

POLICE AND CRIME COMMISSIONER FOR  
GWENT GROUP  
**STATEMENT OF ACCOUNTS**  
2016/17



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

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This document is available in other languages and formats on request.

## 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.

### Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 (PRSRA) abolished the Gwent Police Authority at midnight on the 21<sup>st</sup> November 2012 and replaced it with a directly elected Police and Crime Commissioner.

The first Commissioner's election took place on the 15<sup>th</sup> November 2012, with the people of Gwent electing Ian Johnston to oversee policing and crime matters in their area. The first term of office ended on the 11<sup>th</sup> May 2016 and following elections held on the 5<sup>th</sup> May 2016, Jeff Cuthbert was duly elected as Gwent's second Police and Crime Commissioner. The newly elected Commissioner commenced his role on the 12<sup>th</sup> May 2016.

The Commissioner is responsible for representing the people of Gwent and making sure the service provided by the Police is efficient and effective. This is done by:

- Holding the Chief Constable to account for the delivery of local policing;
- Setting and updating a police and crime plan;
- Setting the force budget and precept;
- Regularly engaging with the public and communities; and
- Appointing, and where necessary dismissing, the Chief Constable.

The Commissioner is scrutinised by the Police and Crime Panel in order to promote openness and transparency in the transaction of police and crime business. The Panel also supports the Commissioner in the effective exercise of his functions. The Panel comprises twelve elected members (representing each of the five Local Authorities in Gwent) and two independent members. Caerphilly County Borough Council provides administration and support to the Panel.

The Chief Constable is responsible for maintaining the Queen's Peace and the enforcement of the law, through the direction and control over the Force's officers and staff. The Chief Constable is accountable to the Commissioner for the delivery of efficient and effective policing and the management of resources and expenditure by the Force. The Commissioner effectively commissions the police service from the Chief Constable.

Each Commissioner and their Chief Constable is established in law as a 'corporation sole' under the PRSRA. Each is therefore a separate legal entity with their own legal personality. As such, both are enabled by law to employ staff and hold funds in their official capacity. The term corporation sole is often used in respect of public office that has a separate and continuing legal existence and only one member – the sole office holder. Any contract made with a corporation sole continues from one officeholder to their successor or, if made during a vacancy in office, to the appointee.

### Statement of Accounts

These are the fifth set of statutory accounts prepared under the new governance arrangements introduced by the PRSRA. 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 (PCC Group); on the basis that the Chief Constable is a wholly owned subsidiary of the Commissioner. The Commissioner is therefore responsible for the finances of the PCC Group and controls the Assets, Liabilities and Reserves. The Commissioner also receives all the income and funding and makes all the payments for the PCC Group, including payments to employees, 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 his functions under the PRSRA with an annual devolved budget, set by the Commissioner in consultation with the Chief Constable.

The PRSRA allows the Commissioner, in consultation with the Chief Constable, flexibility to determine the local working relationship and the extent to which control over assets, expenditure and decision making is devolved to the Chief Constable. The local working relationships are defined in the Manual of Corporate Governance (the Manual), which is the key document in the governance framework between the Commissioner and the Chief Constable. The Manual works in conjunction with (and is consistent with) all other legal requirements on the Commissioner and the Chief Constable, such as the Policing Protocol; the Financial Management Code of Practice (FMCOP), the Strategic Policing Requirement and the Commissioner's Financial Procedures.

### Statutory Framework for the Statement of Accounts

The Accounts and Audit (Wales) Regulations 2014, require Local Government bodies to prepare a Statement of Accounts in accordance with proper practices. The 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 under the Wales Audit Office regime. 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 Commissioner Group and single entity Commissioner Statement of Accounts for the financial year ended 31<sup>st</sup> March 2017, which is in accordance with the Code in the United Kingdom 2016/17, 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 present fairly the financial position of the Commissioner and Group;
- **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 statement by the Commissioner, describing how the system of internal control has ensured that his 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 generally accepted accounting practice, rather than the amount funded from taxation. The Commissioner raises taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement;
  - **Movement in Reserves Statement** – This shows the movement in the year on the different types of reserves held by the Commissioner and reconciles the cost of providing services reported in the Comprehensive Income and Expenditure Statement (CIES) with the cost of services to be funded by taxation;
  - **Balance Sheet** – This shows the value of the assets and liabilities (net worth) of the Commissioner as at 31<sup>st</sup> March 2017;
  - **Cash Flow Statement** – This summarises, the changes in cash and cash equivalents during the reporting period. 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 Accounts** – These provide further analysis and explanations to the entries in the 'core' financial statements. Included within the notes to the Financial Accounts is the Expenditure and Funding Analysis (pages 49 and 50). This shows how annual expenditure is used, funded and allocated for decision making purposes between the PCC group, Chief Constable and associated services/departments.

A CIES and Balance Sheet for the Chief Constable have been prepared to reflect the day to day direction and control that the Chief Constable exercises over Police Officers, Police Staff and Police Community Support Officers, along with the running costs required to deliver a policing service. The figures in the CIES represent the resources consumed at the request of the Chief Constable to undertake day to day policing, and the funding of this expenditure by the Commissioner, which is also reflected in the Commissioner's CIES.

Similarly pension liabilities in respect of Officers and Staff whose costs have been recognised in the CIES of the Chief Constable have initially been recognised in the Balance Sheet of the Chief Constable. However, as the

## Narrative Report

Commissioner has ultimate responsibility to fund these liabilities, the long term liability is matched by a long term debtor within the Balance Sheet of the Commissioner, with a corresponding Intra-Group Adjustment in the Commissioner's Balance Sheet.

### Financial Performance of the Commissioner Group

#### Revenue Income and Expenditure

**Where the money came from?** - The revenue budget requirement for the year of £119.539m was approved by the Commissioner on the 8<sup>th</sup> February 2016. After the Home Office Grant of £42.393m, Revenue Support Grant of £21.044m and National Non-Domestic Rates of £9.063m, the amount to be collected from Council Tax was £47.039m.

**What the money was spent on?** – The CIES (page 30) shows the total cost of services of £123.065m. Adjusting this figure for corporate costs, changes in future pension liabilities and other appropriations and contributions excluded from the cost of services produces total operating expenditure for the year of £149.969m. Comparing this sum with income from grants and council tax of £120.647m shows a net deficit for the year of £29.322m.

Adjusting this deficit for the following differences between Statutory Accounting Requirements and Funding Regulations (detailed in Note 8, page 49) is as follows:

	Statutory Accounting Adjustments	
	+ £'000	- £'000
Depreciation, amortisation of non-current assets	3,110	-
Application of Capital Grants	-	1,126
Amounts written out on disposal of non-current assets	61	-
Revaluation Gains relating to Property, Plant and Equipment	-	298
Revaluation Losses relating to Property, Plant and Equipment	7,434	-
PFI Unitary Charge adjustments	-	211
Statutory Provision for the repayment of debt	-	56
Voluntary Provision for the repayment of debt	-	1,356
Capital Receipts	-	578
Revenue Funded Assets	-	-
Funding of Capital Expenditure charged to the Police Fund	-	692
Reversal of Pension Liability (IAS 19) entries	25,753	-
IFRS Accumulated Absence movement	136	-
Collaboration Movement (Note 40)	-	213
Previously agreed reserve movements (NET)	-	94
<b>Total Adjustments</b>	<b>36,494</b>	<b>4,624</b>

The result is reported savings for the year of £2.548m which is to be transferred to Reserves as follows:

- £0.756m to Earmarked Reserves; and
- £1.792 to the General Police Fund.

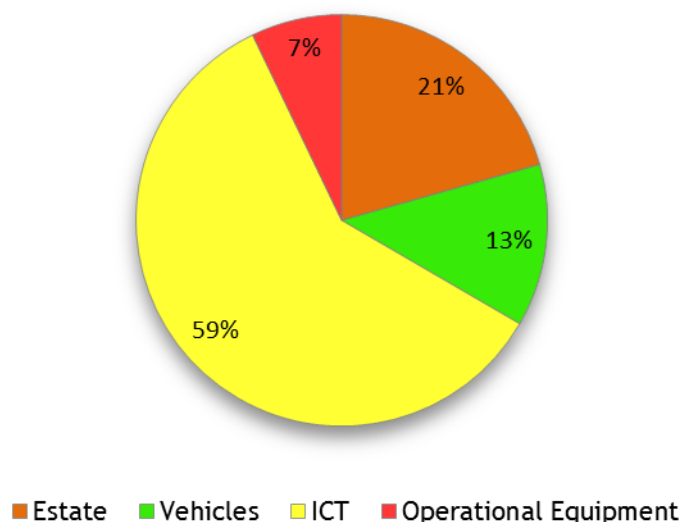
Further analysis on how annual expenditure is used and funded from can be found in the Expenditure and Funding analysis (EFA) in Note 7 to the Financial Statements. EFA statement shows that the savings of £2.548m arose through anticipated recurrent savings through the acceleration of efficiency schemes via the Force's 'Staying Ahead' Programme and reduced spend against demand led budgets.

Usable Reserves at the end of the year after the above transfers were £52.810m. Usable Reserves are those reserves set aside from the Police Fund to provide financing for future capital and revenue expenditure plans, for example the replacement of the current Police Headquarters.

### Capital Expenditure and Capital Financing

The revised capital budget for 2016/17, including budget brought forward from prior years to cover slippage, was £5.377m. During 2016/17, capital expenditure (on an accruals basis) amounted to £1.817m (on a cash basis spend was £2.410m) with unused resources carried forward for future use. The following chart shows how the capital expenditure was applied during the year:

**Analysis of Capital Expenditure 2016/17**



Each year the Commissioner approves a capital programme which sets out where capital expenditure will be incurred. Capital expenditure can be funded from specific Home Office and Ministry of Justice grants and other special grants, capital receipts, borrowing under the terms of the Prudential Code or directly from revenue.

The funds available for capital expenditure have been applied on an 'accrued' basis'. During 2016/17, £2.239m of expenditure was applied as follows:

	Funds Brought Forward £000	Additional Funds in Year £000	Total Funds Available £000	Total Applied Funds £000	Funds Carry Forward £000
Capital Grant	-	529	529	529	-
Police HQ and Capital Replacement	14,719	-	14,719	1,114	13,605
Revenue Financing	-	596	596	596	-
Airwave Sink Fund	1,830	341	2,171	-	2,171
Capital Reserves	2,787	578	3,365	-	3,365
<b>Revenue Earmarked Reserves</b>	<b>19,336</b>	<b>2,044</b>	<b>21,380</b>	<b>2,239</b>	<b>19,141</b>

Capital creditors as at 31<sup>st</sup> March 2017 amounted to £0.230m (2015/16 £0.805m).

### Capital Borrowing and the Repayment of Debt

The total of debt repayments during 2016/17 was £6.696m, made up of £4.906m principal and £1.790m interest (including early re-payment premiums of £1.519m).

No new loans were taken up in respect of approved capital expenditure during the year and following the early settlement of all loan debt during the year meant that there was £0.0m (zero) loan debt outstanding as at 31<sup>st</sup> March 2017.

### Looking Ahead

1. The 2017/18 budget setting round is the second year of the 2015 Comprehensive Spending Review (CSR) which, in common with the preceding 2010 and 2013 CSR periods, has required the delivery of significant financial efficiencies and budget reductions. It is anticipated that this theme will continue subsequent CSRs. The Staying Ahead Programme was initiated to address these efficiency requirements and to the end of 2015/16, has delivered cumulative recurring savings of £37.719m. The 2016/17 savings target of a further £4.350m has been exceeded this year due to the continuing success of the Staying Ahead Programme.
2. The future financial challenge to 2021/22 is exacerbated by the Home Office's (HO) review of the Police Funding Formula. By way of background, once the overall size of the policing budget is determined by the HO (via the CSR), then the amount of funding provided to respective 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 is back on track and hoping to produce its findings by June/July 2017, with implementation for the 2018/19 financial year. Importantly however, early exemplifications from the HO received during 2015 (showing the effect of the then revised Police Funding Formula being suggested), identified a £6m cut in Central Government Grant for Gwent. It could be expected therefore, that the HO will continue with their approach now that the review is back on track and from the 2018/19 financial year onwards, the Commissioner could be faced with a £6m cash cut in addition to the underlying cuts forecast from the effect of the Government's austerity programme. It is also likely that this cut will not be actioned in one fell swoop, but transitional arrangements will affect the cut over a number of financial years.
3. On the 23rd November 2016, the Chancellor of the Exchequer, announced the Autumn Statement 2016, confirming that the Government has scrapped its target to be in budget surplus by 2019/20, as measured by the Public Sector Net Borrowing figure. Although the deficit has been cut by almost two-thirds from its 2009/10 post war high of 10.1% of Gross Domestic Product (GDP) to 4.0% last year, borrowing and debt remain high and the Office for Budget Responsibility (OBR) has passed a judgment that the economic and fiscal outlook for the UK has deteriorated since the European Union (EU) referendum and subsequent 'Brexit'. The connotation of this means, that public finances will no longer reach a surplus by 2019/20.
4. In terms of what the Autumn Statement provided regarding the specific impact on police and crime, the only key message gleaned was that 'Departmental spending plans set out in the 2015 Spending Review were to remain in place'. This provided a degree of clarity in that it confirmed the 'flat cash funding' expected for next financial year, assuming that locally determined precept increases are maximised and council tax bases grow consistently nationally.
5. Moving from the overall national funding available for policing to what is actually allocated to individual Commissioners, takes account of 'reallocations' (previously known as top-slices), from Commissioner's budgets into other parts of HO policing responsibilities. In 2017/18, in addition to pre-existing reallocations, a number of new streams are earmarked to fund additional schemes notably, Her Majesty's Inspectorate of Constabulary's (HMIC) Police Effectiveness, Efficiency and Legitimacy (PEEL) inspections; 'gang master' and labour abuse; pre-charge bail; Commonwealth heads of government meeting; and forensic archive. Each has an impact upon the amount of funding awarded to Commissioners through the Police Funding Settlement.
6. Focussing back on Gwent, the underlying ethos of the Staying Ahead Programme is to deliver service improvement through transformational change, to meet current and future demand and deliver efficiency savings (both cashable and non-cashable). Historically, the cashable efficiencies generated have been fully utilised in meeting current and future budgetary deficits as a result of the Government's austerity programme. However, with the exceptional success of the Staying Ahead Programme in improving the service (as independently verified by recent HMIC PEEL Inspections) and delivering cashable efficiency savings ahead of time; coupled with a 'less bad' funding settlement in 2016/17, these have enabled the Commissioner and the Force to be in a position to reinvest cashable efficiencies into known emerging pressures and service developments from 2017/18 onwards.
7. These pressures and service developments are consistent with those identified within local, regional and national priorities identified through such things as the Commissioner's Police and Crime Plan 2017-2021, the Strategic Policing Requirement and the Association of Police and Crime Commissioners (APCC)/National

## Narrative Report

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Police Chiefs' Council (NPCC)/Police and Crime Commissioners Treasurers' Society (PACCTS) submission regarding 'Future Levels of Funding for Police Services'. They include addressing:

- a) Visible and accessible local policing provision;
  - b) Community Cohesion, for example, to understand and collaboratively address the events in Newport in the autumn of 2016;
  - c) Safeguarding the vulnerable in society, including tackling mental health and modern slavery;
  - d) Child Sexual Abuse/Exploitation;
  - e) Cyber enabled criminality including on-line fraud; and
  - f) The requirements of the Wellbeing of Future Generations Act.
8. Complimentary to the above at the national level, in November 2016 the Policing Vision 2025 was launched. This sets out the future for policing over the next ten years, which will shape decisions about how police forces use their resources to keep people safe. Fundamental to the Vision is the need for policing at all levels to be accountable and responsive to the public through Commissioners.
9. The Vision has been developed by the APCC and the NPCC in consultation with the College of Policing, National Crime Agency, staff associations and other policing and community partners. All Chief Constables and Commissioners have signed up to the Vision. The five priorities for reform are:
- a) Local policing;
  - b) Specialist capabilities;
  - c) Workforce;
  - d) Digital Policing; and
  - e) Enabling Business Delivery.
10. The latest Medium Term Financial Projections (MTFP) have been updated to reflect the assumed funding settlements, expenditure pressures, efficiency schemes and investments required to deliver the Police and Crime Plan 2017-2021 and the Policing Vision 2025. The MTFP now indicate a small budgetary surplus could be achieved for the 2017/18 financial year of £0.235m; however, this reverts to a budgetary imbalance in future years increasing to £9.349m by 2021/22.

**Signed:**



**Darren Garwood-Pask FCCA**  
**Chief Finance Officer**  
**Date: 14<sup>th</sup> September 2017**



### **Auditor General for Wales' report to the Police and Crime Commissioner for Gwent**

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

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

for the year ended 31<sup>st</sup> March 2017 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for Gwent accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

The Police and Crime Commissioner for Gwent's Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

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

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

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

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

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

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

#### **Opinion on the accounting statements of the Police and Crime Commissioner for Gwent**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent as at 31<sup>st</sup> March 2017 and of his income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

#### **Opinion on the accounting statements of the Police and Crime Commissioner for Gwent Group**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent Group as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

## Independent Auditor's Report

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### Opinion on the accounting statements of the Police Pension Fund

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

- give a true and fair view of the financial transactions of the Gwent Police Pension Fund during the year ended 31<sup>st</sup> March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

### Opinion on other matters

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

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not reflect compliance with guidance.

### Certificate of completion of audit

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



For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
18 September 2017

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

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### 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 draft Statement of Accounts for the financial year 2016/17.

**Signed:**



**Jeff Cuthbert**  
**Police and Crime Commissioner for Gwent**  
**Date: 14<sup>th</sup> September 2017**

#### Chief Finance Officer's Responsibilities

The Chief Finance Officer (Section 151 Officer) is responsible for the preparation of the Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (The Code of Practice), is required to present a true and fair financial position of the PCC Group at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2017.

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 draft Statement of Accounts, present a true and fair financial position of the Commissioner at 31<sup>st</sup> March 2017 and his income and expenditure for the period then ended.

**Signed:**

(by Responsible Financial Officer)



**Date: 14<sup>th</sup> September 2017**  
**Darren Garwood-Pask FCCA**  
**Chief Finance Officer**

**Signed:**

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



**Date: 14<sup>th</sup> September 2017**  
**Darren Garwood-Pask FCCA**  
**Chief Finance Officer**

### Governance Statement of the Police and Crime Commissioner for Gwent

#### Introduction and scope of responsibilities

The Police and Crime Commissioner for Gwent (the Commissioner) is responsible for ensuring business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Commissioner is responsible for putting in place proper arrangements for the governance of affairs and facilitating the exercise of functions, which 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 (FMCOP) for the Police Service of England and Wales 2013*.

The Commissioner has approved and adopted a Code of Corporate Governance (The Code). The Code gives clarity to the way the Commissioner governs and sets out the frameworks that are in place to support the overall arrangements for fulfilling the Commissioner's functions. The Code forms part of the Commissioner's overall Manual of Corporate Governance (MOCG). The MOCG also comprises a Scheme of Consent and Delegation, financial regulations and standing orders relating to contracts, all of which is under pinned by the Principles of Relationship; being the contract between the Commissioner and the Chief Constable on how they and their organisations will work together.

This Annual Governance Statement (AGS) explains how the Commissioner has complied with The Code and also identifies significant governance issues. In addition, it meets the requirements the Accounts and Audit (Wales) Regulations 2014 in relation to the publication of an AGS which must accompany the Statement of Accounts.

#### Purpose of the Annual Governance Statement

The governance framework comprises the systems, processes, culture and values by which the Commissioner is directed, controlled and monitored and the activities through which the Commissioner accounts to and engages with the community. The framework enables the Commissioner to monitor the achievement of his strategic Police and Crime Priorities and to consider whether those priorities have led to the delivery of appropriate efficient and effective police and community safety services.

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 therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going review process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage and mitigate them effectively, efficiently and economically. The findings of the review of the system of internal control are reviewed by the Commissioner and independently reviewed by the Joint Audit Committee (JAC).

The key elements of the system and processes that comprise the Commissioner's governance arrangements are detailed in this AGS. The elements are based on the seven core principles of Corporate Governance<sup>1</sup> from the CIPFA/Society of Local Authority Chief Executives (SOLACE) *Delivering Good Governance in Local Government Framework* (2016 Edition); the standard, against which all local government bodies, including the Commissioner, should assess themselves. In addition, the Policing Protocol Order 2011 (PPO) requires both the Commissioner and the Chief Constable to adopt and abide by the seven Nolan Principles for conduct in public life. In addition, the Code of Ethics published by the College of Policing promotes the principles of fairness and respect.

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of his governance framework, including the system of internal control. As part of the review process, the AGS is prepared, setting out how the Commissioner has complied with The Code over the previous financial year and to the date that the Statement of Accounts are published. The review of the effectiveness of the system of internal governance and its operation is also informed by the work of the internal auditors (for 2016/17 this was TIAA and Torfaen County Borough Council (TCBC)), the external auditors (the Wales Audit Office (WAO)), other review agencies and inspectors, and senior managers within the Office of the Police and Crime Commissioner for Gwent (OPCC) and the Force who have responsibility for the development and maintenance of the internal control environment. The roles of the various bodies are detailed below:

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<sup>1</sup> The 2016 Framework sets out seven principles of good governance which are taken from the International Framework: Good Governance in the Public Sector (CIPFA/International Federation of Accountants (IFAC), 2014) and interprets them for local government.

## Annual Governance Statement

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### a) Joint Audit Committee

In conjunction with the Chief Constable, the Commissioner has established an independent JAC which provides assurance to enhance public trust and confidence in the governance of the Commissioner and the Chief Constable. The JAC plays an important role in the independent oversight of the Commissioner's governance arrangements.

This 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 JAC 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 CIPFA Audit Committees Practical Guidance for Local Authorities.

The JAC provides comments, advice and assurance on matters relating to the internal control environment of the OPCC and Force. It has oversight of general governance matters and will provide comments on any new or proposed policies and strategies provided by the OPCC or the Force, or changes to existing relevant policies and strategies which in the opinion of the Chief Finance Officers are significant with regards to financial risk and probity.

The JAC is composed of five people who are independent of the OPCC and the Force. They report directly to the Commissioner and the Chief Constable. Four formal committee meetings are scheduled each year (additional formal meetings may be required) in addition to an annual All-Wales Training Day. For 2016/17 it was Gwent's turn to host and arrange the training day and this was held on the 16<sup>th</sup> January 2017 at the University of South Wales, Newport Campus. The event was facilitated by the WAO and was very well attended; agenda items included: 'What does an effective JAC look like?'; 'Ensuring JAC work programmes address key areas of risk'; and 'Addressing audit performance issues'. An action plan arising from the event has been circulated to the attendees representing the four JAC Committees across Wales.

The agenda, reports and minutes of formal meetings are made available on the Commissioner's website. The JAC met 4 times during 2016/17.

The JAC has formal terms of reference, covering its core functions, and these are also set out in the MoCG. These terms of reference include reference to JAC's role in respect of the corporate governance arrangements and in maintaining an overview of the regulatory framework. JAC's terms of reference are formally reviewed every year at their March meeting.

The Commissioner and Chief Constable are both represented at all meetings of the JAC.

The JAC has specific responsibility for providing an independent assurance function in respect of the arrangements for governance including risk management and the internal control environment. The work of the JAC over the period of the AGS contributes to the review process by providing evidence in support of the effectiveness of arrangements. A report of the work of the JAC is produced annually and submitted to the Strategy and Performance Board<sup>2</sup> (SPB) and the Police and Crime Panel<sup>3</sup> (PCP). The report assesses the effectiveness of the JAC against CIPFA guidance, and as a contribution to the effectiveness of overall governance arrangements.

### b) Ethics Committee

The College of Policing developed the Code of Ethics during 2014 on behalf of every member of the policing profession in England and Wales. The work was carried out by the College's Integrity Programme in association with the national policing leads for Ethics and Professional Standards and a wide range of key stakeholders including Chief Constables, Commissioners, oversight bodies, staff associations, trade unions and police practitioners. The College has issued the Code of Ethics as a code of practice under Section 39A of the Police Act 1996 (as amended by Section 124 of the Anti-Social Behaviour, Crime and Policing Act 2014).

The Scope of the Code of Ethics, however, extends beyond its statutory basis as a code of practice. The expectation of the professional body and the public is that every person working in policing will adopt the Code of Ethics. In order to embed this in Gwent, an Ethics Committee was established in April 2015 and met 4 times during 2016/17. The Terms of Reference and operating principles of the Ethics Committee are as follows:

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<sup>2</sup> The Strategy and Performance Board is the primary forum at which the Commissioner will hold the Chief Constable to account in accordance with section 1(8) of the Police Reform and Social Responsibility Act 2011. The Board will also be the primary consultation forum for strategic decisions affecting both the Commissioner and Chief Constable.

<sup>3</sup> The role of the Police and Crime Panel is to support and challenge the Police and Crime Commissioner. The Police and Crime Panel is made up of 12 Councillors from the Local Authorities in the Gwent area, plus two Independent Co-opted Members.

## Annual Governance Statement

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- The overarching role for Committee members is to provide assurance, advice and comment upon other ethical issues, including governance and operational issues or any other issue surrounding ethics on which the Chief Constable would like their consideration.
- The Committee will seek to provide assurance, advice and guidance, and make recommendation to the Chief Constable around decisions, policies and processes. The Committee will operate with openness, honesty and integrity, adhering to the Nolan Principles and good governance principles.
- The Committee will be appropriately observed by officers of both the OPCC and the Force, depending on the business to be conducted at each meeting.
- Membership of the committee will be made up of existing Independent Advisory Group (IAG) members who have specific expertise or interest in this area.
- The Committee will meet quarterly or ad-hoc should the requirement arise.
- All formal meeting agendas and papers will be posted on the Commissioner's and Force's website.
- There will be no limit to the number of Committee members, however when a recommendation is made, a quorum of at least three members will be required in order to maintain a representative view on ethics issues. There will normally be at least four Committee members present whenever the Committee formally meets.
- Each Committee member will serve for a period of 3 years, although membership will be reviewed at the end of every 12 month period by the Deputy Chief Constable and the Chief of Staff of the OPCC. At this stage the Committee member can have their tenure extended for a further 12 months or be de-selected.
- Members will be suitably trained to fulfil their role and fully supported by on-going development.

In March 2017, the Committee's membership was extended to include internal police officers and police staff and thereby setting the external membership at 10.

### c) Internal Audit

Regulation 6 of the Accounts and Audit (Wales) Regulations 2005 makes provision in respect of the internal audit 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 the Commissioner and Chief Constable. Prior to the commencement of the 2015/16 financial year a tender exercise was undertaken to appoint new internal auditors from 1<sup>st</sup> April 2015, following the conclusion of the previously awarded contract (to Deloitte between 2010/11 to 2014/15). TIAA were successful in the tendering exercise and were awarded a two year contract to 31<sup>st</sup> March 2017 with the availability of two further annual extensions to 31<sup>st</sup> March 2019.

By virtue of the Commissioner and Force being members of the Shared Resource Services (SRS) for the delivery of ICT services in collaboration with Torfean County Borough Council (TCBC), Monmouthshire County Council (MCC) and Blaenau Gwent County Borough Council (BGCBC), 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 JAC for the ICT services operated by Gwent Police. Progress on the delivery of the internal audit plan for ICT services is reported to the JAC alongside the audit plan delivered by TIAA. Such assurance will be provided by TCBC internal audit function for which the WAO will refer in considering the control framework for the ICT functions.

The role and standards of Internal Audit are defined in the Public Sector Internal Audit Standards (PSIAS) and the Application Note on the PSIAS issued by CIPFA for local government bodies. The PSIAS require Internal Audit to provide essential assurance 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 effectiveness of Internal Audit is assessed annually against PSIAS and the Internal Audit Charter, to support a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control. The effectiveness of the internal auditors is assessed by the Chief Finance Officers, as part of the contract management arrangements.

There is a duty upon both the Commissioner and the Chief Constable to maintain an effective internal audit function. The Commissioner and the Chief Constable wish to minimise duplication and bureaucracy, and to maximise value for money, when designing their internal audit arrangements.

The audit work for the year is founded on a risk based approach and focuses on significant financial and operational risks. The annual Internal Audit plans are agreed by the Chief Finance Officers of both corporations' sole, and are presented to the JAC for approval. Reports on the adequacy of controls in the systems audited are presented to the JAC.

The Internal Auditors provide regular update reports to the JAC on the progression of their annual Internal Audit plans, including setting out any areas of concern.

The Internal Auditors will deliver annual opinions on the effectiveness of the controls reviewed by the Internal Audit teams. These annual opinions, set out in the annual reports of the Internal Auditors, provide a key source of evidence in support of this AGS.

## Annual Governance Statement

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The review of both the corporate governance and risk management arrangements periodically feature in the annual Internal Audit plans. Corporate governance and risk management issues may arise through other reviews carried out by the Internal Auditors. In this case the issues will be dealt with initially in the relevant audit report.

The annual Internal Audit plans have regard to risks and recognise 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 Internal Audit annual reports for 2016/17 conclude:

- TIAA is satisfied that for the areas reviewed during the year that the Office of the Police and Crime Commissioner for Gwent and Chief Constable of Gwent Police has reasonable and effective risk management, control and governance processes in place. Also, there was evidence to support the Organisation's achievement of value for money with regard to economy, efficiency and effectiveness of the systems reviewed.
- TCBC opinion is 'Generally satisfactory with some improvements required'

There were 21 internal audits completed by TIAA in 2016/17 with the following assurance assessments:

### Substantial Assurance – 4

- Risk Management - Mitigating Controls
- Counter Fraud – Learning from Cases
- Payroll
- Collaborative Projects – Joint Legal Services

### Reasonable Assurance - 13

- Governance – Performance Management
- Budgetary Control
- Estate Management - Strategy
- Fleet Management - Strategy
- HR Absence Management
- Fixed Assets
- General Ledger
- Creditors
- Pensions
- Expenses and other Additional Payments
- Finance and Resource System Implementation
- First Point of Contact
- Information Management

### Limited Assurance - 2

- Internet/E-Mail/Social Networking
- Debtors

Those with Limited Assurance were Debtors and Marketing/Social Media. Action plans have been developed to enhance the control processes by providing training to staff in storage, processing and obtaining correct level of authorisation. Management has taken steps to ensure segregation of duties in Purchase and Payments processes.

### No Assurance - 0

### Operational Reviews - 2

- Risk Management – Board Assurance
- Corporate Communications

Of the two Limited Assurance internal audits, action plans have been developed and implemented to address the recommendations presented.

There were 9 internal audits completed by TCBC in 2016/17, of which 5 covered Gwent Police systems and services. The relevant assurance assessments were:

### Full - 0

### Substantial - 1

- Email

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### Moderate - 1

- SRS Virtualisation Function

### Limited – 0

### Nil – 0

### Assessment Reports – 1

- Information Security

### Follow-up Audits – 2

- SRS Change Management (original report assessed 'Limited' assurance but progress / implementation in respect of 10 of the previous report recommendations has been graded as 'Excellent')
- SRS Service Desk (original report assessed 'Limited' assurance but progress / implementation in respect of 11 of the previous report recommendations has been graded as 'Excellent')

## d) External Audit

In their Annual Audit Letter, the WAO comment on whether the Commissioner had appropriate arrangements in place to secure economy, efficiency and effectiveness in their use of resources.

They audit the financial statements of the Commissioner and Chief Constable (as well as the Group and pension accounts) and provide an opinion on whether the financial statements give a 'true and fair' view of the state of affairs of the Commissioner and the Chief Constable; and have been prepared properly in accordance with relevant legislation, directions or regulations, and applicable accounting standards. They also report by exception if the AGS does not reflect compliance with CIPFA guidance; if proper accounting records have not been kept; and if information specified by Welsh Government regarding remuneration and other transactions is not disclosed.

Such external audit plans and reports, including the Annual Audit Letter, are considered by the JAC 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.

## e) Annual Governance Statement

It is important to note that this AGS and the work undertaken in its preparation is a tool in the self-evaluation by the Commissioner of his governance arrangements.

The AGS is submitted for examination by the Strategic Planning Group (SPG) WAO and JAC, before being approved at SPB. The Commissioner will formally approve any changes to The Code and framework on an annual basis as part of the governance review. The Code, detailing the framework arrangements, is published alongside this AGS on the following link:

<http://www.gwent.pcc.police.uk/transparency/publications/manual-of-governance/>

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

The role of HMIC 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. It also provides advice and support to the tripartite partners (Home Secretary, Commissioners and Chief Constables).

Gwent Police is inspected periodically by HMIC. HMIC is independent of the Commissioner, the Force and the UK and Welsh Governments, with a remit 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. In addition to these 'thematic inspections, HMIC also undertakes the Police Effectiveness, Efficiency and Legitimacy (PEEL) programme. PEEL is the programme in which HMIC draws together evidence from its annual all-force inspections. The evidence is used to assess the effectiveness, efficiency and legitimacy of the police. HMIC has introduced these assessments so that the public will be able to judge the performance of their force and policing as a whole.

HMIC 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 announced in the Comprehensive Spending Reviews. HMIC reports are published on the following website:

<http://www.hmic.gov.uk/publications/>

HMIC reports are sent to the Chief Constable and the Commissioner for consideration and appropriate action. HMIC will play a key role in informing the Commissioner and the public on the efficiency and effectiveness of the



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Force and, in so doing, will facilitate the accountability of the Commissioner to the public. Commissioners have a duty in law to comment on any HMIC report which includes information on their Force and to publish these along with any comments submitted by their Chief Constable. Commissioners must also send a copy of their published comments to the Home Secretary.

### g) Gwent Police and Crime Panel

The Commissioner is held to account by the Police and Crime Panel which comprises both Local Authority and Independent Members. The Panel supports and scrutinises the effective exercise of the functions of the Commissioner. The Panel meets at least quarterly in public and publishes all its reports and minutes on their website.

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

### Core principles and their application

The table below illustrates how the seven core principles of Corporate Governance from CIPFA/SOLACE and the seven Nolan Principles have been applied in the work of the Commissioner during the 2016/17 financial year, as well as identifying measures that will be undertaken in future:

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	What we did:	Plan for 2017/18 :
1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	<p>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.</p> <p>Furthermore, the values of being 'Trusted, Fair, Professional, Responsive and Caring' are guiding principles for all staff and officers across both Corporations Sole in discharging their duties to the public.</p> <p>The OPCC abide by the public facing values detailed above, but have also developed draft internal values of acting with 'Openness', 'Empathy' 'Integrity'; stating that we will also 'Empower' and 'Innovate'.</p> <p>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 Police Complaints Commission. The Chief Constable manages all complaints against the Force, its officers and staff and ensures that the Commissioner is kept informed.</p> <p>Expressions of dissatisfaction (i.e. potentially a 'pre-complaint') regarding standards of service to the public and other stakeholders are dealt with initially by the Public Response Unit (PRU), which is located in the OPCC. The aim of the PRU is to resolve the issue at the earliest opportunity to the 'complainants' satisfaction, therefore avoiding escalation into the full complaints procedure, which in the majority of cases, is not what the initial 'complainant' wanted.</p> <p>Serious complaints and matters to do with conduct are referred to the Independent Police Complaints Commission in line with the requirements of legislation.</p>	<p>Undertake the annual review of the MOCG so it remains fit for purpose.</p> <p>Continue to develop and embed the values within the OPCC.</p> <p>Continue to develop the work of the PRU in line with the requirements of the Policing and Crime Act 2017.</p>

<b>CORPORATE GOVERNANCE PRINCIPLES</b>		
<b>Standard:</b>	<b>What we did:</b>	<b>Plan for 2017/18 :</b>
	<p>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. During 2016/17, the OPCC and Force continued to develop the College of Policing's Code of Ethics, supplemented by the work of the Force's Ethics Committee.</p> <p>As set out above, the PPO requires both the Commissioner and the Chief Constable to abide by the seven Nolan Principles, which are now extended to include Fairness and Respect. It also highlights the expectation that the relationship between all parties will be based upon the principles of goodwill, professionalism, openness and trust (as replicated in the FMCOP) and this is reflected in the Principles of Relationship document agreed by the Commissioner and the Chief Constable which forms part of the MoCG.</p>	
<p>2. Ensuring openness and comprehensive stakeholder engagement.</p>	<p>The PPO highlights that the Commissioner is accountable to local people and that he draws on this mandate to set and shape his priorities for the Force area in consultation with the Chief Constable. The Commissioner has set out in his Police and Crime Plan 2017 to 2021 (The Plan) what will be delivered. The Commissioner has undertaken the public engagement events, outlined below during 2016/17.</p> <p>In shaping The Plan, during 2016/17, The Commissioner undertook a series of community engagement events which included:</p> <ul style="list-style-type: none"> <li>▪ Improving local delivery of services to victims</li> <li>▪ Raising emerging crime trends with local businesses;</li> <li>▪ Police and crime priorities survey;</li> <li>▪ Precept survey;</li> <li>▪ Strategic Equality Plan;</li> <li>▪ Public surgeries and walkabouts;</li> <li>▪ Public meetings;</li> <li>▪ Youth Forum activity;</li> <li>▪ 50+ Forum activity;</li> <li>▪ Focus groups with representatives from 'seldom heard citizens';</li> <li>▪ Partnership planning and engagement Meetings;</li> <li>▪ Local and Community Council seminar;</li> <li>▪ Local AMs and MP meetings;</li> <li>▪ Social and other media; and</li> <li>▪ Project specific consultation e.g. Stop and Search.</li> </ul> <p>The Commissioner is also, pursuant to the PRSRA, a cooperating body, rather than a responsible authority on community safety partnerships. The community safety duty, specifies that the Commissioner must "in</p>	<p>New Engagement and Communications Plan to be launched in 2017/18 to better inform the public of the work of Commissioner.</p> <p>Engagement Programme activity report for 2017/18 will be provided to the OPCC Executive Board in June 2017, in line with The Plan's production programme agreed via the SPG.</p>

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	What we did:	Plan for 2017/18 :
	<p>exercising its functions, have regard to the relevant priorities of each responsible authority”, referring to the authorities named in the Crime and Disorder Act 1998 and its amendments. It further specifies that the Commissioner and the responsible authorities “must act in co-operation with each other” in exercising functions conferred by the 1998 Act.</p> <p>The government introduced the Anti-social Behaviour, Crime and Policing Act 2014 (ASBCPA 2014) which provides simpler, more effective powers to tackle anti-social behaviour.</p> <p>The ASBCPA 2014 includes two new measures which are designated to give victims and communities a say in the way anti-social behaviour is dealt with:</p> <ul style="list-style-type: none"> <li>▪ The ‘community trigger’ which gives victims the ability to demand action, starting with a review of their case, where the locally defined threshold is met; and</li> <li>▪ The ‘community remedy’ which gives victims a say in the out-of-court punishment of perpetrators for low-level crime and anti-social behaviour.</li> </ul> <p>The Commissioner undertook a consultation exercise with the public on the most suitable community remedies for Gwent.</p> <p>In preparing The Plan, the Commissioner has taken account of the views and priorities of communities, victims of crime, community safety and criminal justice partners. He has met with representatives of local authorities and voluntary and business groups across Gwent. He has also set out in The Plan his plans for consultation and engagement with the public during his term of office. This is further supported by the Joint Engagement Strategy agreed and progressed by the Force.</p> <p>The Commissioner has continued to develop 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, e.g. The PCP, Strategic Commissioning Board<sup>4</sup> (SCB), Safer Gwent<sup>5</sup> and the operation of the Commissioner’s Partnership Fund.</p> <p>In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 &amp;</p>	<p>Continue to develop ‘Safer Gwent’ as a key facilitation programme across the region to support local delivery of community safety based initiatives. This is a legacy project for the Commissioner.</p>

<sup>4</sup> The purpose of the Strategic Commissioning Board is to provide strategic direction to the Police and Crime Commissioner’s Commissioning Programme in relation to strategic planning, service quality, contracting performance and management and stakeholder engagement.

<sup>5</sup> Safer Gwent is a regional strategic partnership meeting (inclusive of Statutory Bodies, the OPCC and other co-opted partners as relevant), which provides collaborative opportunities to inform and redesign the community safety landscape on a regional basis in support of local delivery.

<b>CORPORATE GOVERNANCE PRINCIPLES</b>		
<b>Standard:</b>	<b>What we did:</b>	<b>Plan for 2017/18 :</b>
	<p>2012 (2011 &amp; 2012 Orders) and the guidance provided by the Information Commissioner, a range of information has been made publically available through the Commissioners website over the course of the year. This has included agenda and reports for the SPB meetings and the JAC, guidance for the Commissioner's Partnership Fund, Freedom of Information disclosure logs, financial information and strategies. The Commissioner's SPB meetings have also been opened to attendance by the press and public (on a quarterly basis) and promoted via social media, resulting in the decision making process becoming more open and transparent.</p> <p>In November 2016, the OPCC was awarded a Transparency Quality Mark by CoPaCC (Comparing our Police and Crime Commissioners) for the second year running, in relation to both the quality and transparency of our published decisions and the ease by which they could be accessed.</p>	
<p>3. Defining outcomes in terms of sustainable, economic, social, and environmental benefits.</p>	<p>The Commissioner has issued The Plan for one year beyond his term of office, and this outlines the police and crime priorities:</p> <ul style="list-style-type: none"> <li>▪ Crime Prevention;</li> <li>▪ Supporting Victims;</li> <li>▪ Community Cohesion;</li> <li>▪ Tackling Anti-Social Behaviour; and</li> <li>▪ Effective Service Delivery.</li> </ul> <p>In drawing up the Plan, the Commissioner has considered local policing requirements, and consulted widely with the community of Gwent, partners and other stakeholders. The Commissioner and the Chief Constable both have regard to The Plan.</p> <p>The Commissioner's Vision is 'Delivering a Safer Gwent' and working with the Chief Constable, he wants to ensure that:</p> <ul style="list-style-type: none"> <li>▪ People who live in, work in, or visit Gwent are safe;</li> <li>▪ Policing and crime services are delivered demonstrating value for money; and</li> <li>▪ The OPCC and Gwent Police are employers that people want to work for.</li> </ul> <p>The key values and principles which underpin The Plan are:</p> <ul style="list-style-type: none"> <li>▪ Ensuring that the Commissioner has an open, honest and transparent way of working;</li> <li>▪ Promoting police accessibility and visibility;</li> <li>▪ Being alert to the changing nature of crime;</li> <li>▪ Building and maintaining communication and cohesion with all communities within Gwent;</li> <li>▪ Getting the balance right between provision and reassurance</li> <li>▪ Having regard to the needs, safeguarding</li> </ul>	<p>The Commissioner will publish an Annual Report that sets out progress on The Plan and this will be presented for consultation to the PCP. Any subsequent recommendations will be taken into account in the Plan.</p>

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	What we did:	Plan for 2017/18 :
	<p>and welfare of children and vulnerable adults;</p> <ul style="list-style-type: none"> <li>▪ Continuing to improve partnership working with public services and the voluntary sector;</li> <li>▪ Continuing to support the national Strategic Policing Requirement;</li> <li>▪ Providing an effective criminal justice system in Gwent;</li> <li>▪ Providing robust commissioning of services;</li> <li>▪ Implementing the Welsh Language Standards;</li> <li>▪ Building a strong and positive relationship with Governments;</li> <li>▪ Ensuring that the people working for the OPCC and Gwent Police feel valued; and</li> <li>▪ Delivering value for money for the people of Gwent.</li> </ul> <p>It is recognised that policing plays a key role in the lives of people who live, work and visit our area. The Chief Constable's complementary mission is to "protect and reassure" the people who live and work in Gwent. He has enabled his employees to do this to the best of their ability by ensuring that they meet The Plan priorities.</p> <p>The Wellbeing of Future Generations (Wales) Act became law in Wales on 29<sup>th</sup> April 2015. The Act is about improving the social, economic, environmental and cultural wellbeing of Wales. It will make the public bodies listed in the Act think more about the long term, work better with people and communities and each other, look to prevent problems and take a more joined-up approach.</p> <p>The Act establishes Public Service Boards (PSBs) for every local authority area in Wales, which will replace the existing Local Service Boards. The Commissioner and Chief Constable will both be 'invited participants' on the Gwent Boards. A key area of future delivery work that PSBs are currently working towards requires all participants to assess current service delivery provision (situational analysis) and then to devise activity programmes for future delivery by 2018.</p> <p>The Commissioner and the Chief Constable have considered the views and priorities of the communities and The Plan's priorities have been revised using an outcome-based approach to ensure they meet local, regional and national needs.</p> <p>During the course of 2016/17, the SPB received reports from the Chief Constable covering a range of areas of performance including crime levels, public complaints, finance, victims' satisfaction and public confidence. These reports enabled the Commissioner to hold the Chief Constable to account for the delivery of the priorities set out</p>	

<b>CORPORATE GOVERNANCE PRINCIPLES</b>		
<b>Standard:</b>	<b>What we did:</b>	<b>Plan for 2017/18 :</b>
	<p>in the previous Commissioner's Police and Crime Plan and Force performance in general. They also helped inform the amendment of those priorities in The Plan to reflect changing local requirements and other emerging trends.</p> <p>The Chief Constable prepared his annual Force Delivery Plan which supported the delivery of The Plan.</p> <p>A Medium Term Financial Plan (MTFP) was jointly developed and thereafter reviewed quarterly by the JAC, SPB and PCP to support delivery of these plans.</p> <p>Collaboration agreements are in place to govern those areas of business undertaken jointly with other Forces, Commissioners and other partners.</p> <p>The All Wales Policing Group (represented by the four Welsh Commissioners and Chief Constables) had oversight of the work of the Southern Wales Collaboration Board (represented by the three Southern Wales forces). This Collaboration Board, (as well as developing and implementing strategic policing capabilities with North Wales in support of the Strategic Policing Requirement and the Wales Extremist Counter Terrorism Unit), also aims to increase efficiency and effectiveness through collaboration, whilst also ensuring that suitable administrative, management and governance arrangements are in place to support the same.</p>	<p>During 2017/18, the Performance Framework which sits beneath the Force Delivery Plan will continue to be refined to ensure robust evidence is gathered and reported in recognition of the delivery of The Plan.</p> <p>Monitoring will continue locally with quarterly reports to the SPB, and quarterly to the All Wales Policing Group in accordance with the Memorandum of Agreement.</p>
<p>4. Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>The MTFP, reflecting the resources required to deliver of The Plan, drives the Investment requirements (both revenue and capital), the efficiency plan, the financial risks and the reserves strategy, to the backdrop of future funding constraints.</p> <p>Each component part of the MTFP therefore has robust governance arrangements to ensure decisions achieve the intended outcomes. The key governance arrangements below SPB, OPCC Executive Board and Chief Officer Team Meeting are:</p> <ul style="list-style-type: none"> <li>▪ JAC – Amongst a host of responsibilities, consider and comment upon: any policy or strategy regarding reserves; the budget planning process; the strategic and corporate risk processes for the PCC and Chief Constable; any policy or strategy regarding asset management; the arrangements for delivery of Value for Money; and Review the effectiveness (including resourcing) of internal audit.</li> <li>▪ Estate Strategy Board – this is the primary forum for receiving reports regarding the purchase, disposal, maintenance and any other cost related issues for Gwent Police's estate;</li> <li>▪ Staying Ahead Programme Board – This is a joint Force and OPCC meeting to</li> </ul>	

<b>CORPORATE GOVERNANCE PRINCIPLES</b>		
<b>Standard:</b>	<b>What we did:</b>	<b>Plan for 2017/18 :</b>
	<p>prioritise projects, monitor progress, and manage the associated risk and resource allocation on a force wide basis to deliver the required efficiency plan. The Board also agrees business cases for investments and dis-investment.</p> <ul style="list-style-type: none"> <li>▪ SPG – this exists to have ownership of and manage strategic planning activity for Gwent Police’s delivery of the police and crime priorities in Gwent.</li> <li>▪ Business Tasking and Co-ordination Group (BTCG) – This Group oversees the Governance of Risk Management and Policy Development.</li> </ul> <p>Each forum has set documentation to robustly draw out the pertinent issues for decision.</p>	
<p>5. Developing the OPPC’s capacity, including the capability of its leadership and the individuals within it.</p>	<p>During 2016/17 the Commissioner and the OPCC have received Association of Police and Crime Commissioners (APCC) briefings, in addition to a number of investigative and review reports and updated guidance from a range of national bodies and organisations. These include HMIC inspection reports and WAO reviews.</p> <p>The Chief of Staff is further supported through the Association of Police and Crime Chief Executives (APACCE). At their regular meetings, APACCE have also provided a forum to deliberate on key issues for the developing role of Police and Crime Commissioners. APACCE has also arranged meetings for Chief Executives/Chiefs of Staff to meet Home Office officials.</p> <p>The Chief Finance Officer continues to receive support from and attends bi-monthly meetings of the Police and Crime Commissioner’s Treasurer’s Society (PACCTS); of which he is a Vice President. This support has included a number of briefing papers (produced by PACCTS’s Technical Support Unit) in addition to attending two joint seminars with Force’s Directors of Finance.</p> <p>During 2015/16, to strengthen the arrangements for providing peer support, both APACCE and PACCTS have worked to develop and circulate a directory setting out the specialist subject matter areas of each Member. The Chief Finance Officer leads on this portfolio on behalf of PACCTS</p> <p>The OPCC culture and processes actively identifies where individuals may need role specific training to enable them to carry out their duties and/or where general personal development is required. Following the receipt of training or a development activity, the relevant staff member completes a Training Assessment Form to establish the direct benefit of the training/development to the OPCC.</p> <p>The key functions and roles of the</p>	<p>Joint Continuing Professional Development (CPD) arrangements between APACCE and PACCTS are being explored.</p> <p>Continuation of the OPCC’s PDR process, to ensure staff are suitably equipped to support any continuing or new governance arrangements and to deliver all the OPCC requirements effectively.</p> <p>Initiate a review of the OPCC ensure that it is fully equipped to deliver the priorities and commitments set out in The Plan.</p>

<b>CORPORATE GOVERNANCE PRINCIPLES</b>		
<b>Standard:</b>	<b>What we did:</b>	<b>Plan for 2017/18 :</b>
	<p>Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the PPO. The PRSRA and the PPO also set out the function and roles of statutory officers, namely the Monitoring Officer and the Chief Finance Officer.</p> <p>The functions and roles set out in legislation and guidance are codified in the Commissioner's Scheme of Consent and Delegation (which both form part of the MOCG). The MOCG was initially approved in November 2012; and revised annually since – more latterly to reflect changes to Procurement thresholds to better enable collaborative working</p> <p>The MOCG has been developed in accordance with The Code to enable effective accountability and to govern the relationship between the Commissioner and the Chief Constable.</p> <p>There is a decision making framework incorporated within the MoCG which ensures that, where possible, all the Commissioner's decisions are published and available for public scrutiny.</p> <p>The Principles of Relationships agreed by the Commissioner and the Chief Constable emphasise that the relationship between the two corporations sole will be built on trust, confidence and transparency.</p> <p>The SPB chaired by the Commissioner, (and attended by his Deputy Commissioner, Chief of Staff, Chief Finance Officer and Senior Management Team) holds the Chief Constable to account in securing the maintenance of an efficient and effective police service for Gwent. The terms of reference for SPB are incorporated within the MOCG. SPB met 6 times during the financial yea, of which the last 5 meetings were held in public. The Commissioner held the Chief Constable to account on delivering the Commissioner's priorities effectively and efficiently, through scrutiny of quarterly financial and performance reports from the Chief Constable and subject matter reports on specific areas of interest or concern. The work of SPB, and the role of the Commissioner in holding the Chief Constable to account, was supported and informed by on-going work undertaken by officers of the Commissioner (both with colleagues from the Force and external stakeholders such as the Home Office, Welsh Government and wider Gwent partnership organisations).</p> <p>SPB is supplemented by regular one to one meetings and reflects the commitment from both the Commissioner and the Chief Constable to the principles of openness, transparency and accountability in decision-making.</p>	<p>Continuing review of the effectiveness of SPB.</p>



<b>CORPORATE GOVERNANCE PRINCIPLES</b>		
<b>Standard:</b>	<b>What we did:</b>	<b>Plan for 2017/18 :</b>
	<p>The SPB meetings continue to facilitate a successful and constructive working relationship between the Commissioner and the Chief Constable at a strategic level, leading to the effective delivery of The Plan. The meetings have also provided the Commissioner with a means of continuously monitoring and scrutinising whether the force is efficient and effective. SPB compliments a host of other meetings comprising officers of the OPCC and Force, to ensure a comprehensive monitoring regime.</p> <p>The Chief Constable, in turn, holds his Chief Officers to account for their performance in the formal monthly Chief Officer Team (COT) meetings.</p>	
<p>6. Managing risks and performance through robust internal control and strong public financial management.</p>	<p>All decision making operates within the specific legislative and regulatory frameworks that confer on the Commissioner duties, powers and responsibilities. The regulatory framework is implemented through the Commissioner's decision-making policy and process that adheres to the Good Governance Standards for Public Services.</p> <p>As highlighted previously, in November 2016, the OPCC was awarded a Transparency Quality Mark by CoPaCC.</p> <p>The JAC has conducted 4 meetings during the course of the year. The Committee has undertaken a significant amount of work to review and make recommendations in respect of the Commissioner's arrangements for governance and management of risk, including a number of 'deep dive' sessions in addition to their formal meetings on such things as:</p> <ul style="list-style-type: none"> <li>▪ Staying Ahead Programme;</li> <li>▪ Strategic Policing Requirements and Strategic Assessment;</li> <li>▪ Value for Money Profiles; and</li> <li>▪ ICT Disaster Recovery.</li> </ul> <p>The work of the Committee is summarised in its annual report, which will be considered by the Committee at its meeting on the 29<sup>th</sup> June 2017.</p> <p>As set out above, the Commissioner holds the Chief Constable to account for the maintenance of an efficient and effective force. The Commissioner ensures that information relating to decisions is made readily available to local people via his website.</p> <p>The PCP, consisting of local councillors from the Force Area, as well as independent members, scrutinises and supports the effective exercises of the functions of the Commissioner (NB: The PCP do not scrutinise the performance of the Force as this is the responsibility of the Commissioner).</p>	<p>Recommendations arising from this annual report and also the self-assessment exercise undertaken will be considered and implemented.</p>

<b>CORPORATE GOVERNANCE PRINCIPLES</b>		
<b>Standard:</b>	<b>What we did:</b>	<b>Plan for 2017/18 :</b>
	<p>Risk is a standing agenda item on all strategic meetings within the Force and all decision making meetings of the Commissioner. The Joint Risk Management Strategy of 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 Officer for the Commissioner also advises the Commissioner, in consultation with the Chief of Staff, on the safeguarding of assets, risk management and insurance. He will ensure that in relation to any strategic business decisions of the Commissioner, consideration is given to the immediate and longer term implications, opportunities and risks<sup>6</sup></p> <p>Strategic risks are identified throughout the OPCC and recorded on a Joint Strategic Risk Register. These are then scored for likelihood and impact and allocated both a strategic and operational risk owner for mitigation and monitoring. Mitigation and monitoring of strategic risk is assured through the Force's BTCG, which the Chief Finance Officer attends. Various projects also hold individual risk registers. The OPCC has a risk register, which is monitored monthly via the OPCC Executive Board.</p> <p>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 OPCC and Force are proactive in self-insuring some elements of the overall insurance package. The Commissioner maintains an insurance provision which is reviewed annually to help meet claims.</p> <p>The Internal Audit plan for 2016/17 was approved by the JAC on the 9<sup>th</sup> March 2016.</p> <p>During 2016/17 TIAA carried out a total of 21 audits, covering core financial systems, business and operational systems and governance processes. The internal audit annual report for 2016/17 concluded that the Commissioner's framework for risk management, control and governance processes was reasonable and therefore he has adequate and effective management control and governance processes to manage the achievement of his objectives.</p> <p>As specified above, Gwent Police is inspected periodically by HMIC. Their reports during 2016/17 supported the monitoring and development of many Force priorities and are set out below.</p>	<p>The recommendations arising from the 2 areas which received Limited assurance assessments will be implemented and scrutinised by senior officers and JAC. Furthermore, the Internal Audit Plan for 2017/18 will refocus on the progress make against Urgent and Important recommendations.</p>

<sup>6</sup> This is set out in paragraph 4.1 of the 2012 Financial Management Code of Practice for the Police Service of England and Wales.

## Annual Governance Statement

CORPORATE GOVERNANCE PRINCIPLES																		
Standard:	What we did:	Plan for 2017/18 :																
	<table border="1"> <thead> <tr> <th>Title</th> <th>Publication Date</th> <th>Rating</th> </tr> </thead> <tbody> <tr> <td>PEEL Efficiency 2016 Report</td> <td>November 2016</td> <td>Good</td> </tr> <tr> <td>PEEL Leadership 2016 Report</td> <td>December 2016</td> <td>No Assessment Given<sup>7</sup></td> </tr> <tr> <td>PEEL Legitimacy 2016 Report</td> <td>December 2016</td> <td>Good</td> </tr> <tr> <td>PEEL Effectiveness Report</td> <td>March 2017</td> <td>Good</td> </tr> </tbody> </table> <p>HMIC also produced a suite of Value for Money indicators to challenge areas of exceptional spend in comparison with the most similar forces. The results of the benchmarks are incorporated within the Force's change programme (Staying Ahead).</p> <p>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.</p>	Title	Publication Date	Rating	PEEL Efficiency 2016 Report	November 2016	Good	PEEL Leadership 2016 Report	December 2016	No Assessment Given <sup>7</sup>	PEEL Legitimacy 2016 Report	December 2016	Good	PEEL Effectiveness Report	March 2017	Good		
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PEEL Effectiveness Report	March 2017	Good																
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	<p>Significant evidence is presented above, which confirms the transparency and robustness of the accountability frameworks of both Corporations Sole.</p> <p>Below the statutory requirements, good practice is adopted in regard to writing and communicating reports for the public and other stakeholders in an understandable style, appropriate to the intended audience.</p> <p>Similarly, the OPCC strives to strike the right balance between providing the right amount of information to satisfy transparency demands and promote public scrutiny, whilst not being too onerous for users to understand</p> <p>In relation to the reporting regime, forward work plans are produced and maintained to ensure that reporting requirements are consistent and timely; enabling stakeholders to understand the 'lifecycle' of the Corporations Sole and enabling trend analysis.</p>	Maintain good practice.																

NOLAN PRINCIPLES		
Principle:	What we do:	Plan for 2017/18 :
1. Selflessness: Decisions will be taken solely in terms of the public interest,	<p>Compliance with the 2011 &amp; 2012 Orders which require the publication of information in relation to various matters including:</p> <ul style="list-style-type: none"> <li>▪ The names of the Commissioner</li> </ul>	Monitoring any changes to the 2011 & 2012 Orders and continuously seeking to ensure all relevant information is captured and disclosed as required. On-going through 2017/18.

<sup>7</sup> HMIC provided a narrative response to this area of inspection rather than a standard assessment rating.

## Annual Governance Statement

<b>NOLAN PRINCIPLES</b>		
<b>Principle:</b>	<b>What we do:</b>	<b>Plan for 2017/18 :</b>
and not for personal financial or other gain, whether for such person, their family or friends.	<p>and Deputy Commissioner;</p> <ul style="list-style-type: none"> <li>▪ Correspondence address for each;</li> <li>▪ Salaries, expenses, register of interests;</li> <li>▪ The number of complaints about them which are dealt with by the PCP; and</li> <li>▪ Specific reference to notifiable interests.</li> <li>▪ Publication of key decisions on website</li> </ul> <p>Senior officers' salaries and expenses are disclosed in Statement of Accounts.</p>	
<p>2. Integrity:</p> <p>The Commissioner, their Deputy 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>Compliance with the MoCG.</p> <p>Ensuring that the register of gifts and hospitality is updated as and when offers are received.</p> <p>Ensuring related party's disclosure in the Statement of Accounts.</p> <p>The Commissioner, Deputy Commissioner and all staff of the OPCC have agreed to abide by the College of Policing's Code of Ethics.</p> <p>Disclosure of business interests.</p>	Continuously reinforce the procedures set out in the MoCG to ensure understanding and compliance. Ongoing to 31 <sup>st</sup> March, 2018.
<p>3. Objectivity:</p> <p>In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, their Deputy and staff will make choices on merit.</p>	<p>Appointments made during the year were made on merit in compliance with section 7 of the Local Government and Housing Act 1989.</p> <p>The MoCG (including the Financial Regulations and the Standing Orders Relating to Contracts) expressly provide for the competitive processes to be applied in relation to contracts. Such processes are transparent and auditable with full use being made of the 'etenderwales' and 'SelltoWales' systems. Contract documentation is also 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 &amp; 2012 Orders.</p> <p>Any rewards made to individuals are based on strict organisational policy. No rewards or benefits were made during 2015/16.</p>	
<p>4. Accountability:</p> <p>The Commissioner, their Deputy</p>	<p>Decision logs are published on the Commissioner's website in compliance with the 2011 and 2012 Orders and with the requirements of Section 11 of the PRSRA.</p>	Maintain good practice.

<b>NOLAN PRINCIPLES</b>		
<b>Principle:</b>	<b>What we do:</b>	<b>Plan for 2017/18 :</b>
<p>and staff will be accountable for their decisions and actions to the public and will submit themselves to whatever scrutiny is appropriate to their office.</p>	<p>The Commissioner is held to account and scrutinised by the PCP; a body consisting of twelve local councillors representing the five local authorities in Gwent and two co-opted independent members. The PCP (which is hosted by Caerphilly County Borough Council) meets on a quarterly basis with the remit to:</p> <ul style="list-style-type: none"> <li>▪ Support the Commissioner to exercise his functions effectively;</li> <li>▪ Review the Commissioner's annual draft Plan;</li> <li>▪ Review Commissioner's annual draft budget;</li> <li>▪ Review and scrutinise decisions and actions taken by the Commissioner;</li> <li>▪ If necessary, review the proposed appointment or removal of the Chief Constable;</li> <li>▪ Make reports or recommendations to the Commissioner as needed; and</li> <li>▪ Review the proposed appointment of the Deputy Commissioner and senior officer appointments.</li> </ul> <p>As stated previously, the PCP do not scrutinise the performance of the Force as this is the responsibility of the Commissioner.</p> <p>The meetings of the PCP are held in public and it has met 5 times during 2015/16.</p> <p>Statement of Accounts produced annually and subject to audit by WAO.</p> <ul style="list-style-type: none"> <li>▪ WAO report by exception on the AGS; and</li> <li>▪ WAO assess the arrangements for securing economy, efficiency and effectiveness in the use of resources.</li> </ul> <p>The Commissioner and Chief Constable jointly commission an Internal Audit service and have agreed the audit plan.</p> <p>A JAC has been appointed by the Commissioner and the Chief Constable which meets quarterly and this operates in line with guidance from CIPFA and the Financial Management Code of Practice.</p> <p>The Commissioner provides the PCP with any information which it may reasonably require (in compliance with Section 13 of the PRSRA).</p> <p>The Commissioner produces an</p>	

## Annual Governance Statement

<b>NOLAN PRINCIPLES</b>		
<b>Principle:</b>	<b>What we do:</b>	<b>Plan for 2017/18 :</b>
	<p>annual report in accordance with Section 12 of the PRSRA.</p> <p>The Commissioner and OPCC's engagement and consultation work is instrumental in determining priorities and decision making in certain quarters, e.g. police station opening, Commissioner's priorities, precept level, public engagement methods, etc. This ensures that the policing model is based on local need.</p>	
<p>5. Openness:</p> <p>The Commissioner, their Deputy and staff will be as open as possible about all decisions and action they take. Reasons will be made available and information only restricted when so required by the wider public interest.</p>	<p>The Commissioner's decisions are published on his website (unless there are specific reasons why a decision should be exempt).</p> <p>Compliance has been ensured with the 2011 &amp; 2012 Orders.</p> <p>Public consultation has been undertaken in 2015/16 by way of a comprehensive engagement strategy which includes:</p> <ul style="list-style-type: none"> <li>▪ A pre-planned series of public surgeries and walkabouts;</li> <li>▪ Victims Charter Focus Group work;</li> <li>▪ On-line Consultation with the public on policing priorities, estate provision and the precept ;</li> <li>▪ A Gwent wide Youth Forum set of consultations around policing and associated issues;</li> <li>▪ On-going Victim user satisfaction survey and focus activity to address matters raised in a timely manner;</li> <li>▪ Responses to and monitoring of complaints;</li> <li>▪ Wide use of social media including the OPCC website, Twitter, Facebook and OWL (Online Watch Link);</li> <li>▪ Press and TV articles and interviews;</li> <li>▪ A series of partnership and community organisation face to face meetings; and</li> <li>▪ Project specific engagement: Stop and Search.</li> </ul>	<p>Maintain good practice.</p>
<p>6. Honesty:</p> <p>The Commissioner, their Deputy and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any conflicts arising</p>	<p>Register is maintained of the Commissioner's disclosable interests in accordance with Schedule1 of the 2011 Order.</p> <p>All staff of the OPCC comply with the OPCC Business Interest Policy and as such disclose all business interests.</p>	<p>Annual reminders will be sent out in case personal circumstances have changed in respect of the disclosable interests.</p>

## Annual Governance Statement

<b>NOLAN PRINCIPLES</b>		
<b>Principle:</b>	<b>What we do:</b>	<b>Plan for 2017/18 :</b>
in a way that protects the public interest.		
7. Leadership:  The Commissioner, their Deputy and staff will promote and support these principles through leadership and by example.	Adoption of Nolan Principles in The Code.  Adherence to the College of Policing's Code of Ethics which has been publically adopted and includes Fairness and Respect.  Monthly meetings of the OPCC Executive Board.  Regular PDR Reviews.  Weekly meetings between the Commissioner and Chief Constable.  Weekly meetings between the Commissioner and Chief of Staff.  Weekly meetings of the senior officers of the OPCC.	Annual review of the MOCG.

### Significant Governance issues

As stated previously, the compilation of this AGS forms part of the wider review of the Commissioner's governance framework. In undertaking this review, the following significant governance issues have been identified:

- The appointment of a new Chief Constable in Gwent in June 2017.
- The management and focus of any changes resulting in the compilations of the PCP following the Local Government Elections in May 2017.
- Legislative or policy changes arising from the General Election in June 2016 or the progression of the Brexit negotiations.
- Capacity and capability of the OPCC to undertake a wider remit, particularly the governance of an expanding portfolio of collaborations both regionally (e.g. as a result of the review being undertaken on Enabling Departments within the four Welsh Forces) and nationally (e.g. National Police Air Service and the Police ICT Company).
- Impact of Welsh Government developed legislation, e.g. Wellbeing of Future Generations Act, Local Authority Reform, introduction of Welsh Language Standards, etc.
- The challenge presented by continued austerity and the potential funding formula review on our ability to maintain partnership working and service delivery. This may result in partners making short-term, arbitrary cuts to balance budgets and consequently losing the benefit of longer term preventative solutions. This is being managed through membership of the Staying Ahead Programme board and continued monitoring of the Force's devolved budget.
- Ensuring we meet the governance requirements of significant external grants, such as the Police Innovation Fund, Transformation Fund and the Ministry of Justice Victims' Grant.
- The management of any implications for the police service that may arise from the A19 legal process and other current pension challenges.
- The Force's Fully Integrated Resource Management System (FIRMS) programme looking at implementing a new integrated Duty Resource Management, HR, Payroll, Finance and Learning & Development systems remains a key improvement project which drives core services for the Force and OPCC.
- Early closing of year end accounts for 2018/19: the Commissioner and the Chief Constable will have to prepare their accounts by 31<sup>st</sup> May 2018 and the audit opinion from our external auditors has to be provided by 31<sup>st</sup> July 2018 (this is two months earlier than the current deadline).
- The challenges presented by the changes to the Emergency Service Network project, both in terms of timing and the impact upon our services.

## Annual Governance Statement

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These areas continue to be monitored through the existing governance and risk management structures within the OPCC and Force as outlined above, and as part of the ongoing work of Internal Audit. Action plans to successfully deliver these changes and mitigate these risks are being or have been implemented.

**Signed:**



**Jeff Cuthbert**  
**Police and Crime Commissioner for Gwent**  
**Date: 14<sup>th</sup> September 2017**



**Darren Garwood-Pask FCCA**  
**Chief Finance Officer**  
**Date: 14<sup>th</sup> September 2017**



**Sian Curley**  
**Chief of Staff (Monitoring Officer)**  
**Date: 14<sup>th</sup> September 2017**



### Comprehensive Income and Expenditure Statement (CIES) for the PCC Group for 2016/17

This statement shows the accounting cost in year to 31<sup>st</sup> March 2017, 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 regulations. The taxation position is shown in the Movement on Reserves Statement on page 33.

2015/16 Re-stated				Note	2016/17		
PCC Group					PCC Group		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000	
72,752	-	72,752	Police Officer Salaries and Allowances		62,725	-	62,725
23,951	-	23,951	Police Staff Salaries and Allowances		23,790	-	23,790
5,016	-	5,016	PCSO Salaries and Allowances		3,998	-	3,998
2,383	-	2,383	Police Officer Overtime and Enhancements		2,071	-	2,071
1,001	-	1,001	Police Staff Overtime and Enhancements		915	-	915
591	-	591	PCSO Overtime and Enhancements		435	-	435
2,997	-	2,997	Other Employee Related Costs		4,218	-	4,218
6,278	-	6,278	Premises Costs		12,543	-	12,543
3,764	-	3,764	Transport Costs		3,223	-	3,223
18,820	-	18,820	Supplies and Services		20,525	-	20,525
147	-	147	Major Incident Schemes		257	-	257
90	-	90	Proactive Operational Initiatives		144	-	144
-	(12,047)	(12,047)	Other Income		-	(11,779)	(11,779)
<b>137,790</b>	<b>(12,047)</b>	<b>125,743</b>	<b>Cost of Services</b>		<b>134,844</b>	<b>(11,779)</b>	<b>123,065</b>
1,171	(17,020)	(15,849)	Other Operating Expenditure	10	864	(17,505)	(16,641)
43,192	(223)	42,969	Financing, Investment Income & Expenditure	11	44,397	(852)	43,545
-	-	-	(Surplus)/Deficit on discontinued operations		-	-	-
-	(118,954)	(118,954)	Taxation and non-specific grant income	12	-	(120,647)	(120,647)
-	-	-	Intra group transfers		-	-	-
<b>182,153</b>	<b>(148,244)</b>	<b>33,909</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>180,105</b>	<b>(150,783)</b>	<b>29,322</b>
		149	(Surplus)/Deficit on the revaluation of non-current assets	20,24			(2,432)
		-	(Surplus)/Deficit on the revaluation of Available for Sale financial assets				-
		(127,759)	Actuarial (gains) / losses on pension assets / liabilities	41			264,888
		-	Intra group transfers				-
		<b>(127,610)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>262,456</b>
		<b>(93,701)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>291,778</b>

Comprehensive Income and Expenditure Statement (CIES) for the Police and Crime & Commissioner for 2016/17

2015/16 Re-stated					Note	2016/17			
PCC			Chief Constable			PCC			Chief Constable
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
£000	£000	£000	£000			£000	£000	£000	£000
-	-	-	72,752	Police Officer Salaries and Allowances	-	-	-	62,725	
1,246	-	1,246	22,706	Police Staff Salaries and Allowances	959	-	959	22,831	
-	-	-	5,016	PCSO Salaries and Allowances	-	-	-	3,998	
-	-	-	2,382	Police Officer Overtime and Enhancements	-	-	-	2,071	
-	-	-	1,001	Police Staff Overtime and Enhancements	-	-	-	915	
-	-	-	591	PCSO Overtime and Enhancements	-	-	-	435	
177	-	177	2,820	Other Employee Related Costs	23	-	23	4,195	
4	-	4	6,274	Premises Costs	7,143	-	7,143	5,400	
29	-	29	3,735	Transport Costs	23	-	23	3,200	
3,535	-	3,535	15,285	Supplies and Services	2,841	-	2,841	17,684	
-	-	-	147	Major Incident Schemes	-	-	-	257	
-	-	-	90	Proactive Operational Initiatives	-	-	-	144	
-	(12,047)	(12,047)	-	Other Income	-	(11,779)	(11,779)	-	
-	-	-	-	Intra Group Transfers	-	-	-	-	
<b>4,991</b>	<b>(12,047)</b>	<b>(7,056)</b>	<b>132,799</b>	<b>Cost of Services</b>	<b>10,989</b>	<b>(11,779)</b>	<b>(790)</b>	<b>123,855</b>	
1,171	(17,020)	(15,849)	-	Other Operating Expenditure	10	864	(17,505)	(16,641)	
824	(223)	601	42,368	Financing, Investment Income & Expenditure	11	2,278	(852)	1,426	
-	-	-	-	(Surplus)/Deficit on discontinued operations	-	-	-	-	
-	(118,954)	(118,954)	-	Taxation and non-specific grant income	12	-	(120,647)	(120,647)	
175,167	-	175,167	(175,167)	Intra group transfers	44	165,974	-	165,974	
<b>182,153</b>	<b>(148,244)</b>	<b>33,909</b>	-	<b>(Surplus)/Deficit on Provision of Services</b>		<b>180,105</b>	<b>(150,783)</b>	<b>29,322</b>	
		149	-	(Surplus)/Deficit on the revaluation of non-current assets	20,24			(2,432)	
		-	-	(Surplus)/Deficit on the revaluation of Available for Sale financial assets				-	
		18	(127,777)	Actuarial (gains) / losses on pension assets / liabilities	41		962	263,926	
		(127,777)	127,777	Intra group transfers	44		263,926	(263,926)	
		<b>(127,610)</b>	-	<b>Other Comprehensive Income and Expenditure</b>			<b>262,456</b>	-	
		<b>(93,701)</b>	-	<b>Total Comprehensive Income and Expenditure</b>			<b>291,778</b>	-	

### Movement in Reserve Statement for the PCC Group

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the PCC Group, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the PCC Group's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. It also includes other adjustments for accounting for collaboration and transfers to and from Earmarked Reserves. The figures reported in the CIES are different from the statutory amounts required to be charged to the General Police Fund balance for Council Tax setting purposes. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	Note	Usable Reserves					Unusable Reserves	Total Group Reserves
		Police Fund Balance	Earmarked Reserves	Capital Receipts	Capital Grants Unapplied	Total Usable Reserves		
		£000	£000	£000	£000	£000	£000	£000
<b>2016/17</b>								
Balance as at 1 April 2016		9,112	38,851	1,626	-	49,589	(1,165,674)	(1,116,085)
Total Comprehensive Income and Expenditure		(29,322)	-	-	-	(29,322)	(262,456)	(291,778)
Adjustments between accounting basis & funding basis under regulations	8	32,756	-	-	-	32,756	(32,756)	-
Collaboration restatement	40	(213)	-	-	-	(213)	-	(213)
Transfers to/(from) Earmarked Reserves	9	(1,428)	1,428	-	-	-	-	-
<b>Net Increase/(Decrease) In 2016/17</b>		<b>1,793</b>	<b>1,428</b>	<b>-</b>	<b>-</b>	<b>3,221</b>	<b>(295,212)</b>	<b>(291,991)</b>
<b>Balance as at 31 March 2017</b>		<b>10,905</b>	<b>40,279</b>	<b>1,626</b>	<b>-</b>	<b>52,810</b>	<b>(1,460,886)</b>	<b>(1,408,076)</b>

\*Further breakdown of the Unusable Reserves is presented in Note 24 and Earmarked Reserves are detailed in Note 9.

### Movement in Reserve Statement for the PCC Group

This table shows comparative figures for 2015/16.

	Note	Usable Reserves					Unusable Reserves	Total Group Reserves
		Police Fund Balance	Earmarked Reserves	Capital Receipts	Capital Grants Unapplied	Total Usable Reserves		
2015/16		£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2015		4,000	40,888	1,501	486	46,875	(1,256,718)	(1,209,843)
Total Comprehensive Income and Expenditure		(33,909)	-	-	-	(33,909)	127,610	93,701
Adjustments between accounting basis & funding basis under regulations	8	36,927	-	125	(486)	36,566	(36,566)	-
Collaboration restatement	40	57	-	-	-	57	-	57
Transfers to/(from) Earmarked Reserves	9	2,037	(2,037)	-	-	-	-	-
<b>Net Increase/(Decrease) In 2015/16</b>		<b>5,112</b>	<b>(2,037)</b>	<b>125</b>	<b>(486)</b>	<b>2,714</b>	<b>91,044</b>	<b>93,758</b>
<b>Balance as at 31 March 2016</b>		<b>9,112</b>	<b>38,851</b>	<b>1,626</b>	<b>-</b>	<b>49,589</b>	<b>(1,165,674)</b>	<b>(1,116,085)</b>

### Balance Sheet for the PCC Group

The Balance Sheet shows the value as at 31<sup>st</sup> March 2017 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.

PCC	PCC Group		Note	PCC	PCC Group
31 March	31 March			31 March	31 March
2016	2016			2017	2017
£000	£000			£000	£000
35,010	35,010	Property, Plant & Equipment	13	29,455	29,455
2,100	2,100	Intangible Assets	15	1,784	1,784
860	860	Assets Held For Sale	20	845	845
8	8	Long Term Debtors	16	11	11
<b>37,978</b>	<b>37,978</b>	<b>Total Long Term Assets</b>		<b>32,095</b>	<b>32,095</b>
46,046	46,046	Short Term Investments	16	46,034	46,034
-	408	Inventories	17	-	399
12,635	12,635	Short Term Debtors	16,18	11,029	11,029
15,141	15,141	Cash & Cash Equivalents	19	13,070	13,070
<b>73,822</b>	<b>74,230</b>	<b>Total Current Assets</b>		<b>70,133</b>	<b>70,532</b>
(196)	(196)	Short Term Borrowing	16	-	-
(8,929)	(22,025)	Short Term Creditors	16,21	(6,791)	(18,572)
(1,088)	(1,088)	Short Term Provisions	22	(1,368)	(1,368)
(88)	(88)	Receipts in Advance	33	(6)	(6)
(12,688)	-	Intra Group Adjustment	44	(11,382)	-
<b>(22,989)</b>	<b>(23,397)</b>	<b>Total Current Liabilities</b>		<b>(19,547)</b>	<b>(19,946)</b>
(1,193,967)	-	Long Term Creditors	21	(1,483,548)	-
(4,744)	(4,744)	Long Term Borrowing	16	-	-
(1,397)	(1,195,364)	Net Pension Liability	24,41	(2,457)	(1,486,005)
(4,788)	(4,788)	Finance Lease Liability	16,37	(4,752)	(4,752)
<b>(1,204,896)</b>	<b>(1,204,896)</b>	<b>Total Long Term Liabilities</b>		<b>(1,490,757)</b>	<b>(1,490,757)</b>
<b>(1,116,085)</b>	<b>(1,116,085)</b>	<b>Net Assets/Liabilities</b>		<b>(1,408,076)</b>	<b>(1,408,076)</b>
		Financed by:			
49,589	49,589	Usable Reserves	9,23	52,810	52,810
(1,165,674)	(1,165,674)	Unusable Reserves	24	(1,460,886)	(1,460,886)
<b>(1,116,085)</b>	<b>(1,116,085)</b>	<b>Total Reserves</b>		<b>(1,408,076)</b>	<b>(1,408,076)</b>

### Cash Flow Statement for the PCC Group

The 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).

2015/16 £000		Note	2016/17 £000
(33,909)	Net Surplus/(Deficit) on the provision of services		(29,322)
45,381	Adjustments to surplus or deficit on the provision of services for non-cash movements	25	34,674
(1,306)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing	25	(1,048)
<b>10,166</b>	<b>Net Cash flows from Operating Activities</b>	25	<b>4,304</b>
(5,737)	Net Cash flows from investing activities	26	(1,224)
(332)	Net Cash flows from financing activities	27	(5,151)
<b>4,097</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(2,071)</b>
11,044	Cash and cash equivalents at the beginning of the reporting period		15,141
<b>15,141</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>13,070</b>

## Police Pensions Account

The Police Pension Fund Account at the 31<sup>st</sup> March 2017 is detailed below.

2015/16 £000		2016/17 £000
	<b>Contributions Receivable:</b>	
(10,528)	Employer Contributions	(10,082)
(1,463)	Injury Pensions including Gratuities Paid	(1,743)
(1,148)	Early Retirements (Capital Equivalent Charges)	(1,276)
(2,481)	Un-authorized Backdated Lump Sum Tax Payments (Home Office funding)	-
(62)	Transfers in from other Schemes	(440)
(6,007)	Members Contributions	(5,716)
<b>(21,689)</b>	<b>Net Income</b>	<b>(19,257)</b>
	<b>Benefits Payable:</b>	
27,069	Pensions Paid	28,336
8,483	Lump Sum Benefits	8,273
2,481	Un-authorized Backdated Lump Sum Tax Payments	-
-	- Lump Sum Death Benefits	75
245	Transfers out to other Schemes	-
<b>38,278</b>	<b>Net Expenditure</b>	<b>36,684</b>
<b>16,589</b>	<b>Net Amount Payable for the Year</b>	<b>17,427</b>
(16,589)	Additional Contribution from the Police & Crime Commissioner	(17,427)
-	<b>(Surplus)/Deficit on Fund</b>	-

The Police Pension Fund Account Net Assets at the 31<sup>st</sup> March 2017 are:

31 March 2016 £000		31 March 2017 £000
	<b>Current Assets:</b>	
1,999	Prepaid Pension Benefits	2,121
8,087	Funding to meet deficit due from Police & Crime Commissioner/Home Office	6,467
-	- Recovery of Pension Benefits	-
	<b>Current Liabilities:</b>	
-	- Provision for Backdated Lump Sums	-
(9,625)	Overdrawn Pension Cash Position	(8,407)
(461)	Unpaid Pension Benefits	(181)
-	<b>Total</b>	-

### Notes to the Police Pension Fund Account

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 31<sup>st</sup> March 2017. However these are presented on the Balance Sheet under Net Pension Liability with detailed disclosures in Note 41, Defined Benefit Pension Schemes.

**Index of Explanatory Notes to the Core Financial Statements**

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### Notes to the Financial Statements for the PCC Group

This set of notes represents the consolidated notes for the Statement of Accounts for 2016/17.

#### 1. Accounting Policies

##### 1.1 General Principles

The Statement of Accounts summarises the PCC Group's transactions for the 2016/17 financial year and its position at the year-end of 31<sup>st</sup> March 2017. The PCC Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, 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 2016/17 and the CIPFA Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. 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 non-current assets are included within the Chief Constable's Net Cost of Services. These charges are then transferred to the PCC via an intra-group funding adjustment.

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 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 employees, 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 2016/17 Financial Statements. This IRFS 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

## Notes to the Financial Statements

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' has resulted in amendments to IAS 1 Presentation of Financial Statements.

The amendments have removed the requirement to analyse expenditure and income (the Net Cost of Police Services) in line with Service Reporting Code of Practice (SerCOP). In addition the requirement to re-allocate support services and overheads across CIPFA's mandatory SerCOP categories of policing activities was also removed.

The result is that for 2016/17, 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 authority's arrangements for accountability and financial performance. The 2015/16 Comprehensive Income and Expenditure Account, which was prepared on the SERCOP basis has been re-stated for comparability.

### 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 eg. 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. 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 1<sup>st</sup> 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 Groups 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;

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- (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 has 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 has been set up to hold initial funding 'surpluses' and provide for future funding shortfalls.

### **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.

## **2. Accounting Standards that have been issued but not yet adopted**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 2016/17 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.

The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- (i) Amendment to the reporting of pension fund scheme transaction costs
- (ii) Amendment to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code)

It is anticipated that details of the disclosures required for these changes will be included in the Code of Practice and guidance notes to be issued for 2017/18 and applied accordingly in the 2017/18 Statements.

In addition there are a number of new accounting standards that have not yet been issued but will significantly impact financial reporting in future years. These include:

- (i) IFRS 9 – Financial Instruments, due to be issued in January 2018 and adopted in the 2018/19 Code;

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- (ii) IFRS 15 – Revenue from Contracts with Suppliers, due to be issued in January 2018 and adopted in the 2018/19 Code; and
- (iii) IFRS 16 – Leases, due to be issued in January 2019 and adopted in the 2019/20 Code.

### 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.

### 4. Assumptions made about the 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 31<sup>st</sup> March 2017 for which there is a significant risk, of material adjustments in the forthcoming financial year are as follows:

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 £1.273m 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 £18.2m 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 £35.7m.</p> <p>However, the assumptions interact in complex and sensitive ways. During 2016/17, GAD advised that the net pensions' liability had increased by £251.2m due to changes in financial assumptions used. In the previous financial year the net pension liability decreased as a result of losses of £136.1m 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>



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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £22,000 increase in the estimated liability.
Arrears	At 31st March 2017, the PCC Group had a balance of Sundry Debtors of £1.017m. 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 £13,000 was required.	A 1% increase in the average amount of debts requiring write off would require an increase in the bad debt provision at 31 <sup>st</sup> March 2017 of £16,000.

This table does not include assets and liabilities that are carried at fair value based on recently observed market price.

### 5. Material items of Income & Expenditure

During 2016/17 the following material items of expenditure were reported.

	2016/17
	£000
LGPS deficit recovery contribution	2,000
Repayment of principal debt - cash	4,825
Repayment of principal debt - premium	1,519
	<b>8,344</b>

The Greater Gwent (Torfaen) Pension Fund (Local Government Pension Scheme) deficit recovery contribution was a payment towards achieving a fully funded Staff pension fund position within 23 years. The payment was approved by the Commissioner and transacted on 31<sup>st</sup> March 2017 following an assessment of Value for Money and based on grounds of affordability. The payment is included within Police Staff Salaries and Allowances in the CIES for the PCC Group.

During 2016/17 repayment of all principal debt amounts was made. This included payments to the Public Works Loan Board (PWLB) and Newport City Council of £4.260m and £0.565m respectively. These items were cash transactions and only impacted the PCC Group Balance Sheet. Early settlement costs of £1.435m and £0.084m were incurred with respect to these transactions and are included within Financing, Investment Income and Expenditure in the CIES. The repayment of the historic debts was approved by the Commissioner and transacted on 31 March 2017 following an assessment of Value for Money and based on grounds of affordability.

### 6. Events after the Balance Sheet date

Events taking place after 31 March 2017 are not reflected in the Financial Statements or Notes.

On the 12<sup>th</sup> April 2017, Chief Constable Farrar announced his retirement from Gwent Police effective from 30<sup>th</sup> June 2017. The appointment process for the new Chief Constable includes the interviews on 6th June 2017 with consideration by the Police & Crime Panel later in the month.

On the 18<sup>th</sup> April 2017 Prime Minister Rt Hon Theresa May announced plans to call a snap general election on the 8<sup>th</sup> June. The General Election will return a new parliament which will implement the manifesto of the main party. The impact will only emerge following the election on 8th June 2017.

Wales Interpretation and Translation Service (WITS) provision has been hosted by Gwent Police since 2007 on behalf of other public sector partners. The service is planned to transfer to Cardiff City Council on the 1<sup>st</sup> July 2017 supported by a new Memorandum of Understanding. Gwent Police will transfer financial balances following an audit of the finances of the service during the summer 2017 and will remain a member of the collaborative partnership.

## Notes to the Financial Statements

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The Shared Resource Service (SRS) delivers the ICT provision to Gwent Police and includes a partnership of Gwent Public sector bodies. From 1 April 2017 Newport City Council joined the collaboration.

The new Police Headquarters (HQ) development is progressing through a HQ Project Board which meets on a monthly basis. The planned date for completion of the new build is July 2019 with the subsequent demolition of the current Headquarters by July 2020. A capital budget of £16.0m is projected to cover the build, IT and furnishings as well as the cost of de-commissioning the current HQ.

## Notes to the Financial Statements

### 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 30.

2015/16				2016/17			
Net Exp Chg to the General Fund	Adjustments between Funding and Accounting Basis	Other Disclosure Adjustments	Net Expenditure in the Comprehensive Income and Expenditure	Net Exp Chg to the General Fund	Adjustments between Funding and Accounting Basis	Other Disclosure Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000	£000	£000
63,525	33,865	(24,638)	72,752	61,473	25,305	(23,452)	63,326
22,865	2,730	(1,644)	23,951	25,074	584	(1,821)	23,837
5,016	-	-	5,016	3,998	-	-	3,998
2,383	-	-	2,383	2,071	-	-	2,071
1,001	-	-	1,001	915	-	-	915
591	-	-	591	435	-	-	435
2,997	-	-	2,997	3,570	-	-	3,570
5,109	1,930	(761)	6,278	5,309	7,731	(497)	12,543
2,600	1,164	-	3,764	2,281	942	-	3,223
17,608	1,170	42	18,820	20,130	1,423	(1,029)	20,524
147	-	-	147	257	-	-	257
90	-	-	90	145	-	-	145
887	-	(887)	-	803	-	(803)	-
1,616	(1,315)	(301)	-	3,202	(1,412)	(1,790)	-
-	-	-	-	-	-	-	-
<b>126,435</b>	<b>39,544</b>	<b>(28,189)</b>	<b>137,790</b>	<b>129,663</b>	<b>34,573</b>	<b>(29,392)</b>	<b>134,844</b>
(223)	-	223	-	(256)	-	256	-
(12,821)	(125)	899	(12,047)	(13,360)	-	1,581	(11,779)
<b>113,391</b>	<b>39,419</b>	<b>(27,067)</b>	<b>125,743</b>	<b>116,047</b>	<b>34,573</b>	<b>(27,555)</b>	<b>123,065</b>
1,947	(1,311)	(636)	-	4,172	(692)	(3,480)	-
<b>115,338</b>	<b>38,108</b>	<b>(27,703)</b>	<b>125,743</b>	<b>120,219</b>	<b>33,881</b>	<b>(31,035)</b>	<b>123,065</b>
<b>Net Expenditure after Transfers / Net Cost of Service</b>				<b>Net Expenditure after Transfers / Net Cost of Service</b>			
(121,324)	(1,181)	122,505	-	(122,768)	(1,126)	123,894	-
(15,849)			(15,849)	(16,641)	-	-	(16,641)
42,969			42,969	43,545	-	-	43,545
(118,954)			(118,954)	(120,647)	-	-	(120,647)
<b>(97,820)</b>	<b>36,927</b>	<b>94,802</b>	<b>33,909</b>	<b>(96,292)</b>	<b>32,755</b>	<b>92,859</b>	<b>29,322</b>
(46,514)				(49,589)			
2,911				(1,428)			
(5,986)				(1,793)			
<b>(49,589)</b>				<b>(52,810)</b>			
<b>Closing General Fund and Useable Reserve Balance at 31 March</b>				<b>Closing General Fund and Useable Reserve Balance at 31 March</b>			

7. Expenditure and Funding Analysis (cont.)

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.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2016/17			
	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Police Officer Salaries and Allowances	-	25,200	105	25,305
Police Staff Salaries and Allowances	-	553	31	584
Premises Costs	7,731	-	-	7,731
Transport Costs	942	-	-	942
Supplies and Services	1,423	-	-	1,423
Capital Charges	(1,412)	-	-	(1,412)
<b>Net Cost of Services</b>	<b>8,684</b>	<b>25,753</b>	<b>136</b>	<b>34,573</b>
Other Income	-	-	-	-
<b>Net Expenditure before Transfers</b>	<b>8,684</b>	<b>25,753</b>	<b>136</b>	<b>34,573</b>
Previously Approved Transfers to Reserves	(692)	-	-	(692)
<b>Net Expenditure after Transfers</b>	<b>7,992</b>	<b>25,753</b>	<b>136</b>	<b>33,881</b>
Funding and Specific Grant Income	(1,126)	-	-	(1,126)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>6,866</b>	<b>25,753</b>	<b>136</b>	<b>32,755</b>

Comparative figures for 2015/16:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2015/16			
	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Police Officer Salaries and Allowances	-	33,180	685	33,865
Police Staff Salaries and Allowances	-	2,840	(110)	2,730
Premises Costs	1,930	-	-	1,930
Transport Costs	1,164	-	-	1,164
Supplies and Services	1,170	-	-	1,170
Capital Charges	(1,315)	-	-	(1,315)
<b>Net Cost of Services</b>	<b>2,949</b>	<b>36,020</b>	<b>575</b>	<b>39,544</b>
Other Income	(125)	-	-	(125)
<b>Net Expenditure before Transfers</b>	<b>2,824</b>	<b>36,020</b>	<b>575</b>	<b>39,419</b>
Previously Approved Transfers to Reserves	(1,311)	-	-	(1,311)
<b>Net Expenditure after Transfers</b>	<b>1,513</b>	<b>36,020</b>	<b>575</b>	<b>38,108</b>
Funding and Specific Grant Income	(1,181)	-	-	(1,181)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>332</b>	<b>36,020</b>	<b>575</b>	<b>36,927</b>

### 8. Adjustments between the 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.

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>2016/17</b>				
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation of non-current assets	2,367	-	-	(2,367)
Charges for impairment of non-current assets	-	-	-	-
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	61	-	-	(61)
Revaluation (gains)/losses on Property, Plant and Equipment	7,137	-	-	(7,137)
Amortisation of intangible assets	743	-	-	(743)
Impairment losses on intangible assets	-	-	-	-
Capital grants and contributions applied	(1,126)	-	-	1,126
Finance lease liability write down	(211)	-	-	211
<b>Insertion of Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(1,412)	-	-	1,412
Capital expenditure charged to the General Fund	(692)	-	-	692
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	25,753	-	-	(25,753)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	136	-	-	(136)
<b>Total Adjustments</b>	<b>32,756</b>	<b>-</b>	<b>-</b>	<b>(32,756)</b>

## Adjustments between the Accounting Basis and Funding Basis under Regulations (cont.)

This table shows comparative figures for 2015/16.

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>2015/16</b>				
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation of non-current assets	2,381	-	-	(2,381)
Charges for impairment of non-current assets	363	-	-	(363)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	284	-	-	(284)
Revaluation losses on Property, Plant and Equipment	1,116	-	-	(1,116)
Amortisation of intangible assets	630	-	-	(630)
Impairment losses on intangible assets	-	-	-	-
Capital grants and contributions applied	(1,181)	-	-	1,181
Finance lease liability write down	(170)	-	-	170
<b>Insertion of Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>				
Statutory & voluntary provision for the financing of capital investment	(1,315)	-	-	1,315
Capital expenditure charged to the General Fund	(1,651)	-	-	1,651
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(486)	486
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(125)	125	-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	36,020	-	-	(36,020)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	575	-	-	(575)
<b>Total Adjustments</b>	<b>36,927</b>	<b>125</b>	<b>(486)</b>	<b>(36,566)</b>

9. Transfers to/from Earmarked Reserve

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 2016/17.

	Balance 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance 31 March 2017 £000
<b>General Police Fund</b>	4,000	-	5,112	9,112	-	1,793	10,905
<b>Earmarked Reserves</b>							
Speed Awareness	63	-	-	63	-	-	63
PFI - Investment	11,128	(1,585)	2,004	11,547	(1,671)	2,044	11,920
Future Budgetary Balance	4,379	-	-	4,379	-	-	4,379
Debt Repayment	1,187	(1,187)	-	-	-	-	-
Staying Ahead Team	2,079	(425)	-	1,654	(41)	-	1,613
PCC Commissioning Strategy	1,504	(136)	134	1,502	(297)	140	1,345
PCC Drug Intervention Programme	168	-	-	168	-	-	168
Workstream Specific	511	(5)	34	540	-	1,446	1,986
Pending Legal Cases	386	(237)	-	149	-	-	149
Proceeds of Crime Act	331	(21)	-	310	(124)	158	344
Third Party Funds	204	-	16	220	(6)	103	317
Victim Services Commissioning	148	-	33	181	-	40	221
Innovation Fund	-	-	56	56	(53)	-	3
Unspent Revenue Grants	109	(7)	270	372	(147)	31	256
Police HQ and Capital Replacement	16,030	(1,311)	-	14,719	(1,114)	-	13,605
Airwave	1,500	-	330	1,830	-	341	2,171
Earmarked Capital Reserve	1,161	-	-	1,161	-	578	1,739
<b>Revenue Earmarked Reserves</b>	<b>40,888</b>	<b>(4,914)</b>	<b>2,877</b>	<b>38,851</b>	<b>(3,453)</b>	<b>4,881</b>	<b>40,279</b>
Capital Grant and Capital Receipts	1,987	(486)	125	1,626	-	-	1,626
<b>Total Earmarked Reserves</b>	<b>42,875</b>	<b>(5,400)</b>	<b>3,002</b>	<b>40,477</b>	<b>(3,453)</b>	<b>4,881</b>	<b>41,905</b>
<b>Total Useable Reserves</b>	<b>46,875</b>	<b>(5,400)</b>	<b>8,114</b>	<b>49,589</b>	<b>(3,453)</b>	<b>6,674</b>	<b>52,810</b>

## Notes to the Financial Statements

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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.

### **Future Budgetary Balance Reserve**

This will be utilised to ensure that the PCC is able to set a balanced budget between 2018/19 and 2021/22 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.

### **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 will fund the costs of this team between 2016/17 and 2017/18.

### **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.

### **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 2019/20 to acquire new accommodation. This fund is also used to fund the other capital replacement requirements of the group.

### **Airwave 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.



### 10. Other Operating Income and 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 31<sup>st</sup> March 2017. These are all items which could not be allocated or apportioned to service areas.

2015/16 £000		2016/17 £000
887	Levies	803
(147)	(Gain)/losses on the disposal of non-current assets	(17)
(16,589)	Police Pension Top Up Grant	(17,427)
<b>(15,849)</b>	<b>Total</b>	<b>(16,641)</b>

### 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).

PCC	PCC Group		PCC	PCC Group
2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
778	778	Interest payable and similar charges	2,226	2,226
46	42,414	Pension interest cost and expected return on pension assets	52	42,171
-	-	Revenue Financing of Capital Projects	(596)	(596)
(223)	(223)	Interest receivable and similar income	(256)	(256)
<b>601</b>	<b>42,969</b>	<b>Total</b>	<b>1,426</b>	<b>43,545</b>

### 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.

2015/16 £000		2016/17 £000
(1,181)	Capital Grant & Contributions	(1,108)
(44,857)	Council Tax Precept	(47,039)
(12,418)	Non-Domestic Rates	(9,063)
(43,220)	Police Grant	(42,393)
(17,278)	Revenue Support Grant	(21,044)
<b>(118,954)</b>	<b>Total</b>	<b>(120,647)</b>

13. Property, Plant and Equipment

Movement on Property, Plant and Equipment balances during 2016/17.

	Property, Plant & Equipment				
	Operational Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Non-Operational / Surplus Assets £000	Total Property, Plant & Equipment £000	PFI Assets included in PP&E £000
<b>Cost or valuation</b>					
<b>At 1 April 2016</b>	<b>43,137</b>	<b>17,315</b>	<b>825</b>	<b>61,277</b>	<b>6,046</b>
Additions	91	1,474	-	1,565	175
Revaluation increases/(decreases) to the Revaluation Reserve	2,463	-	2	2,465	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,859)	-	18	(6,841)	-
Disposals	-	(377)	-	(377)	-
Write back of accumulated depreciation in respect of revalued assets	(12,805)	-	-	(12,805)	(403)
Assets Reclassified (to)/from Held for Sale	-	-	235	235	-
Assets Reclassified to/(from) Non-Operational or Surplus Assets	-	-	(830)	(830)	-
<b>At 31 March 2017</b>	<b>26,027</b>	<b>18,412</b>	<b>250</b>	<b>44,689</b>	<b>5,818</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2016</b>	<b>(12,002)</b>	<b>(13,988)</b>	<b>(277)</b>	<b>(26,267)</b>	<b>(827)</b>
Depreciation charge	(803)	(1,561)	(3)	(2,367)	(119)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-
Write back of accumulated depreciation in respect of revalued assets	12,805	-	-	12,805	946
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Disposals	-	316	-	316	-
De-recognition - disposals	-	-	-	-	-
Depreciation and impairment of assets re-classified (to)/from Non-Operational or Surplus Assets	-	-	315	315	-
Depreciation and impairment of assets re-classified to/(from) Held for Sale	-	-	(35)	(35)	-
<b>At 31 March 2017</b>	<b>0</b>	<b>(15,233)</b>	<b>0</b>	<b>(15,233)</b>	<b>0</b>
<b>Net Book Value</b>					
<b>At 31 March 2017</b>	<b>26,027</b>	<b>3,179</b>	<b>250</b>	<b>29,456</b>	<b>5,818</b>

## Notes to the Financial Statements

Comparative movements on Property, Plant and Equipment balances during 2015/16.

	Property, Plant & Equipment				
	Operational Land & Buildings	Vehicles, Plant, Furniture & Equipment	Non- Operational / Surplus Assets	Total Property, Plant & Equipment	PFI Assets included in PP&E
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
<b>At 1 April 2015</b>	<b>45,998</b>	<b>18,153</b>	<b>593</b>	<b>64,744</b>	<b>5,997</b>
Additions	-	1,622	-	1,622	48
Revaluation increases/(decreases) to the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Disposals	-	(1,845)	-	(1,845)	-
De-recognition - disposals	(228)	(615)	-	(843)	-
Assets Reclassified (to)/from Held for Sale	(1,848)	-	(553)	(2,401)	-
Assets Reclassified to/(from) Non-Operational or Surplus Assets	(785)	-	785	-	-
<b>At 31 March 2016</b>	<b>43,137</b>	<b>17,315</b>	<b>825</b>	<b>61,277</b>	<b>6,045</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2015</b>	<b>(11,867)</b>	<b>(14,403)</b>	<b>(59)</b>	<b>(26,329)</b>	<b>(737)</b>
Depreciation charge	(801)	(1,522)	(57)	(2,380)	(90)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	(363)	-	(363)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Disposals	-	1,696	-	1,696	-
De-recognition - disposals	228	604	-	832	-
Depreciation and impairment of assets re-classified (to)/from Non-Operational or Surplus Assets	213	-	(213)	-	-
Depreciation and impairment of assets re-classified to/(from) Held for Sale	225	-	52	277	-
<b>At 31 March 2016</b>	<b>(12,002)</b>	<b>(13,988)</b>	<b>(277)</b>	<b>(26,267)</b>	<b>(827)</b>
<b>Net Book Value</b>					
<b>At 31 March 2016</b>	<b>31,135</b>	<b>3,327</b>	<b>548</b>	<b>35,010</b>	<b>5,218</b>

### Capital Commitments

Significant commitments relate to the on-going development of the new Enterprise Resource Planning System (approx. £2.5m), additional work on the new Command and Control System (£0.263m) and the annual recurring refresh of the Force's fleet of vehicles (£0.700m).

The new Headquarters (HQ) development is progressing through a HQ Project Board which meets on a monthly basis. The planned date for completion of the new build is July 2019 with the subsequent demolition of the current Headquarters by July 2020. A total capital budget of £16.0m is projected to cover the build, IT and furnishings as well as the cost of de-commissioning the current HQ.

### Revaluations

Land and buildings were re-valued at 31<sup>st</sup> March 2017 by Cooke and Arkwright. The report was prepared as defined in the Royal Institute of Chartered Surveyors (RICS) Valuation Standards.

The asset valuers responsible for the report were Elizabeth Hill, BSc, MRICS, Director and Alan Jones BSc, MRICS, Associate. The valuation was overseen by Andrew Gardner, BSc, FRICS, Director. All Directors are Chartered Surveyors.

The basis of the valuation was either:

- (i) Current value using Existing Use Value;
- (ii) Current value using Depreciated Replacement Cost;
- (iii) Fair Value; or
- (iv) Market Value for an alternative use.

A summary of the valuation basis applied is detailed below:

Asset Category	Existing Use Value	Depreciated Replacement	Fair Value	Total
Operational	31	2	-	33
Non-Operational	-	-	3	3
Held for Sale	-	-	3	3
	<b>31</b>	<b>2</b>	<b>6</b>	<b>39</b>

The valuation of land and buildings has been classified into three levels for fair value purposes, according to the quality and reliability of information used to determine the 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.

Asset Category		Level 1	Level 2	Level 3	Total
Operational	Buildings	-	5,466	16,734	22,200
	Land	-	3,014	806	3,820
Non-Operational	Buildings	-	225	-	225
	Land	-	25	-	25
Held for Sale	Buildings	-	718	-	718
	Land	-	127	-	127
		-	<b>9,575</b>	<b>17,540</b>	<b>27,115</b>

The result of the re-valuation exercise saw gains of £3.302m and losses of £8.117m resulting in a net loss of £4.815m.

Vehicles and other operating assets (tangible and intangible) are valued at historical cost.

### 14. Investment Properties, Community Assets and Heritage Assets

The PCC Group holds no investment properties, Community Assets or Heritage Assets.

### 15. 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 and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the 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 £0.743m (2015/16: £0.630m) and impairment of £0 (2015/16: £0) was charged to the CIES during 2016/17. 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 2016/17 with comparatives for 2015/16 was:

	2015/16			2016/17		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
<b>Balance at start of year:</b>						
Gross carrying amounts	-	4,728	4,728	-	5,986	5,986
Accumulated amortisation	-	(3,257)	(3,257)	-	(3,886)	(3,886)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-
<b>Net carrying amount at start of year</b>	<b>-</b>	<b>1,471</b>	<b>1,471</b>	<b>-</b>	<b>2,100</b>	<b>2,100</b>
<b>Additions:</b>						
Internal development	-	-	-	-	-	-
Purchases	-	1,259	1,259	-	427	427
Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Amortisation for the period	-	(630)	(630)	-	(743)	(743)
Other changes (de-recognition)	-	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>2,100</b>	<b>2,100</b>	<b>-</b>	<b>1,784</b>	<b>1,784</b>
<b>Comprising:</b>						
Gross carrying amounts	-	5,986	5,986	-	6,414	6,414
Accumulated amortisation	-	(3,886)	(3,886)	-	(4,630)	(4,630)
<b>Total</b>	<b>-</b>	<b>2,100</b>	<b>2,100</b>	<b>-</b>	<b>1,784</b>	<b>1,784</b>

## 16. Financial Instruments

### Financial Instrument Balances

The following categories of financial instrument are carried in the Balance Sheet at 31<sup>st</sup> March 2017:

	Long-term		Current	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
<b>Investments and Debtors</b>				
Investments (Principal)	-	-	37,000	36,000
Investments (Amortised)	-	-	37,040	36,032
Money Market Loans (Principal)	-	-	9,000	10,000
Money Market Loans (Amortised)	-	-	9,006	10,002
Debtors including Trade (Principal)	8	11	12,635	11,029
Debtors including Trade (Amortised)	8	11	12,635	11,029
Available for sale financial assets	-	-	-	-
Financial assets at fair value through the Comprehensive Income and Expenditure Statement	-	-	-	-
<b>Total Investments and Debtors (Principal)</b>	<b>8</b>	<b>11</b>	<b>58,635</b>	<b>57,029</b>
<b>Total Investments and Debtors (Amortised)</b>	<b>8</b>	<b>11</b>	<b>58,681</b>	<b>57,063</b>
<b>Borrowings and Creditors</b>				
PWLB debt (Principal)	4,260	-	-	-
PWLB debt (Amortised)	4,260	-	34	-
Newport CC debt (Principal)	484	-	162	-
Newport CC debt (Amortised)	484	-	162	-
Creditors including Trade (Principal)	-	-	22,025	18,572
Creditors including Trade (Amortised)	-	-	22,025	18,572
Finance Lease Liability	4,788	4,752	-	-
Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement	-	-	-	-
<b>Total Borrowing and Creditors (Principal)</b>	<b>4,744</b>	<b>-</b>	<b>22,187</b>	<b>18,572</b>
<b>Total Borrowing and Creditors (Amortised)</b>	<b>9,532</b>	<b>4,752</b>	<b>22,221</b>	<b>18,572</b>

### 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:

	2015/16			2016/17		
	Financial Liabilities at amortised cost £000	Financial Assets: loans and receivables £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: loans and receivables £000	Total £000
Interest expense	(301)	-	(301)	(1,790)	-	(1,790)
Total expense in Surplus or Deficit on the Provision of Services	(301)	-	(301)	(1,790)	-	(1,790)
Interest income	-	223	223	-	256	256
Total income in Surplus or Deficit on the Provision of Services	-	223	223	-	256	256
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-	-
<b>Net gain/(loss) for the year</b>	<b>(301)</b>	<b>223</b>	<b>(78)</b>	<b>(1,790)</b>	<b>256</b>	<b>(1,534)</b>

### 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) For loans from the PWLB and other loans payable, premature repayments rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- (ii) 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 or the billed amount; and
- (iii) 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 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial liabilities</b>				
PWLB debt	4,294	5,769	-	-
Newport CC debt	646	710	-	-
Finance lease liability	4,788	4,788	4,752	4,752
Short-term creditors	22,025	22,025	18,572	18,572
<b>Total Financial Liabilities</b>	<b>31,753</b>	<b>33,292</b>	<b>23,324</b>	<b>23,324</b>

	31 March 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
Investments and money market loans	46,046	46,051	46,034	46,039
Short-term debtors	12,635	12,635	11,029	11,029
<b>Total Financial Assets</b>	<b>58,681</b>	<b>58,686</b>	<b>57,063</b>	<b>57,068</b>

## Notes to the Financial Statements

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 financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and also includes accrued interest. The fair values for non-PWLB debt, has also been calculated using the same procedures and interest rates as this provides a sound approximation for fair value for these instruments.

The fair value of Public Works Loan Board (PWLB) loans of £0 (2015/16: £5.769m) measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

During 2016/17 the PWLB and Newport CC debt was repaid in full following an assessment of Value for Money and based on grounds of affordability. The exit price for the PWLB loans including the penalty charge comprised of £4.260m principal, £0.034m accrued interest and a Premium of £1.435m, totalling £5.729m. For the Newport CC loans the amounts were £0.565m principal and interest penalty of £0.084m.

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.

- (iv) Level 1 – quoted prices;
- (v) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- (vi) 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 2017		
	Level 1 £000	Level 2 £000	Level 3 £000
<b>Financial liabilities</b>			
PWLB debt	-	-	-
Newport CC debt	-	-	-
Finance lease liability	-	4,752	-
<b>Total Financial Liabilities</b>	-	<b>4,752</b>	-
<b>Financial Assets</b>			
Investments and money market loans	-	46,039	-
<b>Total Financial Assets</b>	-	<b>46,039</b>	-



## Notes to the Financial Statements

Comparatives balances at 31<sup>st</sup> March 2016 are detailed in the table below.

	Fair Value Hierarchy 31 March 2016		
	Level 1 £000	Level 2 £000	Level 3 £000
<b>Financial liabilities</b>			
PWLB debt	-	5,769	-
Newport CC debt	-	710	-
Finance lease liability	-	-	4,788
<b>Total Financial Liabilities</b>	<b>-</b>	<b>6,479</b>	<b>4,788</b>
<b>Financial Assets</b>			
Investments and money market loans	-	46,051	-
<b>Total Financial Assets</b>	<b>-</b>	<b>46,051</b>	<b>-</b>

### 17. Inventories

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

	Balance at 1 April 2016 £000	Purchases £000	Issues £000	Other adjustments £000	Balance at 31 March 2017 £000
<b>PCC Group</b>					
Consumable Stores	340	148	(157)	-	331
Maintenance Materials	68	-	-	-	68
<b>Total</b>	<b>408</b>	<b>148</b>	<b>(157)</b>	<b>-</b>	<b>399</b>

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

### 18. Short-Term Debtors

The Short-Term Debtor balances carried by the PCC Group at 31<sup>st</sup> March 2017 are:

31 March 2016 £000		31 March 2017 £000
10,397	Central Government Bodies	8,644
1,531	Other Police Forces and Local Authorities	1,990
264	NHS Bodies	109
6	Public Corporations and Trading Funds	-
437	Other Entities and Individuals	286
<b>12,635</b>	<b>Total</b>	<b>11,029</b>

### 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 £8.431m 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 2016 £000	31 March 2017 £000
21 Cash held by the Group	71
12,118 Bank Current Accounts	8,488
3,002 Bank Savings Accounts	4,511
<b>15,141 Total</b>	<b>13,070</b>

### 20. Assets Held for Sale

These represent Non-current Assets Held for Sale as at the 31<sup>st</sup> March 2017. The carrying amount of assets held for sale at the balance sheet date, were re-valued at fair value.

	Current	
	2015/16 £000	2016/17 £000
<b>Balance outstanding at start of year</b>	<b>125</b>	<b>860</b>
Assets newly classified as held for sale	2,125	515
Revaluation gains	65	110
Revaluation losses	(1,330)	(440)
Impairment losses	-	-
Assets declassified as held for sale	-	(200)
Assets sold in the year	(125)	-
Transfer from non-current to current	-	-
Other Movements	-	-
<b>Balance outstanding at year-end</b>	<b>860</b>	<b>845</b>

During the year Abertillery Police Station was newly classified as held for sale leaving 3 properties including Newbridge Police Station and Abergavenny Police Station as held for sale as at the 31<sup>st</sup> March 2017. The status of these properties is as follows:

- (i) Newbridge Police Station. Offer accepted of £0.165m which has been approved by the District Valuer;
- (ii) Abergavenny Police Station. Offer accepted of £0.605m which has been approved by the District Valuer; and
- (iii) Abertillery Police Station. These premises were advertised for sale for 9 months at £0.150m with no offers received. The premises are now going to auction in June 2017 with a reserve price of £0.075m.

During the year Wilcrick Motorway Control Post was re-classified as a non-operational surplus asset and was being offered for lease at the 31<sup>st</sup> March 2017.

## 21. Short and Long-Term Creditors

### Short-Term Creditors

Short-Term Creditor balances held by the PCC Group at 31<sup>st</sup> March 17 are:

PCC	PCC Group		PCC	PCC Group
31 March	31 March		31 March	31 March
2016	2016		2017	2017
£000	£000		£000	£000
(8,104)	(9,755)	Central Government Bodies	(6,484)	(8,166)
(664)	(6,036)	Other Police Forces and Local Authorities	(282)	(6,198)
-	-	NHS Bodies	-	-
(25)	(50)	Public Corporations and Trading Funds	(25)	(50)
(136)	(6,184)	Other Entities and Individuals	-	(4,158)
<b>(8,929)</b>	<b>(22,025)</b>	<b>Total</b>	<b>(6,791)</b>	<b>(18,572)</b>

### Long-Term Creditors

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.

PCC	PCC Group		PCC	PCC Group
31 March	31 March		31 March	31 March
2016	2016		2017	2017
£000	£000		£000	£000
(1,193,967)	-	Net Pension Liability	(1,483,548)	-
<b>(1,193,967)</b>	<b>-</b>	<b>Total</b>	<b>(1,483,548)</b>	<b>-</b>

## 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 2016/17 are:

2015/16		2016/17
£000		£000
(998)	Injury Damage & Other Compensation Claims	(1,355)
(78)	Holiday Pay	-
(12)	Provision for Doubtful Debts	(13)
<b>(1,088)</b>	<b>Total</b>	<b>(1,368)</b>

### 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 cover.

### Holiday Pay

During 2015/16 an Employment Tribunal ruled that non-guaranteed overtime (and other regular non-guaranteed payments) needed to be included in the calculation of a day's pay when Police Officers and Staff were considered to be on annual leave. During 2016/17 payments were made on a quarterly basis to all affected Officers and Staff.

### 23. Usable Reserves

Movements in the PCC Group's Usable Reserves are detailed in the Movement in Reserves Statement and note 9 Transfers to/from Earmarked Reserves.

### 24. Unusable Reserves

Movements in the PCC Group's Unusable Reserves are shown below:

31 March 2016 £000		31 March 2017 £000
2,029	Revaluation Reserve	4,289
(1,195,364)	Pensions Reserve	(1,486,005)
(2,079)	Accumulated Absences Account	(2,215)
29,740	Capital Adjustment Account	23,045
<b>(1,165,674)</b>	<b>Total</b>	<b>(1,460,886)</b>

#### Revaluation Reserve

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:

- (i) Re-valued downwards or impaired and the gains are lost;
- (ii) Used in the provision of services and the gains are consumed through depreciation, or
- (iii) Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account (CAA).

2015/16 £000		2016/17 £000
2,354	Balance as at 1 April	2,029
65	Upward revaluation of assets	3,149
(176)	Differences between fair value and historic cost depreciation written out of the Revaluation Reserve	(172)
(214)	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the Provision of Services	(717)
-	Accumulated revaluation gains on assets sold or decommissioned, written out of the Revaluation Reserve	-
<b>2,029</b>	<b>Balance as at 31 March</b>	<b>4,289</b>

#### Pension Reserve

The Pensions Reserve shown on the following page absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The PCC Group accounts for post-employment benefits in the CIES 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 that 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 Pensions 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.

2015/16 £000		2016/17 £000
(1,287,103)	Balance as at 1 April	(1,195,364)
127,759	Actuarial gains or losses on assets and liabilities	(264,888)
(69,045)	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	(62,591)
33,025	Employer's pension contributions and direct payments to pensioners payable in the year	36,838
<b>(1,195,364)</b>	<b>Balance as at 31 March</b>	<b>(1,486,005)</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement and flexi balances carried forward at 31<sup>st</sup> March 2017. Statutory arrangements require that the impact on the Police Fund balance is neutralised by transfers to or from the account.

2015/16 £000		2016/17 £000
(1,505)	Balance as at 1 April	(2,079)
1,505	Settlement or cancellation of the accrual made at the end of the previous year	2,079
(2,079)	Amounts accrued at the end of the current year	(2,215)
<b>(2,079)</b>	<b>Balance as at 31 March</b>	<b>(2,215)</b>

### Capital Adjustment Account (CAA)

The Capital Adjustment Account on the following page absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is also credited with the amounts set aside by the PCC Group as finance for the costs of acquisition, construction and enhancement.

The account also contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the PCC Group. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provide details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

**Capital Adjustment Account (CAA)**

2015/16 £000		2016/17 £000
29,535	Balance as at 1 April	29,740
(2,380)	Charges for depreciation of non-current assets	(2,367)
(363)	Impairment of Property, Plant, Equipment and Intangible assets	-
(284)	Amounts of non-current assets written off (carrying value) on disposal or sale (Assets Held For Sale) to the Comprehensive Income and Expenditure Statement	(61)
(1,116)	Revaluation gains/(losses) on Property, Plant and Equipment	(7,137)
(630)	Charges for amortisation of intangible assets	(743)
	- Impairment of intangible assets	-
	- Accumulated revaluation gains on assets sold or decommissioned, written out of the Revaluation Reserve	-
176	Differences between fair value and historic cost depreciation written out of the Revaluation Reserve	173
1,181	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,125
486	Application of grants to capital financing from the Capital Grants Unapplied Account	-
128	Statutory provision for the financing of capital investment charged against the Comprehensive Income and Expenditure Statement (Minimum Revenue Provision (MRP))	56
1,187	Voluntary provision for the financing of capital investment charged against the Comprehensive Income and Expenditure Statement (Minimum Revenue Provision (VRP))	1,356
1,650	Capital expenditure charged against the Comprehensive Income and Expenditure Statement	692
170	Finance lease liability write down and capitalisation of Lifecycle additions	211
<b>29,740</b>	<b>Balance as at 31 March</b>	<b>23,045</b>

## 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16 re-stated £000		2016/17 £000
(33,909)	<b>Net Surplus / (Deficit) on the Provision of Services</b>	(29,322)
3,010	Depreciation and Amortization charges	3,110
648	Impairment charges	61
1,116	Revaluation losses on Plant, Property and Equipment	7,137
(340)	Revenue funded assets	596
36,020	Employer's pension contributions and retirement benefits	25,753
(353)	Contributions to/(from) Provisions	280
(23)	(Increase)/Decrease in Investments	12
4,005	(Increase)/Decrease in Debtors	1,606
99	(Increase)/Decrease in Stocks	9
1,114	Increase/(Decrease) in Creditors	(3,453)
25	Increase/(Decrease) in Receipts in Advance	(82)
60	Other non-cash items charged to the net deficit	(355)
<b>45,381</b>		<b>34,674</b>

Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities:

2015/16 £000		2016/17 £000
(125)	Proceeds from the sale of non current assets	78
(1,181)	Capital Grants credited to the surplus or deficit on the provision of services	(1,126)
<b>(1,306)</b>		<b>(1,048)</b>

## 26. Cash Flow Statement – Investing Activities

The cash flows from investing activities include the following items:

2015/16 £000		2016/17 £000
(2,328)	Purchase of property, plant and equipment, investment property and intangible assets	(2,410)
(170,706)	Purchase of short-term and long-term investments	(137,750)
125	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	78
165,200	Proceeds from short-term and long term investments	137,750
1,972	Other receipts from investing activities	1,108
<b>(5,737)</b>	<b>Net cash flows from investing activities</b>	<b>(1,224)</b>

## 27. Cash Flow Statement – Financing Activities

The cash flows from financing activities include the following items:

2015/16 £000		2016/17 £000
(170)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(211)
(162)	Repayment of short and long-term borrowing	(4,940)
-	Other payments for financing activities	-
<b>(332)</b>	<b>Net cash flows from financing activities</b>	<b>(5,151)</b>

For reference the cash flows from interest received, interest paid and dividends received were:

2015/16 £000		2016/17 £000
223	Interest received	256
(778)	Interest paid	(2,226)
<b>(555)</b>		<b>(1,970)</b>

## 28. Expenditure and Income Analysed by Nature

The analysis of income and expenditure by nature is reported in the CIES on page 30 and in the Expenditure and Funding Statement on page 47, within Cost of Service and other expenditure and income before arriving at the (Surplus)/Deficit on Provision of Services.

## 29. Members Allowances

The PCC Group paid the following amounts to Joint Audit Committee Members during the year ended 31<sup>st</sup> March 2017. Amounts are split evenly with the Chief Constable.

PCC	PCC Group		PCC	PCC Group
2015/16 £	2015/16 £		2016/17 £	2016/17 £
-	-	Salaries	-	-
1,500	3,000	Allowances	2,000	4,000
-	-	Expenses	-	-
<b>1,500</b>	<b>3,000</b>	<b>Total</b>	<b>2,000</b>	<b>4,000</b>



**30. Police Officer and Staff Remuneration PCC Group****Police Officer and Staff Numbers**

	31st March 2016	31st March 2017
<b>Police Officers:</b>		
Above the rank of Constable	246	240
Constable	898	952
<b>Total</b>	<b>1,144</b>	<b>1,192</b>
<b>Police Staff:</b>		
Full Time	646	561
Part Time	188	160
<b>Total</b>	<b>834</b>	<b>721</b>

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.

(Remuneration excludes Chief Officer Benefit in Kind amounts which weren't available at the time of signing the draft accounts)

PCC 2015/16	PCC Group 2015/16	Remuneration Band	PCC 2016/17	PCC Group 2016/17
-	16	£60,000 - £64,999	1	8
-	9	£65,000 - £69,999	-	10
-	7	£70,000 - £74,999	-	3
-	11	£75,000 - £79,999	-	8
1	6	£80,000 - £84,999	1	9
-	5	£85,000 - £89,999	-	3
1	1	£90,000 - £94,999	-	1
-	3	£95,000 - £99,999	-	1
-	3	£100,000 - £104,999	-	1
-	-	£105,000 - £109,999	-	-
-	-	£110,000 - £114,999	-	1
-	-	£115,000 - £119,999	-	-
-	1	£120,000 - £124,999	-	-
-	-	£125,000 - £129,999	-	-
-	-	£130,000 - £134,999	-	-
-	-	£135,000 - £139,999	-	-
-	-	£140,000 - £144,999	-	1
-	1	£145,000 - £149,999	-	-

### 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.

For the Office of the Police and Crime Commissioner the remuneration relationship is disclosed for two posts, the Chief Executive and the Chief of Staff. Whilst the Chief Finance Officer replaced the Chief Executive role on the 1<sup>st</sup> January 2016 following the post holder's retirement, as a result of this the Chief Finance Officer is the highest paid staff member and is included below.

	2015/16	2016/17
Chief Constables Pay	147,897	149,560
Median Pay of the Chief Constable's Staff	34,779	33,597
Median Pay Ratio	4.25	4.45
Chief Executive's Pay	94,607	-
Median Pay of the Police and Crime Commissioner's Staff	27,786	-
Median Pay Ratio	3.40	-
Chief Finance Officer's Pay		84,447
Median Pay of the Police and Crime Commissioner's Staff		31,938
Median Pay Ratio		2.64

### Remuneration Disclosure

The following table on page 70 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 2015/16 on page 74.

## Notes to the Financial Statements

### Relevant Senior Police Officers and Senior Police Staff Remuneration

Relevant Senior Police Officers and Police Staff Remuneration of the year ended 31<sup>st</sup> March 2017.

2016/17	Note	Salary £	Bonus £	Expenses £	Benefits in Kind £	Other Payments £	Total Remuneration excluding Pension Contributions £	Employers Pension Contributions £	Total Remuneration including Pension Contributions £
<b>Post Holder Information (Post Title)</b>									
Chief Constable	1	137,933	-	-	7,010	4,046	148,989	-	148,989
Deputy Chief Constable (1)	2	94,729	-	-	3,965	3,034	101,728	22,924	124,652
Deputy Chief Constable (2)	3	28,560	-	-	1,773	1,011	31,344	6,912	38,256
Assistant Chief Constable (1)	4	81,117	-	-	5,318	3,034	89,469	19,630	109,099
Assistant Chief Constable (2)	5	25,963	-	-	774	872	27,609	6,283	33,892
Assistant Chief Officer Resources		104,208	-	-	79	-	104,287	16,465	120,752
Police & Crime Commssioner (1)	6	7,903	-	-	-	-	7,903	1,249	9,152
Police & Crime Commssioner (2)	7	62,097	-	-	-	-	62,097	9,811	71,908
Deputy Police & Crime Commssioner (1)	6	5,927	-	-	-	-	5,927	937	6,864
Deputy Police & Crime Commssioner (2)	8	30,907	-	-	-	-	30,907	4,883	35,790
Chief Finance Officer to the Police & Crime Commissioner		84,098	-	-	-	-	84,098	13,288	97,386
Police & Crime Commssioner Chief of Staff		61,621	-	-	-	-	61,621	9,736	71,357

#### Notes:

- 1) Chief Constable retires on the 30<sup>th</sup> June 2017.
- 2) Deputy Chief Constable (1) left office on the 31<sup>st</sup> January 2017.
- 3) Deputy Chief Constable (2) was appointed and took office on the 1<sup>st</sup> January 2017 with an annualised salary of £114,240.
- 4) Assistant Chief Constable (1) was appointed Deputy Chief Constable (2) on the 1<sup>st</sup> January 2017.
- 5) Assistant Chief Constable (2) was appointed and took office on the 1<sup>st</sup> January 2017 with an annualised salary of £103,851.
- 6) Police & Crime Commissioner (1) and Deputy Police & Crime Commissioner (1) both left office on the 11<sup>th</sup> May 2016.
- 7) Police & Crime Commissioner (2) was elected and took office on the 12<sup>th</sup> May 2016 with an annualised salary of £70,000.
- 8) The Deputy Police & Crime Commissioner (2) was appointed and took office on the 30<sup>th</sup> August 2016 with an annualised salary of £52,500.
- 9) The employer's pension contributions in respect to Police Officers were paid at the rate of 24.2%. All other Senior Employers were paid at the rate of 15.8%.
- 10) Salaries disclosed above exclude salary sacrifice deductions and Benefit in Kind amount were unavailable at the date of the draft accounts

**Relevant Senior Police Officers and Senior Police Staff Remuneration**

Relevant Senior Police Officers and Police Staff Remuneration for the year ended 31<sup>st</sup> March 2016.

2015/16									
Post Holder Information (Post Title)	Note	£ Salary	£ Bonus	£ Expenses	£ Benefits in Kind	£ Other Payments	Total Remuneration excluding Pension Contributions	Employers Pension Contributions	Total Remuneration including Pension Contributions
Chief Constable		136,567	-	-	6,718	4,046	147,331	2,738	150,069
Deputy Chief Constable	1	112,643	-	-	5,884	4,046	122,573	27,260	149,833
Assistant Chief Constable (1)	2	24,682	-	-	813	6,304	31,799	5,973	37,772
Assistant Chief Constable (2)	3	91,858	-	-	3,580	3,643	99,081	22,230	121,311
Assistant Chief Officer Resources		103,175	-	-	-	-	103,175	16,302	119,477
Police & Crime Commssioner	4	70,000	-	-	-	-	70,000	11,060	81,060
Deputy Police & Crime Commssioner		52,500	-	-	-	-	52,500	8,295	60,795
Chief Executive to the Police & Crime Commissioner	5	91,915	-	929	-	-	92,844	11,101	103,945
Chief Finance Officer to the Police & Crime Commissioner		83,610	-	-	-	-	83,610	13,210	96,820
Police & Crime Commssioner Chief of Staff	6	15,000	-	-	-	-	15,000	2,370	17,370

**Notes:**

- 1) Deputy Chief Constable was appointed and took office on the 22<sup>nd</sup> April 2014 with an annualised salary of £110,880.
- 2) Assistant Chief Constable (1) left office on the 30<sup>th</sup> June 2015.
- 3) Assistant Chief Constable (2) was appointed and took office on the 7<sup>th</sup> May 2015. Annualised salary £102,822 (effective from 1<sup>st</sup> September 2015).
- 4) Police & Crime Commissioner is not a Senior Police Officer or a member of Senior Police Staff however his remuneration is disclosed as it is in the public interest to disclose this information.
- 5) Chief Executive to the Police & Crime Commissioner left office on the 31<sup>st</sup> December 2015.
- 6) Police & Crime Commissioner Chief of Staff was appointed on the 1<sup>st</sup> January 2016 on an annualised salary of £60,000.
- 7) The employer's pension contributions in respect to Police Officers were paid at the rate of 24.2%. All other Senior Employers were paid at the rate of 15.8%.
- 8) Salaries disclosed exclude salary sacrifice deductions.

### 31. Termination Benefits

A Schedule of exit packages agreed as at 31<sup>st</sup> March 2017 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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	18	30	24	18	42	48	522,635	538,153
£20,001 - £40,000	10	28	42	15	52	43	1,664,548	1,252,277
£40,001 - £60,000	2	1	17	13	19	14	923,737	628,241
£60,001 - £80,000	-	-	9	1	9	1	610,680	74,550
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £250,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>30</b>	<b>59</b>	<b>92</b>	<b>47</b>	<b>122</b>	<b>106</b>	<b>3,721,600</b>	<b>2,493,221</b>

Exit packages include 7 departures agreed prior to the 31<sup>st</sup> March 2017, although payments were not made until the 30<sup>th</sup> April 2017 (2017/18).

## Notes to the Financial Statements

### 32. 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.

PCC	PCC Group		PCC	PCC Group
2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
43	86	Fees payable to the Wales Audit Office with regard to external audit services carried out by the Auditor General for Wales for the year	41	83
<b>43</b>	<b>86</b>	<b>Total</b>	<b>41</b>	<b>83</b>

### 33. Grant Income

The following grants were credited to the Cost of Services in the CIES in 2016/17. The analysis excludes a £2.137m accounting adjustment relating to collaborative projects with the other Welsh Police Forces, as required by IFRS 11 Joint Arrangements. See Note 40, page 80.

2015/16 £000		2016/17 £000
(410)	All Wales Counter Terrorism Intelligence Unit (CTIU)	(596)
-	- All Wales Regional Prison Intelligence	(174)
(41)	All Wales Regional Intelligence Unit (RIU)	(102)
(38)	Counter Terrorism Security Advisors (CTSA) - Ports Policing	(37)
(314)	Data Barring Service	(307)
-	- Domestic Abuse Early Intervention IF	(28)
(25)	Drug Intervention Programme (DIP)	-
-	- Fire Crime Unit	(56)
(123)	Innovation Grant	-
(248)	IOM Cymru Womens Pathfinder (Diversion - IF)	(299)
(39)	Local Resilience Forum	(39)
(645)	Ministry of Justice - Victim Services	(686)
(438)	Mobile Data Funding	-
(46)	National Child Sex Exploitation Co-ordinator (ROCU)	(58)
120	Operation Ismay (NATO)	50
(8)	Other Miscellaneous Grants	9
(648)	Private Finance Initiative (PFI) - Ystrad Mynach	(621)
(3,728)	Police Community Support Officers	(3,477)
(511)	Safety Camera Enforcement	(492)
-	- UKFPO Banning Orders	(5)
(581)	Welsh Government (WG) - All Wales Schools Liaison (AWSL)	(541)
(9)	Welsh Government (WG) - Hate Crime Awareness	(4)
-	- WISDOM Project	(39)
(103)	Youth Offending	(104)
<b>(7,835)</b>	<b>Total</b>	<b>(7,606)</b>

\*The £50k (2015/16: £120k) payment for Operation Ismay (NATO) reflects the return of surplus grant income to the Home Office.

## Notes to the Financial Statements

Detailed below are grants and contributions received by the PCC Group before year end to finance capital investment schemes where either, conditions have not yet been met but are expected to be achieved or where the grant has conditions attached which may require the monies to be refunded if the conditions are not met.

31 March 2016 £000		31 March 2017 £000
-	Grants Receipts in Advance (Capital Grants)	-
-	Total	-

In addition the PCC Group received £6k of revenue receipts which were not utilised by the end of the financial year but will be utilised during 2017/18. These grants and contributions are detailed below:

31 March 2016 £000		31 March 2017 £000
	Grants Receipts in Advance (Revenue Grants)	
	- Cosain Software License	(6)
(69)	National Specials Conference 2016	-
(19)	IOM Cymru Womens Pathfinder	-
(88)	Total	(6)

### 34. Related Parties

The PCC Group is required to disclose material transactions with related parties (i.e. bodies or individuals that have the potential to control or influence the PCC Group or be controlled or influenced by the PCC Group). Disclosure of these transactions allows readers to assess the extent to which the PCC 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.

#### 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. During the year no material transactions between the Chief Constable and the Police and Crime Panel members or parties related to them have been identified. The transactions with the Unitary Authorities that they represent with regards to Council Tax Precepts 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 that offers financial services products to serving and retired police officers and staff and families.

#### Officers

The Assistant Chief Officer- Resources is the Company Secretary to Gwent Independent Film Trust (GIFT) Ltd. See Note 45 – Gwent Independent Film Trust (GIFT) for additional information. In addition a family member is an Executive Director of Velindre NHS Trust for which the PCC Group has partnering arrangements. Income of £27,960 (net of VAT) was received from Velindre NHS Trust in 2016/17.

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 2016/17 financial year, the

## Notes to the Financial Statements

Police and Crime Commissioner for Gwent paid a subscription to the Company of £60,000. Additionally a family member is a Senior Finance Business Partner for Newport City Council (NCC). The Police and Crime Commissioner for Gwent has 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 2016/17, the Police and Crime Commissioner for Gwent received £12,522,645 income from NCC, made payments to them of £1,957,821 and a one-off Loan repayment of £751,153.

### 35. Capital Expenditure and Capital Financing

Where capital expenditure is to be financed in future years by charges to revenue, as assets are utilised 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 PCC Groups Capital Financing Requirement (CFR) including the value of assets acquired under PFI is shown below.

2015/16 £000		2016/17 £000
	<b>Capital Expenditure</b>	
1,234	Property, Plant and Equipment	1,565
1,258	Intangible Assets	427
<b>2,492</b>	<b>Total</b>	<b>1,992</b>
	<b>Funded by:</b>	
1,311	Reserves	1,114
1,181	Capital Grants	529
-	- Capital Receipts	-
-	- Other Revenue Contributions	596
-	- Increase / (decrease) in Capital Creditors	(247)
<b>2,492</b>	<b>Total</b>	<b>1,992</b>
	<b>Capital Financing Requirement (CFR)</b>	
8,125	Opening CFR at 1 April	6,200
35,009	Property, Plant and Equipment	29,456
2,100	Intangible Assets	1,784
860	Assets Held for Sale	845
(2,029)	Revaluation Reserve	(4,288)
(29,740)	Capital Adjustment Account	(23,045)
<b>6,200</b>	<b>CFR Balance at 31st March</b>	<b>4,752</b>
<b>1,925</b>	<b>Movement in Capital Financing Requirement (CFR)</b>	<b>1,448</b>
	<b>Made up of:</b>	
122	Change in Finance lease liability	36
128	Minimum Revenue Provision (MRP)	56
1,187	Voluntary Revenue Provision (VRP)	1,356
-	- Increase / (decrease) in Capital Creditors	-
2	Donated Asset Recognition	-
486	Release of Capital Grants Unapplied	-
<b>1,925</b>	<b>Increase / (decrease) in Capital Financing Requirement (CFR)</b>	<b>1,448</b>



### 36. Leases

#### 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.

##### 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 the Police Services line in the CIES during the year in relation to the property leases was £384,021 (2015/16: £568,763).

The PCC Group also utilises Multi-Functional Devices (combined photocopier, printer and scanners) through operating leases with Canda Copying. Expenditure on these leases (excluding copy charges) during the year was approximately £45,000.

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

##### Premises Leases

2015/16 £000	2016/17 £000
287 Not Later than 1 year	235
217 Later than 1 year but not later than 5 years	86
- Later than 5 years	-
<b>504 Total</b>	<b>321</b>

##### MFD Leases

2015/16 £000	2016/17 £000
6 Not Later than 1 year	2
3 Later than 1 year but not later than 5 years	-
- Later than 5 years	-
<b>9 Total</b>	<b>2</b>

A new framework contract will be in place in 2017/18 for the rental of MFD devices. At the date of the draft accounts details of the rental costs were not available. The minimum lease payments in the above schedule reflect rentals due to expire at the cessation of the current contract.

#### PCC and PCC Group as Lessor

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

- 1) Pontypool Police Station - £52,743 from Torfaen County Council

The lease agreement with respect to Pontypool Police Station will not end until August 2018 at the earliest.

- 2) Bargoed Police Station - £2,000 from Bargoed Town Council

The lease agreement with respect to Bargoed Police Station will not end until June 2019 at the earliest.

### 37. Private Finance Initiatives (PFI) and Similar Contracts

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

Under previous accounting arrangements this contract was deemed to be off Balance Sheet in accordance with FRS 5, however, with the adoption of IFRS the accounting treatment of the PFI contract is now 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.

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

31 March 2016 £000	31 March 2017 £000
5,139	5,624
79	194
(4,788)	(4,752)
<b>430</b>	<b>1,066</b>
<b>Total</b>	<b>Total</b>

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

2015/16 £000	2016/17 £000
286	293
90	119
401	391
76	45
<b>853</b>	<b>848</b>
<b>Total</b>	<b>Total</b>

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 £940,680.

The PCC Group receives funding from the Welsh Government, via specific grant payments (2016/17 £630,689), 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 result of the variance in these funding and expenditure profiles means that the funding received by the PCC Group in the early years of the contract will exceed that required to meet the unitary charge. Subsequently however, until the expiry of the contract term, the opposite will be true. As a result, the PCC Group has agreed that the initial funding 'surpluses' will be set aside, to provide for the subsequent funding shortfalls, and is holding such funds as an earmarked reserve to meet future PFI liabilities.

### PFI Exit

A tender has been drafted for the financial advice to progress the evaluation and conclusion of the PFI provision. An evaluation has determined that it is value for money to undertake a voluntary termination of the agreement and the financial adviser will manage the process to contract completion during the 2017/18 financial year. However until such decision is made the PCC Group is committed to make the following future payments in respect of this contract:

Re-stated 2015/16 £000		2016/17 £000
957	Within 1 year	964
4,073	Years 2 to 5 inclusive	4,104
5,690	Years 6 to 10 inclusive	5,734
6,438	Years 11 to 15 inclusive	6,488
7,284	Years 16 to 20 inclusive	5,799
-	Year 21 onwards	-
<b>24,442</b>	<b>Total</b>	<b>23,089</b>

The 2015/16 figures have been restated to reflect the correct classification for amounts falling within the respective categories.

The comparative figures have been restated to reflect the financial impact of the voluntary termination of the agreement which will take place in the 2017/18 financial year.

### 38. Impairment Losses

The PCC Group experienced impairment losses and gains during the year. Both are reported in the Comprehensive Income and Expenditure Statement and relate to:

- (i) £608,000 loss with respect to past service costs and curtailments on the Greater Gwent (Torfaen) Pension Fund (Local Government Pension Scheme). It should be noted that this is not a charge to the Group but rather an accounting entry in order to comply with IAS19 and forms part of the analysis in the Movement in Reserves Statement so as not to have an impact on the Police Fund balance.
- (ii) £40,000 loss with respect to past service costs on the Police Pension Scheme. It should be noted that this is not a charge to the Group but rather an accounting entry in order to comply with IAS19 and forms part of the analysis in the Movement in Reserves Statement so as not to have an impact on the Police Fund balance.
- (vii) Notes 13 and 15 reconcile Property, Plant and Equipment impairment movements during the year which include the removal of carrying values in the Balance Sheet following the decommissioning or disposal of assets. Vehicles with a carrying value of £60,894 were disposed during the year resulting in an impairment charge in the CIES. However sales proceeds of £78,274 mitigated the impairment charge. The overall profit/(loss) on disposal of these assets is recognised in Note 10. – Other Operating Income and Expenditure.

### 39. Capitalisation of Borrowing Costs

The PCC Group has not capitalised any borrowing costs.

40. 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. A summary of the cost of the various collaborative services attributable to the PCC Group is shown in the table below.

2016/17		Counter Terrorism Intelligence Unit	Dedicated Security Posts / Ports Policing	Counter Terrorism Specialist Advisors	Organised Crime Unit and Asset Recovery Unit	Regional Task Force	Counter Terrorism Special Branch	Scientific Investigation Unit	Joint Firearms Unit	Total
Share of Service Collaboration	Share of Service Benefit									
	Population	Population %	Population %	Own Cost	Various	Agreed Financial Contribution %	Own Cost	Contribution %	Agreed Financial Contribution %	
		£000	£000	£000	£000	£000		£000	£000	£000
Dyfed-Powys	16.65%	1,081	513	81	1,136	456	494	-	3,475	7,236
Gwent	18.77%	1,219	578	91	1,281	543	434	1,705	2,817	8,668
North Wales	22.41%	1,455	2,518	109	-	-	-	-	-	4,082
South Wales	42.17%	2,738	1,300	205	2,878	1,173	1,212	3,716	5,433	18,655
<b>Gross Expenditure</b>	<b>100.00%</b>	<b>6,493</b>	<b>4,909</b>	<b>486</b>	<b>5,295</b>	<b>2,172</b>	<b>2,140</b>	<b>5,421</b>	<b>11,725</b>	<b>38,641</b>
Dyfed-Powys	16.65%	(1,081)	(513)	(81)	(592)	(116)	-	-	-	(2,383)
Gwent	18.77%	(1,219)	(578)	(91)	(668)	(139)	(8)	(4)	-	(2,707)
North Wales	22.41%	(1,455)	(2,518)	(109)	-	-	-	-	-	(4,082)
South Wales	42.17%	(2,738)	(1,300)	(205)	(1,501)	(299)	(153)	(8)	-	(6,204)
<b>Total Income</b>	<b>100.00%</b>	<b>(6,493)</b>	<b>(4,909)</b>	<b>(486)</b>	<b>(2,761)</b>	<b>(554)</b>	<b>(161)</b>	<b>(12)</b>	<b>-</b>	<b>(15,376)</b>

As a result of the requirement of IFRS11, gross expenditure in the CIES has been increased by £1.500m and gross income has been increased by £1.712m. A net decrease in expenditure of £0.212m (2015/16: £0.057m net increase in expenditure). This net decrease has been reversed in the Movement in Reserves Statement with no impact on the Police Fund.

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2015/16 costs of the various collaborative services attributable to the PCC Group.

2015/16										
<i>Share of Service Collaboration</i>		Counter Terrorism Intelligence Unit	Dedicated Security Posts / Ports Policing	Counter Terrorism Specialist Advisors	Organised Crime Unit and Asset Recovery Unit	Regional Task Force	Counter Terrorism Special Branch	Scientific Investigation Unit	Joint Firearms Unit	Total
<i>Share of Service Benefit</i>	Population	Population %	Population %	Own Cost	Various	Agreed Financial Contribution %	Own Cost	Agreed Financial Contribution %	Agreed Financial Contribution %	
		£000	£000	£000	£000	£000		£000	£000	£000
Dyfed-Powys	16.71%	950	552	74	1,067	585	-	-	3,182	6,410
Gwent	18.77%	1,067	620	83	1,198	696	-	2,505	2,764	8,933
North Wales	22.45%	1,276	-	99	-	-	-	-	-	1,375
South Wales	42.07%	2,391	1,389	185	2,686	1,504	1,261	4,392	5,294	19,102
<b>Gross Expenditure</b>	<b>100.00%</b>	<b>5,684</b>	<b>2,561</b>	<b>441</b>	<b>4,951</b>	<b>2,785</b>	<b>1,261</b>	<b>6,897</b>	<b>11,240</b>	<b>35,820</b>
Dyfed-Powys	16.71%	(950)	(552)	(74)	(729)	(126)	-	-	(5)	(2,436)
Gwent	18.77%	(1,067)	(620)	(83)	(818)	(150)	-	(5)	(4)	(2,747)
North Wales	22.45%	(1,276)	-	(99)	-	-	-	-	-	(1,375)
South Wales	42.07%	(2,391)	(1,389)	(185)	(1,834)	(323)	(123)	(10)	(8)	(6,263)
<b>Total Income</b>		<b>(5,684)</b>	<b>(2,561)</b>	<b>(441)</b>	<b>(3,381)</b>	<b>(599)</b>	<b>(123)</b>	<b>(15)</b>	<b>(17)</b>	<b>(12,821)</b>

### Collaborative Working - Shared Resource Service Centre

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. In October 2016, Blaenau Gwent County Borough Council (BGCBC) joined the collaborative working arrangement followed by Newport City Council (NCC) in April 2017 (post Balance Sheet event – see Note 6 on page 47).

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 2016/17 expenditure incurred was fully covered by the contributions from the partners.

### 41. Defined Benefit Pension Schemes

#### 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 meet 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 a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

#### Transactions relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported CIES Cost of Service line, when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the CIES and the General Police Fund Balance via the Movement in Reserves Statement during the year including disclosure of actual employer's contributions during the year:

41. Defined Benefit Pension Schemes (cont.)

	Police Pension		Local Government						PCC Group	
			PCC	Chief Constable	PCC Group	PCC	Chief Constable	PCC Group		
	2015/16 £000	2016/17 £000	2015/16 £000	2015/16 £000	2015/16 £000	2016/17 £000	2016/17 £000	2016/17 £000	2015/16 £000	2016/17 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>										
<b>Cost of Services:</b>										
Current service cost	21,610	15,800	157	4,430	4,587	130	3,769	3,899	26,197	19,699
Past service cost (including curtailments)	80	40	119	152	271	7	601	608	351	648
Administration expenses	-	-	3	80	83	2	71	73	83	73
<b>Financing and Investment Income and Expenditure:</b>										
Net interest expense	40,770	40,350	46	1,598	1,644	52	1,769	1,821	42,414	42,171
<b>Total post employment benefits charged to the surplus or deficit on the provision of services</b>	<b>62,460</b>	<b>56,190</b>	<b>325</b>	<b>6,260</b>	<b>6,585</b>	<b>191</b>	<b>6,210</b>	<b>6,401</b>	<b>69,045</b>	<b>62,591</b>
<b>Other post employment benefits chargeable to the comprehensive income and expenditure statement:</b>										
Remeasurement of the net defined benefit liability comprising:										
Actuarial gains and losses arising on changes in demographic assumptions	(18,660)	(24,420)	-	-	-	(166)	(4,208)	(4,374)	(18,660)	(28,794)
Actuarial gains and losses arising on changes in financial assumptions	(117,440)	275,620	(144)	(5,033)	(5,177)	2,263	31,053	33,316	(122,617)	308,936
Return on plan assets	7,730	(300)	162	5,626	5,788	(1,135)	(13,819)	(14,954)	13,518	(15,254)
<b>Total post employment benefits charged to the comprehensive income &amp; expenditure statement</b>	<b>(128,370)</b>	<b>250,900</b>	<b>18</b>	<b>593</b>	<b>611</b>	<b>962</b>	<b>13,026</b>	<b>13,988</b>	<b>(127,759)</b>	<b>264,888</b>
<b>Movement in Reserves Statement:</b>										
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits	(62,460)	(56,190)	(325)	(6,260)	(6,585)	(191)	(6,210)	(6,401)	(69,045)	(62,591)
<b>Actual amount charged against the police fund balance for pensions in year:</b>										
Employer's contributions payable to the scheme	10,527	10,082	114	3,169	3,283	106	4,812	4,918	13,810	15,000
Retirement benefits payable to pensioners	2,608	3,014	215	223	438	-	949	949	3,046	3,963
	<b>13,135</b>	<b>13,096</b>	<b>329</b>	<b>3,392</b>	<b>3,721</b>	<b>106</b>	<b>5,761</b>	<b>5,867</b>	<b>16,856</b>	<b>18,963</b>

## Notes to the Financial Statements

### Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Police Pension		Local Government						PCC Group	
			PCC	Chief Constable	PCC Group	PCC	Chief Constable	PCC Group		
	2015/16 £000	2016/17 £000	2015/16 £000	2015/16 £000	2015/16 £000	2016/17 £000	2016/17 £000	2016/17 £000	2015/16 £000	2016/17 £000
Present value of the defined benefit obligation	1,144,140	1,420,240	4,058	139,976	144,034	6,392	174,914	181,306	1,288,174	1,601,546
Fair Value of plan assets	-	-	(2,661)	(90,149)	(92,810)	(3,935)	(111,606)	(115,541)	(92,810)	(115,541)
<b>Sub-total</b>	<b>1,144,140</b>	<b>1,420,240</b>	<b>1,397</b>	<b>49,827</b>	<b>51,224</b>	<b>2,457</b>	<b>63,308</b>	<b>65,765</b>	<b>1,195,364</b>	<b>1,486,005</b>
Other movements in the liability (asset)	-	-	-	-	-	-	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>1,144,140</b>	<b>1,420,240</b>	<b>1,397</b>	<b>49,827</b>	<b>51,224</b>	<b>2,457</b>	<b>63,308</b>	<b>65,765</b>	<b>1,195,364</b>	<b>1,486,005</b>

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Police Pension		Local Government						PCC Group	
			PCC	Chief Constable	PCC Group	PCC	Chief Constable	PCC Group		
	2015/16 £000	2016/17 £000	2015/16 £000	2015/16 £000	2015/16 £000	2016/17 £000	2016/17 £000	2016/17 £000	2015/16 £000	2016/17 £000
<b>Opening fair value of scheme liabilities</b>	<b>1,239,330</b>	<b>1,144,140</b>	<b>3,918</b>	<b>137,328</b>	<b>141,246</b>	<b>4,058</b>	<b>139,976</b>	<b>144,034</b>	<b>1,380,576</b>	<b>1,288,174</b>
Current service cost	21,610	15,800	157	4,430	4,587	130	3,769	3,899	26,197	19,699
Interest cost	40,770	40,350	136	4,719	4,855	148	5,089	5,237	45,625	45,587
Admin expenses	-	-	3	80	83	2	71	73	83	73
Contributions from scheme participants	6,070	6,160	54	1,291	1,345	48	1,147	1,195	7,415	7,355
Remeasurement (gains) and losses:										
Actuarial (gains)/losses arising from changes in demographic assumptions	(18,660)	(24,420)	-	-	-	(166)	(4,208)	(4,374)	(18,660)	(28,794)
Actuarial (gains)/losses arising from changes in financial assumptions	(117,440)	275,620	(144)	(5,033)	(5,177)	2,263	31,053	33,316	(122,617)	308,936
Experience (gain)/loss	7,730	(300)	-	-	-	-	-	-	7,730	(300)
Past service cost (including curtailments)	80	40	119	152	271	7	601	608	351	648
Benefits paid	(35,350)	(37,150)	(185)	(2,991)	(3,176)	(98)	(2,584)	(2,682)	(38,526)	(39,832)
<b>Closing fair value of scheme liabilities</b>	<b>1,144,140</b>	<b>1,420,240</b>	<b>4,058</b>	<b>139,976</b>	<b>144,034</b>	<b>6,392</b>	<b>174,914</b>	<b>181,306</b>	<b>1,288,174</b>	<b>1,601,546</b>



## Notes to the Financial Statements

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits. The total liability of £1.486bn (2015/16: £1.195bn) has a substantial impact on the net worth of the PCC Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1.408bn (2015/16: £1.116bn).

However, statutory arrangements for funding the deficit mean that the financial position of the PCC Group remains healthy:

- (i) The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of the employees, as assessed by the Scheme Actuary; and
- (ii) Finance is only required to be raised to cover Police pensions when the pensions are actually paid.

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government					
	PCC	Chief Constable	PCC Group	PCC	Chief Constable	PCC Group
	2015/16 £000	2015/16 £000	2015/16 £000	2016/17 £000	2016/17 £000	2016/17 £000
<b>Opening fair value of scheme assets</b>	<b>2,541</b>	<b>90,932</b>	<b>93,473</b>	<b>2,661</b>	<b>90,149</b>	<b>92,810</b>
Interest income	90	3,121	3,211	96	3,320	3,416
Remeasurement gain/(loss):						
The return on plan assets, excluding the amount included in the net interest	(162)	(5,626)	(5,788)	1,135	13,819	14,954
Contributions from employer	323	3,422	3,745	48	5,755	5,803
Contributions from employees into scheme	54	1,291	1,345	93	1,147	1,240
Benefits paid	(185)	(2,991)	(3,176)	(98)	(2,584)	(2,682)
Admin expenses*	-	-	-	-	-	-
<b>Closing fair value of scheme assets</b>	<b>2,661</b>	<b>90,149</b>	<b>92,810</b>	<b>3,935</b>	<b>111,606</b>	<b>115,541</b>

\*Admin expenses are disclosed under obligations (liabilities)

**Basis for Estimating Assets and Liabilities**

The principal assumptions used by the actuary have been:

	Police Pension		Local Government (Group)	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
<b>Long term expected rate of return on assets in the scheme: *</b>				
Equity Investments	-	-	-	-
Government Bonds	-	-	-	-
Other Bonds	-	-	-	-
Property	-	-	-	-
Cash/Liquidity	-	-	-	-
Other	-	-	-	-

\*The expected return on assets are no longer required for IAS19 and FRS102 as the discount rate (2.7%) 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:

	Local Government (Group)			
	2015/16 £000	2015/16 %	2016/17 £000	2016/17 %
<b>Asset Allocations</b>				
Equity Securities	17,908	19.3%	21,823	18.9%
Investment Funds and Unit Trusts	71,487	77.0%	90,210	78.1%
Real Estate	2,735	2.9%	2,936	2.5%
Cash and Cash Equivalents	680	0.8%	572	0.5%
<b>Total</b>	<b>92,810</b>	<b>100%</b>	<b>115,541</b>	<b>100%</b>

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.

**Basis for Estimating Assets and Liabilities (cont.)**

	Police Pension		Local Government (Group)	
	2015/16 Years	2016/17 Years	2015/16 Years	2016/17 Years
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
Men	23.10	23.20	23.00	21.50
Women	25.10	25.20	25.40	23.90
<b>Longevity at 65 for future pensioners:</b>				
Men	25.10	25.20	25.20	23.60
Women	27.20	27.30	27.80	26.10

	Police Pension		Local Government (Group)	
	2015/16 % p.a.	2016/17 % p.a.	2015/16 % p.a.	2016/17 % p.a.
Rate of increase in salaries (Long term)	4.20%	4.35%	3.70%	2.80%
Rate of increase in salaries (Short term)	1.00%	1.00%	-	-
Rate of increase in pensions	2.20%	2.35%	2.20%	2.40%
Rate for discounting scheme liabilities	3.55%	2.65%	3.60%	2.70%
Rate of CARE revaluation	3.45%	3.60%	-	-

**The Effect of Changes in Assumptions**

	Police Pension		Local Government			
	Approximate increase/(decrease) in assumption		Approximate % increase to Employer Liability		Approximate monetary amount	
	%	£000	PCC	Chief Constable	PCC	Chief Constable
			%	%	£000	£000
0.5% increase in the Real Discount Rate	-10.0%	(141,600)	-	-	-	-
0.5% decrease in the Real Discount Rate	-	-	12.0%	12.0%	735	21,800
1 year increase in member life expectancy	2.5%	35,700	3-5%	3-5%	192 - 320	5,247 - 8,745
0.5% increase in the Salary Increase Rate	1.3%	18,200	3.0%	3.0%	177	5,228
0.5% increase in the Pension Increase Rate	9.3%	132,500	8.0%	9.0%	543	16,141
1 year decrease in member service	0.0%	(300)	-	-	-	-

Additional £2m was paid in Local Government Pension Fund this year and another £2m is planned for 2017-18.

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

Proposed Certified Rates for the Year Ending	% of Payroll
31 March 2018	15.8%
31 March 2019	16.8%
31 March 2020	17.8%

### 42. Contingent Assets and Liabilities

The PCC Group does not have any contingent assets.

The PCC Group has two contingent liabilities as follows:

- (i) The PCC Group, along with a number of other Forces, currently have on-going cases at an employment tribunal regarding the use of Police Pension Regulation A19. The outcome of the tribunal in February 2014 was to find in favour of the complaint and to support the test cases. This decision was appealed by Forces and at an appeal tribunal held in March 2015, Forces were successful, in their appeal. However, the Claimants sought leave to appeal this decision and the Court of Appeal granted leave to appeal. The matter was heard in January 2017 and the outcome was that initial ruling finding in favour of Forces was upheld and the case was dismissed. However the Claimants could now initiate a further appeal to the Supreme Court, although the Appeal Court could block a further appeal. Until the Claimants make a decision on whether to initiate a further appeal the PCC Group will continue to disclose these cases as a contingent liability.
- (ii) The Chief Constable of Gwent, along with other Chief Constables and the Home Office, currently has 100 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

### 43. 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 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 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

## Notes to the Financial Statements

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 2017 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2017 %	Estimated maximum exposure to default £000
Deposits with Banks and Financial Institutions	-	0.960%	0.960%	-
Money Market Funds	10,003	0.000%	0.000%	-
Local Authorities	36,032	0.000%	0.000%	-
Debt Management Office	-	0.000%	0.000%	-
Trade Debtors	1,020	0.083%	0.083%	1
<b>Total</b>	<b>47,055</b>			<b>1</b>

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, such that £0.461m of the £1.019m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2016 £000	31 March 2017 £000
> 12 Months	69	30
9 to 12 Months	13	28
6 to 9 Months	59	151
3 to 6 Months	141	225
2 to 3 Months	369	27
1 Month	964	558
<b>Total</b>	<b>1,615</b>	<b>1,019</b>

### 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.

## Notes to the Financial Statements

The PCC Group has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst PWLB provides access to longer term funds, it also acts as a lender of last resort to Public Sector Bodies (although it will not provide funding to a body whose actions are unlawful). The PCC Group is also required to provide a balanced budget through the Local Government Finance Act 1992, 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 a significant debt and 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.

### Maturity analysis of Financial Liabilities

	31 March 2016 £000	31 March 2017 £000
Less than 1 Year	161	-
Between 1 and 2 Years	162	-
Between 2 and 5 Years	623	-
More than 5 Years	3,960	-
<b>Total</b>	<b>4,906</b>	<b>-</b>

All trade and other payables are due to be paid in less than one year and are not shown in the table above. 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.

All PWLB and NCC borrowing, £4.906m in total as at the 1<sup>st</sup> April 2016 was repaid in full during 2016/17. Consequently if interest rates were to rise or fall the fair value of these would be nil.

Investments of £36m 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 £10m 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.

**44. Intra-Group Funding Adjustments**

The tables below show the movement through the intra-group adjustment account in 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.

PCC	Chief Constable	PCC Group		PCC	Chief Constable	PCC Group
2015/16 £000	2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000	2016/17 £000
(7,056)	132,799	125,743	Net Cost of Services	(7,925)	123,855	115,930
601	42,368	42,969		1,426	42,119	43,545
			Financing, Investment Income & Expenditure			
175,167	(175,167)	-	Intra-group Adjustment	165,974	(165,974)	-
<b>168,712</b>	<b>-</b>	<b>168,712</b>	<b>Total</b>	<b>159,475</b>	<b>-</b>	<b>159,475</b>
18	(127,777)	(127,759)	Actuarial (gains) / losses on pension assets / liabilities	962	263,926	264,888
(127,777)	127,777	-	Intra-group adjustment	263,926	(263,926)	-
<b>(127,759)</b>	<b>-</b>	<b>(127,759)</b>	<b>Total</b>	<b>264,888</b>	<b>-</b>	<b>264,888</b>

PCC	Chief Constable	PCC Group		PCC	Chief Constable	PCC Group
2015/16 £000	2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000	2016/17 £000
-	408	408	Inventories	-	399	399
(8,929)	(13,096)	(22,025)	Creditors	(6,791)	(11,781)	(18,572)
(12,688)	12,688	-	Intra-Group Adjustment	(11,382)	11,382	-
<b>(21,617)</b>	<b>-</b>	<b>(21,617)</b>	<b>Total</b>	<b>(18,173)</b>	<b>-</b>	<b>(18,173)</b>

### 45. 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.

On the 9<sup>th</sup> June 2015 the Articles of Associations of GIFT (Gwent) were amended by special resolution following the withdrawal of the University of South Wales as a Member of the Charity and the Chief Constable of Gwent Police replacing the Police and Crime Commissioner for Gwent as sole Member.

At 31<sup>st</sup> March 2017 GIFT (Gwent) had two Trustees. Nigel Stephens, Assistant Chief Officer Resources, who is a PCC Group 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 new 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 31<sup>st</sup> July 2016 disclosed net current assets of £27,257 and retained a profit for the year of £1,147.



Term	Definition
<b>2016/17</b>	This refers to the period covered by these accounts – 1 <sup>st</sup> April 2016 to 31 <sup>st</sup> March 2017.
<b>2015/16</b>	This refers to the prior year financial period for comparative purposes – 1 <sup>st</sup> April 2015 to 31 <sup>st</sup> March 2016.
<b>Accounting Policies</b>	These are a set of rules and codes of practice the PCC Group uses when preparing the accounts.
<b>Accruals</b>	The accounting treatment, where income and expenditure is recorded when it is earned or incurred not when the money is received or paid.
<b>Actuarial Gains and Losses</b>	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made in the last valuation; or</li> <li>• The actuarial assumptions have changed.</li> </ul>
<b>Amortisation</b>	This is the measure of the wearing out, consumption or other reduction in the useful life of Intangible assets.
<b>Balance Sheet</b>	This shows the value of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.
<b>Capital Adjustment Account</b>	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.
<b>Capital Expenditure</b>	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 Group, e.g. land and buildings.
<b>Capital Receipts</b>	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.
<b>Carrying Value</b>	The carrying value of an asset or a liability recorded in the Balance Sheet.
<b>CIPFA</b>	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.
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
<b>Consumer Price Index (CPI)</b>	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.
<b>Contingent Liabilities or Assets</b>	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 Group accounts.
<b>Creditors</b>	Individuals or organisations to which the PCC Group owes money at the end of the financial year split short-term (within 12 months) and long-term.
<b>Current Assets</b>	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.
<b>Current Liabilities</b>	Current liabilities are items that are due immediately or in the short – term.

## Glossary of Terms

Term	Definition
<b>Current Service Cost (pensions)</b>	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.
<b>Curtailment</b>	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).
<b>Debtors</b>	Individuals or organisations that owe the PCC Group money at the end of the financial year split short-term (within 12 months) and long-term.
<b>Defined Benefit Scheme</b>	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.
<b>Defined Contribution Scheme</b>	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.
<b>Depreciation</b>	This is the measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.
<b>Fair Value</b>	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.
<b>Finance Lease</b>	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.
<b>Financial Instrument</b>	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.
<b>Fixed Assets</b>	These are items such as land, buildings, vehicles and major items of equipment, which give benefit to the PCC Group over more than one year.
<b>FRS</b>	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).
<b>General Fund</b>	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.
<b>Group</b>	The term refers to the merger of Office of the Police and Crime Commissioner and the Chief Constable.
<b>Impairment</b>	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.
<b>Intangible Assets</b>	These are assets that do not have physical substance but are identifiable and controlled by the PCC Group. Examples include software, licenses and patents.
<b>Interest Cost (Pensions)</b>	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.
<b>Inventories</b>	Amounts of unused or unconsumed stocks held in expectation of future use at the Balance Sheet date.

## Glossary of Terms

Term	Definition
<b>Leasing Costs</b>	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.
<b>Materiality</b>	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.
<b>Minimum Revenue Provision</b>	The prudent amount that the PCC Group is statutorily required to set aside from revenue funds to meet the repayment of borrowing undertaken to support capital investment.
<b>Movement in Reserve Statement</b>	This financial statement presents the movement in usable and unusable reserves.
<b>Net Book Value (NBV)</b>	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.
<b>Net Realisable Value (NRV)</b>	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.
<b>Operating Lease</b>	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.
<b>Past Service Cost</b>	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.
<b>PCC</b>	The abbreviation for the Police and Crime Commissioner. The PCC is a separate corporation sole which was established on the 22 <sup>nd</sup> November 2012 under the Police and Social Responsibility Act 2011. Also referred to as the Office of the Police and Crime Commissioner.
<b>Private Finance Initiative (PFI)</b>	A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
<b>Precept</b>	The amount levied and collected by the five Gwent Authorities (Newport, Caerphilly, Blaenau Gwent, Monmouthshire and Torfaen) and paid over to the PCC Group.
<b>Provisions</b>	The PCC Group may set aside amounts as provisions to meet liabilities or losses that are likely to arise in the future.
<b>Public Works Loan Board (PWLB)</b>	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.
<b>Related Parties</b>	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.
<b>Reserves</b>	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 Group.
<b>Revaluation Reserve</b>	An amount representing the accumulated gains on the fixed assets held by the PCC Group 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.
<b>Retail Price Index (RPI)</b>	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.

## Glossary of Terms

Term	Definition
<b>Revenue Budget</b>	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.
<b>Revenue Support Grant (RSG)</b>	A general government grant in support of local authority expenditure (including Police and Crime Commissioners) and fixed each year in relation to spending levels.
<b>Senior Employee</b>	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 (ACPO).
<b>Service Reporting Code of Practice (SerCOP)</b>	CIPFA Service Reporting Code of Practice which shows the Net Cost of Police Services including support services by mandatory categories of policing service or activities (reviewed annually).
<b>The Code</b>	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.