26,140 | 16,988 | 250 | 0 | 43,378 |
| Adjustments to cost/value & depreciation/impairment | 0 | 0 | 0 | 0 | 0 |
| Additions | 469 | 5,222 | 0 | 1,009 | 6,700 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 |
| Derecognition – disposals | 0 | (4,236) | 0 | 0 | (4,236) |
| Reclassifications and transfer | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | 0 |
| at 31 March 2019 | 26,609 | 17,974 | 250 | 1,009 | 45,842 |
| Accumulated Depreciation and Impairment | | | | | |
| at 1 April 2018 | (702) | (14,044) | (3) | 0 | (14,749) |
| Adjustments to cost/value & depreciation/impairment | 0 | 0 | 0 | 0 | 0 |
| Depreciation charge | (767) | (2,233) | (4) | 0 | (3,004) |
| Derecognition – disposals | 0 | 4,138 | 0 | 0 | 4,138 |
| Reclassifications and transfers | 0 | 0 | 0 | 0 | 0 |
| Eliminated on reclassification to Held for Sale | 0 | 0 | 0 | 0 | 0 |
| at 31 March 2019 | (1,469) | (12,138) | (7) | 0 | (13,615) |
| Net Book Value | | | | | |
| at 31 March 2019 | 25,140 | 5,836 | 243 | 1,009 | 32,227 |
| at 31 March 2018 | 25,438 | 2,944 | 247 | 0 | 28,629 |

Capital Commitments

The new Headquarters (HQ) development is progressing through the HQ Project Board which meets on a monthly basis. The planned date for completion of the new build and move in date is August 2022, with the subsequent demolition of the current Headquarters during the following 6 months. The Budget in the Medium Term Financial Projections 2019/20 to 2023/24 paper is £29m.

Note 14 - Intangible Assets

The PCC Group accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system which are accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the PCC Group.

There were no changes in the accounting estimates for intangible assets during the year and no intangible assets are considered to have an indefinite life. During the year amortisation of £0.407m (2018/19: £0.633m) and impairment of £0 (2018/19: £0) was charged to the CIES during 2019/20. This charge reflects the expected pattern of consumption of economic benefits of the intangible assets during the period.

The movement on Intangible Asset balances during the year 2019/20 with comparatives for 2018/19 was:

| 31st March 2019 | | 31st March 2020 | |
|---|--------------------------------------|------------------------|--|
| Other Assets | | Other Assets | |
| £000 | | £000 | |
| Balance at start of year: | | | |
| 4,027 | Gross carrying amounts | 3,659 | |
| (2,928) | Accumulated amortisation | (3,080) | |
| 1,099 Net carrying amount at start of year | | 579 | |
| Additions: | | | |
| 203 | Purchases | 246 | |
| (571) | Other disposals | (149) | |
| (633) | Amortisation for the period | (407) | |
| 482 | Amortisation written off on disposal | 115 | |
| 579 Net carrying amount at end of year | | 384 | |
| Comprising: | | | |
| 3,659 | Gross carrying amounts | 3,756 | |
| (3,080) | Accumulated amortisation | (3,372) | |
| 579 Total | | 384 | |

Note 15 - Investment Properties, Community Assets and Heritage Assets

The PCC Group does not hold any investment properties, Community Assets or Heritage Assets.

Note 16 - Financial Instruments

| | Non-Current Financial Assets | | | | |
|------------------------------------|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Investments | | Debtors | | Total |
| | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2020 £000 |
| IFRS 9 Categories | | | | | |
| Fair value through profit and loss | 0 | 0 | 0 | 0 | 0 |
| Amortised cost | 0 | 0 | 22 | 31 | 31 |
| Total financial assets | 0 | 0 | 22 | 31 | 31 |

| | Current Financial Assets | | | | | | |
|------------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Investments | | Debtors | | Cash | | Total |
| | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2020 £000 |
| IFRS 9 Categories | | | | | | | |
| Fair value through profit and loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortised cost | 49,153 | 41,624 | 9,965 | 11,576 | 10,377 | 5,815 | 59,015 |
| Total financial assets | 49,153 | 41,624 | 9,965 | 11,576 | 10,377 | 5,815 | 59,015 |

| | Non-Current Financial Liabilities | | | | | | |
|------------------------------------|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|
| | Borrowings | | Creditors | | Other long-term liabilities | | Total |
| | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2020 £000 |
| Amortised cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | (4,366) | 0 | 0 |
| Total financial liabilities | 0 | 0 | 0 | 0 | (4,366) | 0 | 0 |

The PFI contract was terminated on the 31st January 2020 and the Finance Lease Liability associated with this arrangement has been fully repaid. Please see Note 36 for further detail.

| | Current Financial Liabilities | | | | |
|------------------------------------|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Borrowings | | Creditors | | Total |
| | 31 March 2019 | 31 March 2020 | 31 March 2019 | 31 March 2020 | 31 March 2020 |
| | £000 | £000 | £000 | £000 | £000 |
| Amortised cost | 0 | 0 | (14,599) | (13,764) | (13,764) |
| Other | 0 | 0 | (146) | 0 | 0 |
| Total financial liabilities | 0 | 0 | (14,745) | (13,764) | (13,764) |

Unusual Movements

There were no unusual movements in financial instrument balances during the year.

Reclassification

No financial instruments were re-classified during the year.

De-recognition of instruments

No financial instruments were de-recognised during the year.

Collateral

No financial instruments were linked to any collateral agreements.

Allowance for Credit Losses

No significant allowances for credit losses were required during the year.

Defaults and Breaches

There have been no defaults or breaches on any financial instruments.

Financial Instruments Gains and Losses

The gains and losses recognised in the PCC Group's CIES in relation to financial instruments are made up as follows:

| | 2018/19 | | | 2019/20 | | |
|--|---|---|------------|---|---|------------|
| | Financial Liabilities at amortised cost | Financial Assets: loans and receivables | Total | Financial Liabilities at amortised cost | Financial Assets: loans and receivables | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest expense | 0 | 0 | 0 | 0 | 0 | 0 |
| Total expense in Surplus or Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest income | 0 | 443 | 443 | 0 | 524 | 524 |
| Total income in Surplus or Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 |
| Net gain/(loss) for the year | 0 | 443 | 443 | 0 | 524 | 524 |

Fair Values

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- (i) Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding (plus interest) or the billed amount; and
- (ii) The fair value of trade or other receivables is taken to be the invoice or billed amount.

The fair values calculated are as follows:

| | 31 March 2019 | | 31 March 2020 | |
|------------------------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Financial liabilities | | | | |
| PWLB debt | 0 | 0 | 0 | 0 |
| Newport CC debt | 0 | 0 | 0 | 0 |
| Finance lease liability | 4,511 | 4,511 | 0 | 0 |
| Short-term creditors | 14,599 | 14,599 | 13,764 | 13,764 |
| Total Financial Liabilities | 19,110 | 19,110 | 13,764 | 13,764 |

| | 31 March 2019 | | 31 March 2020 | |
|------------------------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Financial Assets | | | | |
| Investments and money market loans | 49,153 | 49,153 | 41,623 | 41,623 |
| Short-term debtors | 12,883 | 12,883 | 11,576 | 11,576 |
| Total Financial Assets | 62,036 | 62,036 | 53,199 | 53,199 |

The fair value is greater than the carrying amount because the Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

The fair values for loans and receivables, has been made by comparison with a comparable investment with the same/similar lender for the remaining period of the deposit.

The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

- (i) Level 1 – quoted prices;
- (ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 – unobservable inputs for the asset or liability.

The valuation basis adopted in this report uses Level 2 Inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

Fair Value Hierarchy 31 March 2020

| | Level 1 £000 | Level 2 £000 | Level 3 £000 |
|------------------------------------|-----------------|-----------------|-----------------|
| Financial liabilities | | | |
| PWLB debt | 0 | 0 | 0 |
| Newport CC debt | 0 | 0 | 0 |
| Finance lease liability | 0 | 0 | 0 |
| Total Financial Liabilities | 0 | 0 | 0 |
| Financial Assets | | | |
| Investments and money market loans | 0 | 41,623 | 0 |
| Total Financial Assets | 0 | 41,623 | 0 |

Comparatives balances at 31st March 2019 are detailed in the table below.

Fair Value Hierarchy 31 March 2019

| | Level 1 £000 | Level 2 £000 | Level 3 £000 |
|------------------------------------|-----------------|-----------------|-----------------|
| Financial liabilities | | | |
| PWLB debt | 0 | 0 | 0 |
| Newport CC debt | 0 | 0 | 0 |
| Finance lease liability | 0 | 4,511 | 0 |
| Total Financial Liabilities | 0 | 4,511 | 0 |
| Financial Assets | | | |
| Investments and money market loans | 0 | 49,153 | 0 |
| Total Financial Assets | 0 | 49,153 | 0 |

Note 17 - Inventories

The opening and closing value of inventories for the PCC Group is listed below:

| | Consumable Stores | | Maintenance Materials | | Total | |
|--|-------------------|-----------------|-----------------------|-----------------|-----------------|-----------------|
| | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 | 2018/19 £000 | 2019/20 £000 |
| Balance outstanding at start of year | 327 | 488 | 72 | 72 | 399 | 560 |
| Purchases | 384 | 505 | 241 | 324 | 625 | 829 |
| Recognised as an expense in the year | (223) | (578) | (241) | (337) | (464) | (915) |
| Balance Outstanding at Year End | 488 | 415 | 72 | 59 | 560 | 474 |

The PCC does not hold any inventories. These are held by and recorded in the Statement of Accounts of the Chief Constable

Note 18 - Debtors

The Short-Term Debtor balances carried by the PCC Group at 31st March 2020 are:

| 31 March 2019 | | 31 March 2020 |
|----------------------|--------------------------|----------------------|
| £000 | | £000 |
| 0 | Trade Receivables | 0 |
| 4,701 | Prepayments | 6,432 |
| 5,265 | Other Receivable Amounts | 5,144 |
| 9,966 | Total | 11,576 |

Note 19 - Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash in hand and balances held with financial institutions. The Bank Current Account balance includes a cash equivalent adjustment of £4.575m to redeem funds used to pay Police Officer Pensions during the year, which will be funded retrospectively by a specific Home Office grant.

| 31 March 2019 | | 31 March 2020 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 5,838 | Cash and Bank balances | 1,258 |
| 4,539 | Short Term Deposits | 4,557 |
| 10,377 | Total Cash and Cash Equivalents | 5,815 |

Note 20 - Assets Held for Sale

These represent Non-current Assets Held for Sale as at the 31st March 2020. No asset held for sale as at the 31st March 2020.

| Non-current | | Non-current |
|----------------------|--------------------------------------|----------------------|
| 31 March 2019 | | 31 March 2020 |
| £000 | | £000 |
| 770 | Balance outstanding at start of year | 165 |
| (605) | Assets sold | (165) |
| 165 | Balance Outstanding year end | 0 |

At the beginning of the year, only one property "Newbridge Police Station" was classified as held for sale. Offer accepted of £0.160m, which has been approved by the District Valuer. The sale was completed as at 31st March 2020.

Note 21 - Creditors

Short- Term Creditor balances held by the PCC Group at 31st March 2020 are:

| 31 March 2019 | | 31 March 2020 |
|----------------------|------------------------|----------------------|
| £000 | | £000 |
| (8,517) | Trade payables | (7,068) |
| (6,082) | Other payables | (6,696) |
| (14,599) | Total Creditors | (13,764) |

Long-Term Creditor

The Long-Term Creditor in relation to the PCC's Net Pension Liability is offset by the Long-Term Debtor in the Statement of Accounts of the Chief Constable. This accounting entry is necessary as it is a requirement to record the pension liability in the Statement of Accounts of the Chief Constable but ultimately the liability rests with the PCC Group.

Note 22 - Provisions

All provisions are short-term as it is expected that the liability will be settled within 12 months after the reporting period. Provisions in relation to the PCC Group during 2019/20 are:

Current Provisions

| 2019/20 | Injury Damage & Other Compensation Claims | Provision for Pay Award | Provision for Doubtful Debts | Total |
|--------------------------------------|--|----------------------------|---------------------------------|----------------|
| | £000 | £000 | £000 | £000 |
| Opening Balance | (1,113) | (378) | (6) | (1,497) |
| Increase in provision during year | (601) | 0 | 0 | (601) |
| Utilised during year | 535 | 146 | 0 | 681 |
| Other movements | 0 | 0 | 0 | 0 |
| Closing Balance | (1,179) | (232) | (6) | (1,417) |

| 2018/19 | Injury Damage & Other Compensation Claims | Provision for Pay Award | Provision for Doubtful Debts | Total |
|--------------------------------------|--|----------------------------|---------------------------------|----------------|
| | £000 | £000 | £000 | £000 |
| Opening Balance | (1,142) | (378) | (22) | (1,541) |
| Increase in provision during year | (822) | 0 | 16 | (806) |
| Utilised during year | 850 | 0 | 0 | 850 |
| Other movements | 0 | 0 | 0 | 0 |
| Closing Balance | (1,113) | (378) | (6) | (1,497) |

Injury and Damage and Other Compensation Claims

All of the injury compensation claims are individually insignificant by value. They relate to personal injuries and road traffic collisions where the PCC Group is deemed to be at fault or claims for wrongful arrest. Other compensation claims include cases taken to employment tribunals by current and former employees and includes claims for the payment of overtime for additional duties performed under the Police Regulations Act 2003.

Any claim above £250,000 with regard to employers and public liability and £100,000 with regard to motor vehicle claims would be met by the PCC Group's insurance.

Note 23 - Usable Reserves

General Fund

The General Fund Reserve has been split into the following categories to reflect the current Police & Crime Commissioner for Gwent Reserves Strategy.

General Fund Reserve

| 31 March 2019 | | 31 March 2020 |
|---------------|---|---------------|
| £000 | | £000 |
| 4,000 | Opening Balance | 4,000 |
| 0 | Transfers in to General Fund Reserve | 0 |
| 0 | Transfer Out to Forecasted Accelerated Efficiencies Reserve | 0 |
| 0 | Other Transfers Out of General Fund Reserve | 0 |
| 4,000 | Closing Balance | 4,000 |

Forecast Accelerated Efficiency Savings Reserve

| 31 March 2019 | | 31 March 2020 |
|---------------|--|---------------|
| £000 | | £000 |
| 10,694 | Opening Balance | 4,987 |
| 0 | Transfers In From General Fund Reserve | 0 |
| 106 | Transfers In to Forecast Accelerated Efficiencies Reserve | 98 |
| (5,813) | Transfers Out of Forecast Accelerated Efficiencies Reserve | 0 |
| 4,987 | Closing Balance | 5,085 |

Earmarked Reserves

| 31 March 2019 | | 31 March 2020 |
|---------------|-------------------------------------|---------------|
| £000 | | £000 |
| 41,318 | Opening Balance | 43,996 |
| 9,804 | Transfers In to Earmarked Reserves | 9,662 |
| (7,126) | Transfers Out of Earmarked Reserves | (19,134) |
| 43,996 | Closing Balance | 34,524 |

Capital Receipts Reserve

| 31 March 2019 | | 31 March 2020 |
|---------------|---|---------------|
| £000 | | £000 |
| 1,700 | Opening Balance | 2,327 |
| 626 | Transfers In to Capital Receipts Reserve | 171 |
| 0 | Transfers Out of Capital Receipts Reserve | 0 |
| 2,327 | Closing Balance | 2,498 |

Please refer to Note 9 for the detail of Earmarked Reserves.

Note 24 - Unusable Reserves

| 31 March 2019 | | 31 March 2020 |
|------------------|------------------------------|------------------|
| £000 | | £000 |
| (3,785) | Revaluation Reserve | (3,600) |
| (24,683) | Capital Adjustment Account | (31,428) |
| 1,573,222 | Pension Reserve | 1,447,504 |
| 1,336 | Accumulated Absences Account | 1,777 |
| 1,546,090 | Total | 1,414,253 |

Revaluation Reserve

| 31 March 2019 | | 31 March 2020 |
|----------------|---|----------------|
| £000 | | £000 |
| (4,092) | Balance 1 April | (3,785) |
| 0 | Upward revaluation of assets | 0 |
| 0 | Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services | 0 |
| 0 | Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services | 0 |
| 308 | Difference between fair value depreciation and historical cost depreciation | 185 |
| 0 | Accumulated gains on assets sold or scrapped | 0 |
| 308 | Amount written off to the Capital Adjustment Account | 185 |
| 0 | Other movements | 0 |
| 0 | Other movements to Other Comprehensive Income and Expenditure | 0 |
| (3,785) | Balance 31 March | (3,600) |

The Revaluation Reserve contains the gains made by the PCC Group arising from increases in the value of its property, plant and equipment and intangible assets.

The balance is reduced when assets with accumulated gains are:

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

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

Capital Adjustment Account

| 31 March 2019 £000 | | 31 March 2020 £000 |
|-----------------------|--|-----------------------|
| (21,652) | Balance 1 April | (24,683) |
| 3,004 | Charges for depreciation and impairment of non-current assets | 2,811 |
| 0 | Revaluation losses on non-current assets | 0 |
| 633 | Amortisation of intangible assets | 407 |
| 0 | Revenue expenditure funded from capital under statute | 0 |
| 793 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 275 |
| 4,430 | Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement | 3,493 |
| (308) | Adjusting Amounts written out of the Revaluation Reserve | (185) |
| 4,122 | Net written out amount of the cost of non-current assets consumed in the year | 3,308 |
| 0 | Use of Capital Receipts Reserve to finance new capital expenditure | 0 |
| 0 | Use of Major Repairs Reserve to finance new capital expenditure | 0 |
| (449) | Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (459) |
| 0 | Statutory provision for the financing of capital investment charged against the General Fund balances | 0 |
| (6,453) | Capital expenditure charged against the General Fund balances | (9,594) |
| (6,902) | Capital financing applied in year: | (10,053) |
| 0 | Borrowing or liabilities met from the Major Repairs Reserve | 0 |
| 0 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 0 |
| (251) | Other movements | 0 |
| (24,683) | Balance 31 March | (31,428) |

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the PCC Group as finance for the costs of acquisition, construction and subsequent costs. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Pension Reserve

| 31 March 2019 £000 | | 31 March 2020 £000 |
|-----------------------|--|-----------------------|
| 1,423,542 | Balance 1 April | 1,573,222 |
| 51,337 | Remeasurements of the net defined benefit (liability)/asset | (164,460) |
| 132,737 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 76,751 |
| (34,394) | Employer's pensions contributions and direct payments to pensioners payable in the year | (38,009) |
| 0 | Other movements | 0 |
| 1,573,222 | Balance 31 March | 1,447,504 |

The Pensions Reserve absorbs the timing differences arising from the different arrangements for the accounting for post-employment benefits in accordance with statutory provisions. The PCC Group accounts for post-employment benefits and for funding benefits in accordance with statutory provisions. The PCC Group accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the PCC Group makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the PCC Group has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Accumulated Absences Account

| 31 March 2019 £000 | | 31 March 2020 £000 |
|-----------------------|---|-----------------------|
| 1,492 | Balance 1 April | 1,336 |
| (1,492) | Settlement or cancellation of accrual made at the end of the preceding year | (1,336) |
| 1,336 | Amounts accrued at the end of the current year | 1,777 |
| (156) | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements | 441 |
| 1,336 | Balance 31 March | 1,777 |

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

| 31 March 2019 | | 31 March 2020 |
|----------------------|--------------------|----------------------|
| £000 | | £000 |
| (290) | Interest received | (400) |
| 483 | Interest paid | 1,802 |
| 0 | Dividends received | 0 |
| 193 | Total | 1,402 |

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

| 31 March 2019 | | 31 March 2020 |
|----------------------|--|----------------------|
| £000 | | £000 |
| (3,004) | Depreciation | (2,811) |
| 0 | Impairment and downward valuations | 0 |
| (633) | Amortisation | (407) |
| 0 | (Increase)/decrease in impairment for bad debts | 0 |
| (736) | (Increase)/decrease in creditors | 836 |
| (1,904) | Increase/(decrease) in debtors | 1,657 |
| 161 | Increase/(decrease) in inventories | (86) |
| 0 | Increase/(decrease) in contract assets and liabilities | 0 |
| (98,343) | Movement in pension liability | (38,742) |
| (793) | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | (275) |
| 113 | Other non-cash movements charged to the surplus or deficit on provision of services | 209 |
| (105,139) | Total | (39,619) |

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

| 31 March 2019 | | 31 March 2020 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 817 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 298 |
| 449 | Any other items for which the cash effects are investing or financing cash flows | 459 |
| 1,266 | Total | 757 |

Note 26 - Cash Flow from Investing Activities

The cash flows from investing activities include the following items:

| 31 March 2019 | | 31 March 2020 |
|---------------|--|----------------|
| £000 | | £000 |
| 7,364 | Purchase of property, plant and equipment, investment property and intangible assets | 5,542 |
| 143,500 | Purchase of short-term and long-term investments | 141,500 |
| (817) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (298) |
| (145,500) | Proceeds from short-term and long-term investments | (149,000) |
| (449) | Other receipts from investing activities | (459) |
| 4,098 | Net cash flows from investing activities | (2,715) |

Note 27 - Cash Flow from Financing Activities

| 31 March 2019 | | 31 March 2020 |
|---------------|--|---------------|
| £000 | | £000 |
| 175 | Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts | 4,511 |
| 0 | Other payments for financing activities | 0 |
| 175 | Net cash flows from financing activities | 4,511 |

Note 28 - Members' Allowances

The PCC Group paid the following amounts to Joint Audit Committee Members during the year ended 31st March 2020. Amounts are split evenly with the Chief Constable.

| 31 March 2019 | | 31 March 2020 |
|---------------|----------------------------------|---------------|
| £ | | £ |
| 0 | Salaries | 0 |
| 6,001 | Allowances | 6,583 |
| 247 | Expenses | 251 |
| 6,248 | Total Members' Allowances | 6,834 |

Note 29 - Police Officer and Staff Remuneration PCC Group

Police Officer and Staff Numbers

| | 31st March 2019 | 31st March 2020 |
|-----------------------------|--------------------|--------------------|
| Police Officers: | | |
| Above the rank of Constable | 281 | 287 |
| Constable | 1,053 | 1,048 |
| Total | 1,334 | 1,335 |
| Police Staff: | | |
| Full Time | 677 | 721 |
| Part Time | 145 | 144 |
| Total | 822 | 865 |

The above numbers are as at 31st March 2020

Police Staff excludes the Police and Crime Commissioner since he is an elected official.

Remuneration Received

During the year, the number of Officers and Staff, employed by the Police and Crime Commissioner, but who are under the direction and control of the Chief Constable, who received remuneration in excess of £60,000 is provided below. The table shows multiples in bands of £5,000. The remuneration definition includes annual salaries and allowances, salary sacrifice deductions but excludes employer's pension contributions. The figures include those Officers whose posts are detailed in the Remuneration Disclosure note with the exception of the Police and Crime Commissioner who occupies an elected post and is therefore not an employee.

| PCC 2018/19 | PCC Group 2018/19 | Remuneration Band | PCC 2019/20 | PCC Group 2019/20 |
|----------------|----------------------|---------------------|----------------|----------------------|
| 1 | 9 | £60,000 - £64,999 | 0 | 11 |
| 1 | 6 | £65,000 - £69,999 | 0 | 4 |
| 0 | 8 | £70,000 - £74,999 | 0 | 4 |
| 0 | 1 | £75,000 - £79,999 | 0 | 6 |
| 0 | 2 | £80,000 - £84,999 | 1 | 5 |
| 1 | 4 | £85,000 - £89,999 | 0 | 2 |
| 0 | 2 | £90,000 - £94,999 | 1 | 1 |
| 0 | 0 | £95,000 - £99,999 | 0 | 1 |
| 0 | 0 | £100,000 - £104,999 | 0 | 2 |
| 0 | 2 | £105,000 - £109,999 | 0 | 2 |
| 0 | 0 | £110,000 - £114,999 | 0 | 1 |
| 0 | 1 | £115,000 - £119,999 | 0 | 1 |
| 0 | 0 | £120,000 - £124,999 | 0 | 0 |
| 0 | 0 | £125,000 - £129,999 | 0 | 0 |
| 0 | 0 | £130,000 - £134,999 | 0 | 0 |
| 0 | 0 | £135,000 - £139,999 | 0 | 0 |
| 0 | 0 | £140,000 - £144,999 | 0 | 0 |
| 0 | 0 | £145,000 - £149,999 | 0 | 1 |
| 0 | 1 | £150,000 - £155,000 | 0 | 0 |

Remuneration Relationship

Reporting bodies are required to disclose the relationship between the highest paid 'Executive' in the organisation and the median remuneration of the organisations workforce during the year to which the accounts relate. Remuneration is based on full time annualised remuneration payable and is determined by taking the salary as at 31st March plus the benefit in kind and other payments made during the period.

For the Office of the Police and Crime Commissioner the remuneration relationship is disclosed for the Chief Finance Officer. The Chief Finance Officer is the highest paid staff member and is included below.

| | 2018/19 | 2019/20 |
|---|-------------|-------------|
| Chief Constables Pay | 153,335 | 154,769 |
| Median Pay of the Chief Constable's Staff | 29,289 | 29,064 |
| Median Pay Ratio | 5.24 | 5.33 |
| Chief Finance Officer's Pay | 86,997 | 94,299 |
| Median Pay of the Police and Crime Commissioner's Staff | 31,095 | 32,796 |
| Median Pay Ratio | 2.80 | 2.87 |

Remuneration Disclosure

The following table sets out the remuneration disclosure, for relevant Police Officers (Chief Officer rank) and Senior Staff (Chief Officer equivalent rank, and senior post holders in the Office of the Police and Crime Commissioner), whose salary is equal to, or more than £60,000 per year. The regulation requires individuals whose salary exceeds £150,000 per year, to be identified by name.

Expense allowances include "essential user" car lump sum allowance and benefit in kind includes the money value of benefits received otherwise than in cash e.g. private use of a Force asset. Other payments include those allowances only relevant to Police Officers such as rent allowance and compensatory grant. During the year no amounts were paid in respect of compensation for loss of employment. Equivalent disclosure is provided for the previous year 2018/19.

Relevant Senior Police Officers and Senior Police Staff Remuneration

Relevant Senior Police Officers and Police Staff Remuneration of the year ended 31st March 2020.

2019/20

| | Note | Salary £ | Post Related Pay £ | Bonus £ | Expenses £ | Benefits in Kind | Other Payments £ | Total Remuneration excluding Pension Contributions £ | Employers Pension Contributions £ | Total Remuneration including Pension Contributions £ |
|--|------|-------------|-----------------------|------------|---------------|------------------|---------------------|---|---|---|
| Chief Constable (1) | 1 | 35,672 | 0 | 0 | 0 | 0 | 2,221 | 37,893 | 0 | 37,893 |
| Chief Constable (2) | 2 | 106,275 | 941 | 0 | 0 | 6,385 | 0 | 113,601 | 32,945 | 146,546 |
| Deputy Chief Constable (1) | 3 | 29,423 | 0 | 0 | 0 | 2,128 | 0 | 31,551 | 9,121 | 40,672 |
| Deputy Chief Constable (2) | 4 | 49,401 | 0 | 0 | 0 | 962 | 0 | 50,363 | 14,275 | 64,638 |
| Deputy Chief Constable (3) | 5 | 50,264 | 0 | 0 | 0 | 814 | 1,535 | 52,613 | 15,582 | 68,195 |
| Assistant Chief Constable (1) | 6 | 8,686 | 1,994 | 0 | 0 | 0 | 828 | 11,508 | 2,693 | 14,201 |
| Assistant Chief Constable (2) | 7 | 17,310 | 0 | 0 | 0 | 385 | 0 | 17,695 | 5,366 | 23,061 |
| Assistant Chief Constable (3) | 8 | 44,392 | 6,701 | 0 | 0 | 0 | 3,923 | 55,016 | 13,761 | 68,777 |
| Assistant Chief Constable (4) | 9 | 36,384 | 0 | 0 | 0 | 0 | 2,789 | 39,173 | 11,279 | 50,452 |
| Assistant Chief Constable (5) | 10 | 66,223 | 14,638 | 0 | 0 | 0 | 6,245 | 87,106 | 20,529 | 107,635 |
| Assistant Chief Constable (6) | 11 | 36,554 | 0 | 0 | 0 | 1,383 | 0 | 37,937 | 11,332 | 49,269 |
| Assistant Chief Officer Resources | | 109,375 | 0 | 0 | 0 | 0 | 0 | 109,375 | 19,469 | 128,844 |
| Police & Crime Commissioner | | 71,400 | 0 | 0 | 0 | 0 | 0 | 71,400 | 12,709 | 84,109 |
| Deputy Police & Crime Commissioner | | 55,549 | 0 | 0 | 0 | 0 | 0 | 55,549 | 9,888 | 65,437 |
| Chief Finance Officer to the Police & Crime Commissioner | | 93,007 | 0 | 0 | 0 | 0 | 0 | 93,007 | 16,555 | 109,562 |
| Police & Crime Commissioner Chief Executive | | 81,293 | 0 | 0 | 0 | 0 | 0 | 81,293 | 14,470 | 95,763 |

Notes:

- 1) Chief Constable (1) retired on the 30th June 2019.
- 2) Chief Constable (2) was appointed and took office on the 1st July 2019 with an annualised salary of £146,256.
- 3) Deputy Chief Constable (1) left office on the 30th June 2019 to take up the Chief Constable position.
- 4) Deputy Chief Constable (2) was temporary promoted from Assistant Chief Constable to temporary DCC from 1st July 2019 to 30th November 2019 including one month handover to the newly appointed Deputy Chief Constable (3) on 1st November 2019.

- 5) Deputy Chief Constable (3) was appointed and took office on the 1st November 2019 with an annualised salary of £120,633.
- 6) Assistant Chief Constable (1) left office on the 6th May and returned to their substantive post of Chief Superintendent.
- 7) Assistant Chief Constable (2) was appointed and took office on the 29th April 2019 with an annualised salary of £100,509.
- 8) Assistant Chief Constable (3) was temporary promoted from Chief Superintendent on 1st July to 31st December 2019 to cover the temporary promotion of the ACC to DCC in receipt of an annualised Post Related Pay Allowance of £13,182.
- 9) Assistant Chief Constable (4) was temporary promoted from Chief Superintendent on 31st July to 30th November 2019 with an annualised salary of £109,662.
- 10) Assistant Chief Constable (5) was temporary promoted from Chief Superintendent to Temporary ACC (All Wales Collaboration Team) on 1st April to 31st December 2019 in receipt of an annualised Post Related Pay Allowance of £13,182.
- 11) Assistant Chief Constable (6) temporary DCC returns to his substantive ACC post on 1st December 2019.
- 12) The employers pension contribution in respect of Police Officers were paid at a rate of 31%. All other Senior Employees were paid at a rate of 17.8%.
- 13) Salaries disclosed above are actual amounts paid during the year and exclude salary sacrifice deductions.
- 14) Other payments include: Car Allowance £4,839 per annum and any Rent/Housing entitlement as per Police Regulations.

Relevant Senior Police Officers and Police Staff Remuneration for the year ended 31st March 2019.

2018/19

| Post Holder Information (Post Title) | Note | Salary £ | Post Related Pay £ | Bonus £ | Expenses £ | Benefits in Kind £ | Other Payments £ | Total Remuneration excluding Pension Contributions £ | Employers Pension Contributions £ | Total Remuneration including Pension Contributions £ |
|--|-------------|---------------------|-------------------------------|--------------------|-----------------------|-------------------------------|-----------------------------|---|--|---|
| Chief Constable | 1 | 141,523 | 0 | 0 | 0 | 6,600 | 4,046 | 152,168 | 8,463 | 160,632 |
| Deputy Chief Constable | | 116,728 | 0 | 0 | 0 | 6,802 | 0 | 123,530 | 28,248 | 151,778 |
| Assistant Chief Constable | 2 | 86,613 | 15,016 | 0 | 0 | 0 | 7,770 | 109,399 | 20,960 | 130,360 |
| Assistant Chief Officer Resources | | 106,921 | 0 | 0 | 0 | 0 | 0 | 106,921 | 17,963 | 124,883 |
| Police & Crime Commissioner | | 71,283 | 0 | 0 | 0 | 0 | 0 | 71,283 | 11,897 | 83,180 |
| Deputy Police & Crime Commissioner | | 53,462 | 0 | 0 | 0 | 0 | 0 | 53,462 | 8,923 | 62,385 |
| Chief Finance Officer to the Police & Crime Commissioner | 3 | 86,635 | 0 | 0 | 0 | 0 | 843 | 87,478 | 14,696 | 102,175 |
| Police & Crime Commissioner Chief Executive | 4 | 67,383 | 0 | 0 | 0 | 0 | 639 | 68,022 | 11,428 | 79,450 |

Notes:

- 1) The Chief Constable opted out of the Police Pension Scheme on achieving 30 years service
- 2) ACC has opted for monthly lump sum car payments amounting to £3928.20 instead of the provision of a Chief Officers Car this is included in "other payments". ACC has opted to keep the Chief Supt Salary and to be paid the difference as a post related honorarium.
- 3) The Chief Finance Officer to the Police & Crime Commissioner received a Non Consolidated Pay Award of £843 in June 2018
- 4) Police & Crime Commissioner Chief Executive received a Non Consolidated Pay Award of £639 in June 2018
- 5) Salaries disclosed above are actual amounts paid during the year and exclude salary sacrifice deductions.
- 6) The employer's pension contributions in respect of Police Officers were paid at a rate of 24.2%. All other Senior Employees were paid at a rate of 16.8%.
- 7) The All Wales Deputy Chief Constable is employed by South Wales Police and their total remuneration costs are shown in the Remuneration Report of South Wales Police. Each of the four Welsh Forces contribute to the total remuneration cost of the All Wales Deputy Chief Constable. In 2018/19, the contribution made by Gwent Police was £45,728.
- 8) From 1 May 2018 the Chief of Staff's job title changed to that of Chief Executive.

Note 30 - Termination Benefits

A Schedule of exit packages agreed as at 31st March 2020 is shown in the table below with comparative figures for the previous year.

| Exit package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|--------------------------------------|-----------|--------------------------------------|----------|---|-----------|---|----------------|
| | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
| £0 - £20,000 | 5 | 5 | 0 | 0 | 5 | 5 | 74,526 | 86,792 |
| £20,001 - £40,000 | 1 | 10 | 1 | 0 | 2 | 10 | 75,669 | 244,132 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 6 | 15 | 1 | 0 | 7 | 15 | 150,195 | 330,924 |

All exit packages were agreed and paid to 31st March 2020

In addition to the above there are pension strain costs totalling £324,390 (2018/19: £142,286)

Note 31 - External Audit Costs

The PCC Group has incurred the following costs in relation to the audit of the Statement of Accounts. The costs are jointly incurred by the PCC and the Chief Constable. Additional fees of £7,822 have been charged by the Wales Audit Office to complete the external audit of the 2018-19 accounts. The WAO started an audit on the Shared Resource Service (SRS) in 2019-20 but due to the COVID Pandemic this work has not been completed. The cost of the work is estimated at £11,984 and will be paid during the 2020-21 Financial Year. Both charges are additional to the fees shown in the table below.

| 2018/19 | | 2019/20 |
|----------------|--|----------------|
| £000 | | £000 |
| 83 | Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year | 83 |
| 83 | Total | 83 |

Note 32 - Grant Income

The following grants were credited to the Cost of Services in the CIES in 2019/20.

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

| 31 March 2019 £000 | | 31 March 2020 £000 |
|-----------------------|---------------------------------|-----------------------|
| (21,333) | Revenue Support Grant | (21,828) |
| (40,883) | Police Grant | (41,287) |
| (449) | Capital Grant and Contributions | (459) |
| (62,665) | Total | (63,574) |

Credited to Services

| 31 March 2019 £000 | | 31 March 2020 £000 |
|-----------------------|---|-----------------------|
| (258) | Adverse Childhood Experiences/ Early Action Together | (319) |
| (383) | All Wales Counter Terrorism Unit (CTIU) | (387) |
| (8) | All Wales Extremism & Counter Terrorism Unit | 0 |
| (216) | All Wales Firearms CTSFO | (286) |
| (151) | All Wales Regional Intelligence Unit (RIU) | (136) |
| (53) | All Wales Regional Organised Crime Unit - Cyber | (61) |
| 0 | All Wales Regional Organised Crime Unit - STU | (66) |
| 0 | All Wales Regional Organised Crime Unit - STU Online | (162) |
| 0 | All Wales Regional Organised Crime Unit - Disruption | (59) |
| 0 | All Wales Regional Organised Crime Unit - County Lines | (55) |
| 0 | All Wales Regional Organised Crime Unit - Dark Web | (58) |
| (111) | All Wales Regional Prison Intelligence | (121) |
| (206) | All Wales Witness Protection | 0 |
| (26) | Counter Terrorism Security Advisors (CTSA) - Ports Policing | (27) |
| (247) | Data Barring Service | (288) |
| 0 | Early Intervention Youth Project | (107) |
| (59) | Fire Crime Unit | (64) |
| 0 | Home Office Pension Grant | (1,325) |
| (224) | IOM Cymru Women's Pathfinder (Diversion - IF) | (191) |
| 2 | Local Resilience Forum | 0 |
| (680) | Ministry of Justice - Victim Services | (679) |
| 0 | Missing Children's Team | (187) |
| (65) | Mobile Data Funding | 0 |
| 0 | National Cyber Crime Build Support | (134) |
| 0 | Operation Uplift | (296) |
| (3,384) | Police Community Support Officers | (3,384) |
| (139) | Police Education Qualification Framework | (150) |
| (566) | Private Finance Initiative (PFI) - Ystrad Mynach | (539) |
| (469) | Safety Camera Enforcement | (576) |
| (245) | Serious Organised Crime | (245) |
| (50) | Trauma Resilience Training | (50) |
| (428) | Welsh Government (WG) - All Wales Schools Liaison (AWSL) | (437) |
| (9) | Welsh Government (WG) - Hate Crime Awareness | 0 |
| (62) | WISDOM Project | 0 |
| (101) | Youth Offending | (116) |
| (8,138) | Total | (10,505) |

Note 33 - Related Parties

IAS 24 requires the PCC Group to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the PCC Group or to be controlled and influenced by the PCC Group. Disclosure of these transactions allows the reader to access the extent to which the PCC Group 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 PCC Group. This disclosure note has been prepared on the basis of specific declarations obtained between April 2019 and March 2020, in respect of related party transactions.

Central Government

Central Government has effective control over the general operations of the PCC Group and it is responsible for providing the statutory framework within which the PCC Group operates, provides the majority of its funding in the form of grants presented in Note 12 – Taxation and Non Specific Grant Income, and prescribes the terms of many of the transactions that the PCC Group has with other parties (e.g. council tax bills). However the PCC has direct control over the PCC Group's financial and operating policies.

Members

The total allowances and expenses paid to Members during the year are shown in Note 28. Transactions with the unitary authorities that members of the Police and Crime Panel represent are detailed in Note 12 of the PCC group Statement of accounts – Taxation and Non Specific Grant Income.

A member of the Joint Audit Committee (JAC) is employed by the Police Mutual Assurance Ltd, which offers financial services products to serving and retired police officers and staff and families. During the 2019/20 financial year, the Police and Crime Commissioner for Gwent paid a total to Police Mutual Assurance Ltd of £716,876.76 (18/19 £691,348). No income was received.

Also, another member of the JAC is an Independent Lay Member of Council (and Court), Cardiff University as well as a Trustee, Cardiff University. During the 2019/20 financial year, the Police and Crime Commissioner for Gwent paid a total to Cardiff University of £36,657 (18/19 £166,460) for Forensic Services. No income was received.

Officers

The Assistant Chief Officer- Resources is the Company Secretary to Gwent Independent Film Trust (GIFT) Ltd. See Note 42 – Gwent Independent Film Trust (GIFT) for additional information. In addition the Assistant Chief Officer- Resources has a long term friendship with the Commercial Manager of BAM Construction Ltd (BAM). Police and Crime Commissioner for Gwent have contractual relationships with BAM in relation to the construction of a new HQ building. During the 2019/20 financial year, the Police and Crime Commissioner for Gwent paid a total to BAM of £2,838,752 (2018/19 - £800,041).

The Chief Finance Officer is the Chief Finance Officer of the Police ICT Company (the Company). The Company is a company limited by guarantee and is wholly owned by Police and Crime Commissioners in England and Wales. It was established to support policing to make the public safer through better ICT, through seeking to act as a bridge between the policing, technological and commercial worlds. During the 2019/20 financial year, the Police and Crime Commissioner for Gwent paid a total to the Company of £93,339 (2018/19: £91,669).

A family member of the Chief Finance Officer is a Senior Finance Business Partner for Newport City Council (NCC). The Police and Crime Commissioner for Gwent have contractual relationships with NCC, in relation to such things as the receipt of precept monies and also co-funded initiatives such as the Missing Children's Hub. During 2019/20, the Police and Crime Commissioner for Gwent received £15,124,686 (2018/19 £13,963,903) income from NCC and, made payments to them of £2,132,724 (2018/19: £2,126,506).

Note 34 - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the PCC Group, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the PCC Group that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing

| 31 March 2019 | | 31 March 2020 |
|----------------|--|-----------------|
| £000 | | £000 |
| 4,689 | Opening Capital Financing Requirement | 4,514 |
| | Capital Investment: | |
| 6,699 | Property Plant and Equipment | 5,296 |
| 203 | Intangible Assets | 246 |
| (175) | Other Capital Expenditure | (3) |
| 6,727 | Total Capital Spending | 5,539 |
| | Sources of Finance: | |
| 0 | Capital receipts | 0 |
| (449) | Government Grants and other contributions | (459) |
| | Sums set aside from revenue: | |
| (6,453) | - Direct revenue contributions | (9,594) |
| 0 | - Minimum revenue provision | 0 |
| (6,902) | Total Sources of Finance | (10,053) |
| 4,514 | Closing Capital Financing Requirement | 0 |

Explanation of movements in year

| 31 March 2019 | | 31 March 2020 |
|---------------|---|---------------|
| £000 | | £000 |
| (175) | Other movements | 0 |
| (175) | Increase/(decrease) in Capital Financing Requirement | 0 |

Note 35 - Leases PCC

PCC and PCC Group as Lessee

Finance Leases

The PCC Group does not participate in any finance lease arrangements except the Private Finance Initiative (PFI) contract with respect to Ystrad Mynach Police Station and Custody Unit; however, this arrangement ended during this financial period as detailed in Note 36 of the PCC group Statement of accounts – PFI.

Operating Leases

The PCC Group utilises various properties under operating leases – some of which have break out clauses, some leases have expired and are in a period of ‘holding over’ whilst new leases are negotiated or alternative arrangements sought. None of the properties utilised under operating leases are sub-let.

The expenditure charged to Premises costs line in the CIES during the year in relation to the property leases was £625,630.74 inclusive of service charges (2018/19: £577,746.43).

The PCC Group also utilises Multi-Functional Devices (“MFD” - combined photocopier, printer and scanners) through operating leases. The PCC Group has a contract with Konica Minolta. Expenditure on these leases (excluding copy charges) during the year was £40,186 (2018/19: £32,031).

The tables below show the future current minimum lease payments for both premises and MFDs.

| Premises Leases | Restated | |
|--|--------------|--------------|
| | 2018/19 | 2019/20 |
| | £000 | £000 |
| Not later than 1 year | 313 | 325 |
| Later than 1 year but not later than 5 years | 1,058 | 770 |
| Later than 5 years | 228 | 208 |
| Total | 1,599 | 1,303 |

MFD Leases

| | 2018/19 | 2019/20 |
|--|-----------|-----------|
| | £000 | £000 |
| Not later than 1 year | 37 | 37 |
| Later than 1 year but not later than 5 years | 52 | 19 |
| Later than 5 years | 0 | 0 |
| Total | 89 | 56 |

PCC and PCC Group as Lessor

The PCC received rental income during the year with respect to the following premises:

- Bargoed Police Station - £2,166.66 (2018/19: £2,000), from Blaenau Gwent CBC

The lease agreement with respect to Bargoed Police Station will not end until June 2024 at the earliest.

- Pontypool Police Station - £52,743 (2018/19: £52,743), from Torfaen CBC

The lease agreement with respect to Pontypool Police Station will not end before August 2021.

The PCC also received rental income from the Radio Mast sites of £10,668.24

The table below shows the future current minimum rental income from premises.

| Premises Rental Income | 2018/19 | 2019/20 |
|--|------------|-----------|
| | £000 | £000 |
| Not later than 1 year | 66 | 35 |
| Later than 1 year but not later than 5 years | 73 | 50 |
| Later than 5 years | 11 | 0 |
| Total | 150 | 85 |

Note 36 - Private Finance Initiatives (PFI) and Similar Contracts

In 2005/06 the PCC Group entered into a long-term contract under the PFI, whereby the contractor was responsible for the design, construction, finance and maintenance of a 31-cell custody unit and Police station at Ystrad Mynach. The agreement imposed a 30-year occupation/use of the facility on the PCC Group from the time it became operational during 2005/06.

The accounting treatment of the PFI contract was deemed to be on Balance Sheet, this is in a manner consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the Government's Financial Reporting Manual.

PFI Exit

A tender process was undertaken for the financial advice to progress the evaluation and conclusion of the PFI provision. An evaluation determined that it was value for money to undertake a voluntary termination of the agreement and the financial adviser has managed the process to contract completion during the 2019/20 financial year. A voluntary termination proposal, which was approved by the Office of the PCC, was sent to Welsh Government for approval at the end of June 2019 and subsequently approved. As a result the PFI contract was terminated on 31st January 2020, therefore there are no further liabilities and payments after this date. The earmarked reserve held to fund the future liabilities has been utilised to fund the contract termination and the PCC Group agreed that any balance will be transferred to another reserve to fund future long term projects.

The assets and liabilities associated with the previous PFI site in the PCC Group's Balance Sheet are shown in the table below.

| 31 March 2019 | | 31 March 2020 |
|----------------------|---|----------------------|
| £000 | | £000 |
| 5,474 | Non-current assets net book value (NBV) | 5,399 |
| 170 | Lifecycle assets net book value (NBV) | 139 |
| (4,511) | Finance Lease Liability | 0 |
| 1,133 | Total | 5,538 |

The expenditure in the CIES that relates to the PFI is as shown in the table below.

| 2018/19 | | 2019/20 |
|----------------|-----------------------------------|----------------|
| £000 | | £000 |
| 308 | Service element of unitary charge | 263 |
| 158 | Depreciation charge liability | 160 |
| 382 | Finance cost | 307 |
| 101 | Contingent rent | 72 |
| 949 | Total | 802 |

The amount included against the Police Fund in respect of the Unitary Charge Payments on the PFI asset deemed to be on Balance Sheet was £818,685.40.

The PCC Group received funding from the Welsh Government, via specific grant payments (2019/20 £538,535.00), to meet the costs of the unitary charge payments. However, the scheduling of the funding is such that it differs annually, during the period of the PFI contract, from that applying to the payments to the contractor. Whilst the unitary charge payments increase annually over the period of the contract, the Welsh Government funding reduces annually over the same period.

The future payment position is as follows:

| 2018/19 | | 2019/20 |
|----------------|--------------------------|----------------|
| £000 | | £000 |
| 995 | Within 1 year | 0 |
| 4,234 | Years 2 to 5 inclusive | 0 |
| 5,916 | Years 6 to 10 inclusive | 0 |
| 6,694 | Years 11 to 15 inclusive | 0 |
| 2,918 | Years 16 to 20 inclusive | 0 |
| 0 | Year 21 onwards | 0 |
| 20,757 | Total | 0 |

Note 37 – Collaboration

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, they 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 Digital Services Division is included in the 2019/20 table and in the 2018/19 table. A summary of the cost of the various collaborative services attributable to the PCC Group is shown in the following table.

2019/20

| SHARE OF SERVICE COLLABORATION | Counter Terrorism Intelligence Unit (CTIU) | Counter Terrorism Specialist Advisors (CTSA) | Counter Terrorism Port / Dedicated Security (DSP) | Regional Organised Crime Unit (ROCU) | Regional Task Force (RTF) | Digital Services Division | Joint Legal Services (JLS) | Scientific Investigation Unit (JSIU) | Joint Firearms Unit (JFU / CTSFO) | Total |
|----------------------------------|--|--|---|--------------------------------------|---------------------------|---------------------------|----------------------------|--------------------------------------|-----------------------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross Expenditure | | | | | | | | | | |
| South Wales Police | 5,032 | 237 | 1,058 | 4,137 | 1,165 | 3,237 | 851 | 4,126 | 6,138 | 25,981 |
| Dyfed Powys Police | 1,959 | 92 | 412 | 1,610 | 441 | 0 | 0 | 0 | 4,235 | 8,749 |
| Gwent Police | 2,235 | 105 | 470 | 1,838 | 563 | 1,743 | 426 | 1,890 | 3,248 | 12,518 |
| North Wales Police | 2,640 | 125 | 2,313 | 0 | 0 | 0 | 0 | 0 | 0 | 5,078 |
| Total | 11,866 | 559 | 4,253 | 7,585 | 2,169 | 4,980 | 1,277 | 6,016 | 13,621 | 52,326 |
| Total Income & Grants | | | | | | | | | | |
| South Wales Police | (5,032) | (237) | (1,058) | (2,485) | (12) | (0) | (4) | (5) | (616) | (9,449) |
| Dyfed Powys Police | (1,959) | (92) | (412) | (967) | (4) | 0 | 0 | 0 | (425) | (3,859) |
| Gwent Police | (2,235) | (105) | (470) | (1,104) | (6) | (0) | (2) | (2) | (326) | (4,250) |
| North Wales Police | (2,640) | (125) | (2,313) | 0 | 0 | 0 | 0 | 0 | 0 | (5,078) |
| Total | (11,866) | (559) | (4,253) | (4,556) | (22) | (0) | (6) | (7) | (1,367) | (22,636) |

As a result of the requirement of IFRS11, gross expenditure in the CIES has been increased by £2.251m and gross income has been increased by £2.449m: a net decrease in expenditure of £0.198m (2018/19: £0.040m decrease in expenditure). This net decrease has been reversed in the Movement in Reserves Statement with no impact on the Police Fund.

In 2018/19 an All Wales Collaboration Team was established on a short term basis to coordinate existing activities and identify new opportunities for collaboration across the four Forces in Wales. The team is led by a Deputy Chief Constable and is funded based on agreed contributions from each Force in Wales. The total costs of the team in 2019/20 were £0.282m (2018/19 - £0.4m) and Gwent Police's contribution to these costs was £0.165m in 2019/20 (2018/19 - £0.092m)

2018/19

| SHARE OF SERVICE COLLABORATION 2018/19 | Counter Terrorism Intelligence Unit (CTIU) | Counter Terrorism Specialist Advisors (CTSA) | Counter Terrorism Port / Dedicated Security (DSP) | Regional Organised Crime Unit (ROCU) | Regional Task Force (RTF) | Digital Services Division | Joint Legal Services (JLS) | Scientific Investigation Unit (JSIU) | Joint Firearms Unit (JFU / CTSFO) | Total |
|--|--|--|---|--------------------------------------|---------------------------|---------------------------|----------------------------|--------------------------------------|-----------------------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross Expenditure | | | | | | | | | | |
| South Wales Police | 3,893 | 201 | 1,049 | 3,920 | 1,232 | 2,753 | 861 | 4,021 | 5,919 | 23,849 |
| Dyfed Powys Police | 1,519 | 78 | 409 | 1,529 | 467 | 0 | 0 | 0 | 4,084 | 8,086 |
| Gwent Police | 1,727 | 89 | 465 | 1,739 | 596 | 1,483 | 430 | 1,842 | 3,133 | 11,504 |
| North Wales Police | 2,046 | 106 | 2,262 | 0 | 0 | 0 | 0 | 0 | 0 | 4,414 |
| Total | 9,185 | 474 | 4,185 | 7,188 | 2,295 | 4,236 | 1,291 | 5,863 | 13,136 | 47,853 |
| Total Income & Grants | | | | | | | | | | |
| South Wales Police | (3,893) | (201) | (1,049) | (2,890) | (11) | 1 | 0 | (8) | (636) | (8,686) |
| Dyfed Powys Police | (1,519) | (78) | (409) | (1,127) | (4) | 0 | 0 | 0 | (439) | (3,576) |
| Gwent Police | (1,727) | (89) | (465) | (1,282) | (6) | 1 | 0 | (3) | (337) | (3,908) |
| North Wales Police | (2,046) | (106) | (2,262) | 0 | 0 | 0 | 0 | 0 | 0 | (4,414) |
| Total | (9,185) | (474) | (4,185) | (5,299) | (21) | 2 | 0 | (11) | (1,412) | (20,584) |

Collaborative Working - Shared Resource Service Centre – Update

The Gwent Police Authority entered into a public sector collaborative arrangement, known as the Shared Resource Service (SRS), with Torfaen County Borough Council (TCBC) and Monmouthshire County Council (MCC) in May 2011. The arrangement has resulted in a Shared Resources Centre being set up for the purpose of providing IT services to each member authority. The Police and Crime Commissioner and Chief Constable continued with this arrangement on their creation in 2012. During 2018/19, Newport City Council (NCC) and Blaenau Gwent County Council (BGCC) joined the collaborative working arrangement.

A memorandum of understanding is in place to provide robust governance arrangements. The arrangement is not a separate legal entity and ownership of the SRS premises reside with TCBC. In 2019/20 expenditure incurred was fully covered by the contributions from the partners.

Note 38 - Defined Benefit Pension Scheme

McCloud/Sargeant Judgement

The Chief Constable of Gwent along with other Chief Constables and the Home Office currently has 148 claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. These claims against the Police Pension Scheme (the Aarons case) had previously stayed behind the McCloud/Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March 2020.

The Police Minister has indicated that remedy period will not end before 2022. The Treasury are consulting on proposals to implement remedy in the coming months to be followed by primary legislation and scheme regulation.

Impact on Pension Liability

Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries have estimated the potential increase in scheme liabilities for Gwent Police to be approximately 4.4% or £62.860m of pension scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. In 2019/20, scheme actuaries have reviewed these assumptions at a force level and have estimated a decrease of £185m in Police Pension Scheme liabilities. This decrease reflects a change in assumptions and therefore represents a gain on remeasurement and reported in the Comprehensive Income and Expenditure Statement (CIES).

The impact of an increase in scheme liabilities arising from the McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

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

Compensation Claims

The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants is due in April 2020 and the identity and banding of claims proposed by claimants is due in June 2020 for non-pecuniary claims and September 2020 for pecuniary claims. As at 31st March 2020, it is not possible to estimate the extent or likelihood of these claims being successful and therefore no liability in respect of compensation claims is recognised in these accounts.

Participation in Pension Schemes

As part of the terms and conditions of employment of its Police Officers and Police Staff, the PCC Group makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the PCC Group has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The PCC Group participates in two post-employment schemes:

(i) The Police Pension Scheme for Police Officers - this is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to actual pension payments in the year they eventually fall due.

(ii) Pensions and benefits for Police Staff are provided under the Greater Gwent (Torfaen) Pension Fund (Local Government Pension Scheme). This is a funded scheme, meaning that the PCC Group and employees pay contributions into the fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Transactions relating to Post employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions in the following table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

General Fund Transactions

| 2018/19 | | | | 2019/20 | | | |
|--|--------------|-----------------|----------------|---------------|--------------|-----------------|---------------|
| LGPS for CC | LGPS for PCC | Police Pensions | Total | LGPS for CC | LGPS for PCC | Police Pensions | Total |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Comprehensive Income and Expenditure Statement | | | | | | | |
| Cost of Services | | | | | | | |
| Service cost comprising: | | | | | | | |
| 7,869 | 280 | 24,190 | 32,339 | 9,385 | 361 | 34,460 | 44,206 |
| 828 | 49 | 63,030 | 63,907 | 207 | 0 | (6,530) | (6,323) |
| 102 | 4 | 0 | 106 | 109 | 4 | 0 | 113 |
| Other Operating Expenditure: | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing and Investment Income and Expenditure | | | | | | | |
| 1,676 | 69 | 34,640 | 36,385 | 2,044 | 81 | 36,630 | 38,755 |
| 10,475 | 402 | 121,860 | 132,737 | 11,745 | 446 | 64,560 | 76,751 |
| Total charged to Surplus and Deficit on Provision of Services | | | | | | | |

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
|---------------|------------|----------------|----------------|---|-----------------|--------------|------------------|
| | | | | Re-measurement of the net defined benefit liability comprising: | | | |
| (2,955) | (102) | 0 | (3,057) | Return on plan assets (excluding the amount included in the net interest expense) | 17,086 | 646 | 17,732 |
| 0 | 0 | (3,490) | (3,490) | Actuarial gains and losses - experience | (11,652) | 201 | (69,271) |
| 0 | 0 | 0 | 0 | Actuarial gains and losses arising on changes in demographic assumptions | (9,039) | (360) | (52,829) |
| 14,563 | 659 | 42,660 | 57,882 | Actuarial gains and losses arising on changes in financial assumptions | (13,996) | (876) | (60,092) |
| 0 | 0 | 2 | 2 | Other movements in the liability / (asset) | 0 | 0 | 0 |
| 11,608 | 557 | 39,172 | 51,337 | Total charged to Other Comprehensive Income and Expenditure Statement | (17,601) | (389) | (164,460) |
| 22,083 | 959 | 161,032 | 184,074 | Total charged to the Comprehensive Income and Expenditure Statement | (5,856) | 57 | (87,709) |

Movement in Reserves Statement

| 2018/19 | | | | 2019/20 | | | | |
|-------------|--------------|-----------------|-----------|---|-------------|--------------|-----------------|----------|
| LGPS for CC | LGPS for PCC | Police Pensions | Total | | LGPS for CC | LGPS for PCC | Police Pensions | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| (10,475) | (402) | (121,860) | (132,737) | Reversal of net charges made to the Surplus or Deficit on the Provision of Services | (11,745) | (446) | (64,560) | (76,751) |
| | | | | Actual amount charged against the general fund balance for pensions in the year: | | | | |
| 3,507 | 207 | 30,680 | 34,394 | Employers' contributions payable to scheme | 4,241 | 138 | 33,630 | 38,009 |

| 2018/19 | | | | 2019/20 | | | | |
|-----------------|----------------|--------------------|--------------------|--|-----------------|----------------|--------------------|--------------------|
| LGPS for CC | LGPS for PCC | Police Pensions | Total | | LGPS for CC | LGPS for PCC | Police Pensions | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| (208,159) | (7,739) | (1,491,510) | (1,707,408) | Present value of the defined obligation | (186,537) | (7,165) | (1,375,970) | (1,569,672) |
| 129,700 | 4,486 | 0 | 134,186 | Fair value of plan assets | 118,175 | 3,993 | 0 | 122,168 |
| (78,459) | (3,253) | (1,491,510) | (1,573,222) | Value of Assets / (Liabilities) | (68,362) | (3,172) | (1,375,970) | (1,447,504) |
| 0 | 0 | 0 | 0 | Other movements in the (liability) / asset | 0 | 0 | 0 | 0 |
| (78,459) | (3,253) | (1,491,510) | (1,573,222) | Net (liability) / asset arising from the defined benefit obligation | (68,362) | (3,172) | (1,375,970) | (1,447,504) |

| 2018/19 | | | | Movement in the Value of Scheme Assets | 2019/20 | | | |
|----------------|--------------|-----------------|----------------|--|----------------|--------------|-----------------|----------------|
| LGPS for CC | LGPS for PCC | Police Pensions | Total | | LGPS for CC | LGPS for PCC | Police Pensions | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 121,377 | 4,119 | 0 | 125,496 | Opening fair value of scheme assets | 129,700 | 4,486 | 0 | 134,186 |
| 3,308 | 113 | 0 | 3,421 | Interest income | 3,286 | 109 | 0 | 3,395 |
| | | | | Re-measurement gain / (loss): | | | | |
| 2,955 | 102 | 0 | 3,057 | - The return on plan assets, excluding the amount included in the net interest expense | (17,086) | (646) | 0 | (17,732) |
| 0 | 0 | 0 | 0 | Other gains / (losses) | 0 | 0 | 0 | 0 |
| 3,507 | 207 | 30,680 | 34,394 | Contributions from employer | 4,241 | 138 | 33,630 | 38,009 |
| 1,337 | 54 | 5,990 | 7,381 | Contributions from employees into the scheme | 1,425 | 62 | 6,090 | 7,577 |
| 0 | 0 | 0 | 0 | Transfers in | 0 | 0 | 0 | 0 |
| (2,682) | (105) | (36,670) | (39,457) | Benefits / transfers paid | (3,282) | (152) | (39,720) | (43,154) |
| (102) | (4) | 0 | (106) | Administration expenses | (109) | (4) | 0 | (113) |
| 129,700 | 4,486 | 0 | 134,186 | Closing value of scheme assets | 118,175 | 3,993 | 0 | 122,168 |

The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Greater Gwent Pension Fund include a statement that there is a material valuation uncertainty related to pooled property units managed on behalf of the Greater Gwent Pension Fund. The total value of these property investments fund as at 31st March 2020 is £72m of which, £3.1m (4.3%) is attributable to the PCC Group.

Basis for Estimating Assets and Liabilities

The expected return on assets are no longer required for IAS19 as the discount rate (2.3% Local Gov and 2.25% Police) is now used by the Actuary to calculate the projected costs for next year and set the expected return on assets.

The approximate split of assets for the Fund as a whole (based on data provided by the Actuary) is shown below.

Asset Allocations:

| | Local Government (Group) | | | |
|----------------------------------|---------------------------------|----------------------|-------------------------|----------------------|
| | 2018/19 £000 | 2018/19 % | 2019/20 £000 | 2019/20 % |
| Asset Allocations | | | | |
| Equity Securities | 19,888 | 14.8% | 18,128 | 14.0% |
| Investment Funds and Unit Trusts | 110,005 | 81.8% | 100,265 | 82.0% |
| Real Estate | 3,384 | 2.5% | 3,084 | 3.0% |
| Cash and Cash Equivalents | 1,182 | 0.9% | 1,077 | 1.0% |
| Total | 134,459 | 100% | 122,554 | 100% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably 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 in the previous period.

Assumptions:

| | Police Pension | | Local Government (Group) | |
|--|--------------------------|--------------------------|-------------------------------------|--------------------------|
| | 2018/19 Years | 2019/20 Years | 2018/19 Years | 2019/20 Years |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners: | | | | |
| Men | 22.70 | 21.90 | 21.50 | 20.60 |
| Women | 24.30 | 23.60 | 23.90 | 22.90 |
| Longevity at 65 for future pensioners: | | | | |
| Men | 24.60 | 23.60 | 23.60 | 21.60 |
| Women | 26.20 | 25.20 | 26.10 | 24.60 |

| | Police Pension | | Local Government (Group) | |
|---|---------------------------|---------------------------|-------------------------------------|---------------------------|
| | 2018/19 % p.a. | 2019/20 % p.a. | 2018/19 % p.a. | 2019/20 % p.a. |
| Rate of increase in salaries (Long term) | 4.35% | 4.00% | 2.80% | 2.20% |
| Rate of increase in salaries (Short term) | 1.00% | 0.00% | 0.00% | 0.00% |
| Rate of increase in pensions | 2.35% | 2.00% | 2.40% | 1.90% |
| Rate for discounting scheme liabilities | 2.45% | 2.25% | 2.50% | 2.30% |
| Rate of CARE revaluation | 3.60% | 3.25% | 0.00% | 0.00% |

Change in Assumptions:

| | Police Pension | | Local Government | |
|--|---|-----------|--|-----------------------------|
| | Approximate increase/(decrease) in assumption | | Approximate % increase to Employer Liability | Approximate monetary amount |
| | % | £000 | Chief Constable % | Chief Constable £000 |
| 0.5% increase in the Real Discount Rate | -10.0% | (136,000) | | |
| 0.5% decrease in the Real Discount Rate | | | 12.0% | 22,684 |
| 1 year increase in member life expectancy | 3.0% | 40,000 | | |
| 0.5% increase in the Salary Increase Rate | 1.0% | 15,000 | 2.0% | 3,206 |
| 0.5% increase in the Pension Increase Rate | 8.0% | 109,000 | 10.0% | 19,217 |

Following Triennial Valuation, the proposed Contribution Rates for the next 3 years are as follow:

Proposed Certified Rates for the Year Ending

| | |
|---------------|-------|
| 31 March 2021 | 17.3% |
| 31 March 2022 | 17.3% |
| 31 March 2023 | 17.3% |

Note 39 - Contingent Assets and Liabilities

The PCC Group does not have any contingent assets or contingent liabilities.

Note 40 - Nature and Extent of Risks Arising from Financial Instruments

The PCC Group's activities expose it to a variety of financial risks, the key risks are:

- (i) Credit risk: The possibility that other parties might fail to pay amounts due to the PCC Group;
- (ii) Liquidity risk: The possibility that the PCC Group might not have funds available to meet its commitments to make payments;
- (iii) Re-financing risk: The possibility that the PCC Group might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- (iv) Market risk - the possibility that financial loss might arise for the PCC Group as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The PCC Group's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework outlined in the Local Government Act 2003 and the associated regulations. These require the PCC to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the PCC Group to manage risk in the following ways:

- (i) By formally adopting the requirements of the Code of Practice;
- (ii) By approving annually in advance prudential indicators for the following three years limiting:
 - The PCC Group's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum for exposures to the maturity structure of its debt; and
 - Its maximum annual exposures to investments maturing beyond a year.
- (iii) By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Welsh Government Guidance;

These are required to be reported and approved at or before the PCC Group's annual budget setting meeting before the start of the year to which they relate. These items are reported in the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the PCC Group's financial instrument exposure. Actual performance is also reported twice yearly to Members of the Joint Audit Committee (JAC).

These policies are implemented by a central treasury team. The PCC Group maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed annually.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services. The Annual Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Group's maximum exposure to credit risk. The table gives details of global corporate finance 5 year average cumulative default rates (including financial organisations) on investments out for up to 1 year.

Exposure to Credit Risk

| | Amount at 31 March 2020 £000 | Historical experience of default % | Adjustment for market conditions at 31 March 2020 % | Estimated maximum exposure to default £000 |
|--|---------------------------------------|---|--|--|
| Deposits with Banks and Financial Institutions | 0 | 0.920% | 0.920% | 0 |
| Money Market Funds | 3,502 | 0.000% | 0.000% | 0 |
| Local Authorities | 38,121 | 0.000% | 0.000% | 0 |
| Debt Management Office | 0 | 0.000% | 0.000% | 0 |
| Trade Debtors | 742 | 0.075% | 0.075% | 0 |
| Total | 42,365 | | | 0 |

Whilst the recent credit crisis in international markets has raised the overall possibility of default, the PCC Group maintains strict credit criteria for investment counterparties.

Outstanding Debts

The PCC Group does not generally allow credit for its trade debtors, however aged debtors has decreased from 2019. The recoverability of this debt is not considered a risk as the majority of the trade debt is with other public sector counter parties. As at 31st March 2020 £0.156m of the £0.742m balance is past its due date for payment. The amounts can be analysed by age as follows:

| | 31 March 2019 £000 | 31 March 2020 £000 |
|----------------|--------------------------|--------------------------|
| > 12 Months | 36 | 39 |
| 9 to 12 Months | 0 | 0 |
| 6 to 9 Months | 5 | 0 |
| 3 to 6 Months | 12 | 16 |
| 2 to 3 Months | 35 | 101 |
| 1 Month | 841 | 586 |
| Total | 929 | 742 |

Liquidity Risk

The PCC Group manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The PCC Group has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and currently does not have any need to access longer term funding from the PWLB. The PCC Group is also required to provide a balanced budget through the Local Government Finance Act 2012, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The PCC Group maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the PCC Group relates to managing the exposure of replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments deposited for more than one year in duration are the key parameters used to address this risk. The PCC Group approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- (i) Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- (ii) Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the PCC Group's day to day cash flow needs.

The PCC Group has £nil (2019: £nil) financial liabilities with a maturity of greater than one year except for finance leases which are disclosed in Note 16.

All trade and other payables are due to be paid in less than one year. In addition all Financial Assets are due to be repaid in less than one year. For further disclosure see Note 16 – Financial Instruments.

Market Risk

Market risk is sub-divided into interest rate, price and foreign exchange risk.

Interest Rate Risk

The PCC Group has minimal exposure to risk in terms of its exposure to interest rate movements on its borrowings and investments. Investments of £38m are at fixed rates. If interest rates were to rise, the fair value of these will remain the same as they are all for less than one year in duration. A further £3.5m is deposited in Money Market Funds which are subject to variable interest rates or yields however the size, diversification and structure of the fund's assets mitigate risk.

Price Risk

The PCC Group is not exposed to any risks associated with a change in price of investments such as equity shares.

Foreign Exchange Risk

The PCC Group has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 41 - Intra Group Adjustments

The table below shows the movement through the Intra Group adjustment account within the PCC and Chief Constable's Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet during the year. Intra Group adjustments are required in CIES as the Chief Constable cannot hold any reserves and therefore any surplus or deficit on the provision of services and any actuarial gains or losses on pension assets and liabilities must be transferred to the PCC. Short Term creditors and Inventories (stocks) are recognised in the Chief Constable's Balance Sheet. However, because the Chief Constable cannot hold reserves, and therefore must have a Balance Sheet with a nil net worth, an intra-group adjustment is required to ensure that both net assets and reserves both balance to nil.

CIES Intragroup Adjustments

| PCC | Chief Constable | PCC Group | | PCC | Chief Constable | PCC Group |
|----------------|-----------------|----------------|--|------------------|-----------------|------------------|
| 2018/19 | 2018/19 | 2018/19 | | 2019/20 | 2019/20 | 2019/20 |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| (8,641) | 210,749 | 202,108 | Net Cost of Services | (9,009) | 159,805 | 150,796 |
| 109 | 36,316 | 36,425 | Financing, Investment Income and Expenditure | 1,359 | 38,674 | 40,033 |
| (17,587) | 1,412 | (16,175) | Other Operating Expenditure | (19,148) | 0 | (19,148) |
| 248,477 | (248,477) | 0 | Intra-group Adjustment | 198,479 | (198,479) | 0 |
| 222,358 | 0 | 222,358 | Total | 171,681 | 0 | 171,681 |
| 557 | 50,780 | 51,337 | Actuarial (gains)/ losses on pension assets/ liabilities | (389) | (164,071) | (164,460) |
| 50,780 | (50,780) | 0 | Intra-group Adjustment | (164,071) | 164,071 | 0 |
| 51,337 | 0 | 51,337 | Total | (164,460) | 0 | (164,460) |

Balance Sheet Adjustments

| PCC | Chief Constable | PCC Group | | PCC | Chief Constable | PCC Group |
|-----------------|-----------------|-----------------|------------------------|-----------------|-----------------|-----------------|
| 2018/19 | 2018/19 | 2018/19 | | 2019/20 | 2019/20 | 2019/20 |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 0 | 560 | 560 | Inventories | 0 | 474 | 474 |
| (1,379) | (13,219) | (14,599) | Creditors | (868) | (12,896) | (13,764) |
| (12,659) | 12,659 | 0 | Intra-group Adjustment | (12,422) | 12,422 | 0 |
| (14,039) | 0 | (14,039) | Total | (13,290) | 0 | (13,290) |

Note 42 - Gwent Independent Film Trust (GIFT)

The Chief Constable is a subscriber to the Memorandum & Articles of Association of GIFT (Gwent) a Company Ltd by Guarantee (Company Registration Number 7327539) and a registered charity (Charity Registration Number 1141278).

The Objects of the Charity are to promote the advancement of the education of the public in matters of anti-social behaviour, road, personal and community safety with a view to reducing the numbers and seriousness of road accidents and incidents of crime.

At 31st March 2020 GIFT (Gwent) had two Trustees. Nigel Stephens, Assistant Chief Officer Resources, who is a Chief Constable member of staff, acting as Trustee/Director and a second Trustee, Rhodri Williams who is acting as the independent chair.

The liability of Members is limited to £1, being the amount that each Member undertakes to contribute to the assets of the Charity in the event of it being wound up. If the Charity is dissolved, the assets (if any) remaining after provision has been made for all its liabilities must be applied in one or more of the following ways:

- (i) By transfer to one or more other bodies established for exclusively charitable purposes within, the same as or similar to the Objects;
- (ii) Directly for the Objects or charitable purposes within or similar to the Objects; or
- (iii) In such other manner consistent with charitable status as the Commission approves in writing in advance.

The structure means that GIFT (Gwent) is now a subsidiary of the Chief Constable for Gwent and PCC Group. However no assets or liabilities of the Charity are reflected in the Balance Sheet of the Chief Constable and PCC Group on the grounds of materiality.

The annual report and the audited financial statements for the year ended 31st July 2019 disclosed net current assets of £25,811 and retained a profit for the year of £125.

Glossary

| Term | Definition |
|---|---|
| 2019/20 | This refers to the period covered by these accounts – 1 st April 2019 to 31 st March 2020 |
| 2018/19 | This refers to the prior year financial period for comparative purposes – 1 st April 2018 to 31 st March 2019 |
| Accounting Policies | These are a set of rules and codes of practice the PCC uses when preparing the accounts. |
| Accruals | The accounting treatment, where income and expenditure is recorded when it is earned or incurred not when the money is received or paid. |
| 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"> • Events have not coincided with the actuarial assumptions made in the last valuation; or • The actuarial assumptions have changed. |
| Amortisation | This is the measure of the wearing out, consumption or other reduction in the useful life of Intangible assets. |
| Balance Sheet | This shows the value of the assets and liabilities recognised by the PCC. The net assets of the PCC (assets less liabilities) are matched by the reserves held by the PCC. |
| Capital Adjustment Account | An account which accumulates (on the debit side) the write-down of the historic cost of fixed assets as they are consumed by depreciation and impairments, or written off on disposal, and (on the credit side) the resources that have been set aside to finance capital expenditure. |
| Capital Expenditure | Expenditure on the acquisition and construction of assets or expenditure which adds to the value of an existing asset, which have a long-term value to the PCC e.g. land and buildings. |
| Capital Receipts | Income from the sale of fixed assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets financed from loans. Usable capital receipts are those capital receipts which are not set aside for specific purposes but are available to be used for any capital purchases. |
| Carrying Value | The carrying value of an asset or a liability recorded 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. |
| Comprehensive Income and Expenditure Statement (CIES) | This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. |
| 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 or Assets | These are the amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which a provision has not been made in the PCC's accounts. |
| Creditors | Individuals or organisations to which the PCC owes money at the end of the financial year split short-term (within 12 months) and long-term. |
| Current Assets | Current assets are items that can be readily converted into cash. By convention the items are ordered by reference to the ease that such conversion into cash can be carried out. |
| Current Liabilities | Current liabilities are items that are due immediately or in the short – term. |
| Current Service Cost (pensions) | An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year. |
| 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). |

| Term | Definition |
|-------------------------------|--|
| Debtors | Individuals or organisations that owe the PCC money at the end of the financial year split short-term (within 12 months) and long-term. Note all Trade Debtors are recorded in the PCC Group Balance Sheet. |
| 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. |
| Depreciation | This is the measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment. |
| 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 fixed 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. |
| Fixed Assets | These are items such as land, buildings, vehicles and major items of equipment, which give benefit to the PCC over more than one year. Note all Fixed Assets are held by the PCC. |
| FRS | Financial Reporting Standards, as agreed by the UK and International accountancy profession and the Accounting Standards Board. These include Statements of Standard Accounting Practice (SSAPs) and International Financial Reporting Standards (IFRS). |
| General Fund | This is the main revenue fund of the PCC Group and includes the net cost of all services financed by local taxpayers and Government grants. All Reserves including the General Fund are held by the PCC. |
| Group | The term refers to the merger of Office of the Police and Crime Commissioner and the Chief Constable. |
| Impairment | A reduction in the value of a fixed asset, below its carrying amount in the balance sheet. Factors include evidence of obsolescence or physical damage to the asset. |
| Intangible Assets | These are assets that do not have physical substance but are identifiable and controlled by the PCC. Examples include software, licenses and patents. Note all Intangible Assets are held by the PCC. |
| 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. |
| Inventories | Amounts of unused or unconsumed stocks held in expectation of future use at the Balance Sheet date. |
| Leasing Costs | This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases. |
| Materiality | An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view. |
| Minimum Revenue Provision | The prudent amount that the PCC is statutorily required to set aside from revenue funds to meet the repayment of borrowing undertaken to support capital investment. Note that this provision is made by the PCC. |
| Movement in Reserve Statement | This financial statement presents the movement in usable and unusable reserves. |
| Net Book Value (NBV) | The amount at which fixed assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation. |

| Term | Definition |
|----------------------------------|---|
| Net Realisable Value (NRV) | The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset. |
| Operating Lease | An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership. |
| Past Service Cost | For a defined benefit scheme these arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years. |
| PCC | The abbreviation for the Police and Crime Commissioner. The PCC is a separate corporation sole which was established on the 22 nd November 2012 under the Police and Social Responsibility Act 2011. Also referred to as the Office of the Police and Crime Commissioner. |
| Private Finance Initiative (PFI) | A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. |
| Precept | The amount levied and collected by the five Gwent Authorities (Newport, Caerphilly, Blaenau Gwent, Monmouthshire and Torfaen) and paid over to the PCC. |
| Provisions | The PCC may set aside amounts as provisions to meet liabilities or losses that are likely to arise in the future. Any provisions made are recorded in the PCC Group Statement of Accounts. |
| Public Works Loan Board (PWLB) | This is the Public Works Loan Board, which is an organisation financed by the Government. It lends money to police authorities on set terms so that they can buy capital items. |
| Related Parties | Central Government, Local Authorities (precepting), subsidiary and associated companies. Elected members, senior officers from Director and above and the Pension Funds. For individuals identified as related parties: members of the close family, or the same household; and partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest. |
| Reserves | Balances that represent resources set aside for purposes such as general contingencies and cash flow management. Earmarked reserves are those set aside for specific policy purposes. The Movement in Reserve Statement shows the movement in the year on the reserves held by the PCC. Note the Chief Constable does not hold Reserves. These come under the control of the PCC. |
| Revaluation Reserve | An amount representing the accumulated gains on the fixed assets held by the PCC arising from increases in value, as a result of inflation and other factors, to the extent that these gains have not been consumed by subsequent downward movements in value. Note that all Reserves are owned by the PCC. |
| 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 the PCC Group 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 Police and Crime Commissioners) and fixed each year in relation to spending levels. |
| Senior Employee | An employee whose salary is more than £150,000 per year, or one whose salary is at least £60,000 per year (calculated pro rata for a part-time employee) and who is the designated head of paid service and a statutory chief officer. Typically, the Commissioner's Chief Executive, Chief of Staff and statutory Chief Officers. |
| The Code | The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003. |