

POLICE AND CRIME COMMISSIONER FOR  
GWENT GROUP  
**STATEMENT OF ACCOUNTS**

2017/18



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

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## Narrative Report

### Introduction

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

### 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 sixth 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 2018, which is in accordance with the Code in the United Kingdom 2017/18, 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 2018;
  - **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 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 £120.942m was approved by the Commissioner on the 21<sup>st</sup> February 2017. After the Home Office Grant of £40.904m, Revenue Support Grant of £20.748m and National Non-Domestic Rates of £9.835m, the amount to be collected from Council Tax was £49.455m.

**What the money was spent on?** – The CIES (page 33) shows the total cost of services of £125.666m. Adjusting this figure for corporate costs, changes in future pension liabilities and other appropriations and contributions excluded from the cost of services produces total expenditure for the year of £146.258m. Comparing this sum with income from grants and council tax of £121.391m shows a net deficit for the year of £24.867m.

Adjusting this deficit for the differences between Statutory Accounting Requirements and Funding Regulations (detailed in Note 7a, page 56) resulted in reported savings for the year of £6.166m which is to be transferred to Reserves as follows:

- £1.039m to Earmarked Reserves; and
- £3.789m to the General Police Fund.
- £0.074m to Capital Receipts Reserve.

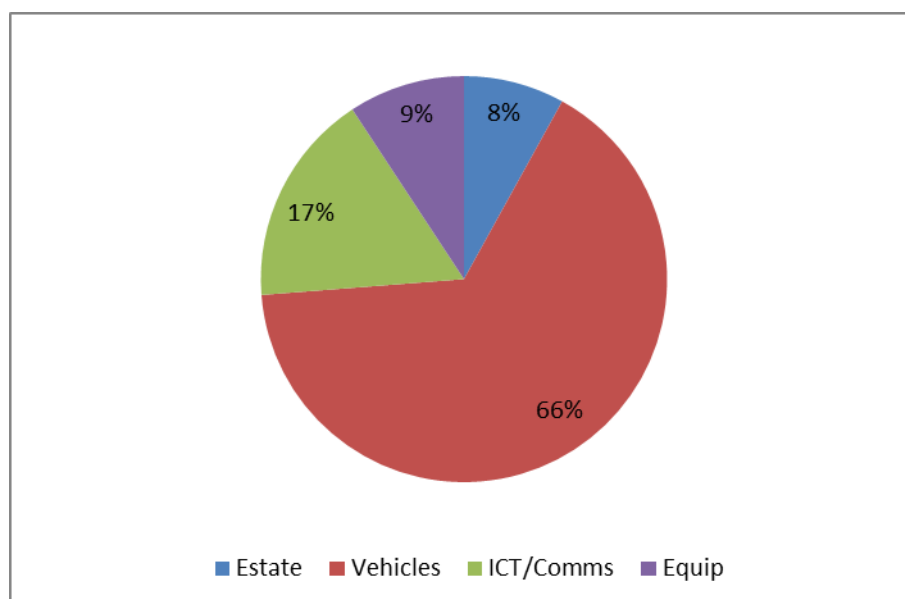
Further analysis on how annual expenditure is used and funded from can be found in the Expenditure and Funding analysis (EFA) in Note 7 to the Financial Statements. EFA statement shows that the savings of £4.902m arose through anticipated recurrent savings through the acceleration of efficiency schemes 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 £57.172m. 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 2017/18, including budget brought forward from prior years to cover slippage, was £7.162m. During 2017/18, capital expenditure (on an accruals basis) amounted to £1.588m (on a cash basis spend was £1.485m) 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 2017/18



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 2017/18, £1.588m of expenditure was applied as follows:

	Funds Brought Forward £000	Additional Funds in Year £000	Total Funds Available £000	Total Applied Funds £000	Funds Carried Forward £000
Capital Grant	-	449	449	449	-
Police HQ and Capital Replacement	13,605	-	13,605	547	13,058
Revenue Financing	-	575	575	575	-
Airwave Sinking Fund	2,171	210	2,381	-	2,381
Capital Reserves	3,365	-	3,365	17	3,348
<b>Revenue Earmarked Reserves</b>	<b>19,141</b>	<b>1,234</b>	<b>20,375</b>	<b>1,588</b>	<b>18,787</b>

Capital creditors as at 31<sup>st</sup> March 2018 amounted to £0.462m (2016/17 £0.230m).

### 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 2018.

### Looking Ahead

1. The 2018/19 budget setting round is the third 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 for the life of this Parliament through subsequent CSRs. The Staying Ahead Programme was initiated by Gwent Police to address these efficiency requirements and to the end of 2016/17, has delivered cumulative recurring savings of £42.069m. The 2017/18 savings target of a further £7.245m has been met this year through the continuing success of the Staying Ahead Programme.
2. The future financial challenge to 2022/23 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 was brought back on track with a hope to produce its findings by February/March 2017, with implementation for the 2018/19 financial year. However, it is believed that with the significant implications of the Brexit negotiations; the result of the 'snap' General Election in June 2017; and the significant increase in the threat of terrorism, the implementation has been delayed. Indeed, in the Provisional 2018/19 Police Funding Settlement (Provisional Settlement), which was announced in a Written Ministerial Statement (WMS) by the Minister of State for Policing and the Fire Service Nick Hurd MP on Tuesday 19<sup>th</sup> December 2017, the Minister states: "I am grateful for the work of the Core Grant Distribution Review, earlier this year, which considered potential changes to the police funding formula. In the context of changing demand and following my engagement with police leaders, providing funding certainty for 2019/20 is my immediate priority. It is intended that the funding formula will be revisited at the next Spending Review." It is assumed therefore any impact will not occur until the 2020/21 financial year following a potential 2019 CSR. 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 Funding for Gwent. It could be expected therefore, that the HO will continue with their approach following the significant amount of work undertaken to date. Therefore, from the 2020/21 financial year onwards, the Commissioner could be faced with a £6m cash cut in addition to the underlying real-term 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 22<sup>nd</sup> November 2017, the Chancellor of the Exchequer, Rt. Hon. Philip Hammond MP, made his Autumn Budget 2017 announcement in the House of Commons. This was the Chancellor's first Autumn Budget. Alongside the Autumn Budget, the Office for Budget Responsibility (OBR) published its Economic and Fiscal Outlook (EFO), containing its forecasts for the economy and the public finances. In terms of economic and public spending headlines, the Autumn Budget stated:

- Gross Domestic Product (GDP) was predicted to grow by 1.5% in 2017. This is 0.5 percentage points less than the 2.0% predicted in the 2017 Spring Budget (the first post-Brexit forecast). For each year to 2021, growth forecasts have been revised down from those in the 2017 Spring Budget. These revisions mainly reflect revisions to productivity forecasts;
- Consumer Price Index (CPI) inflation was revised up for 2017 but aligned with previous medium term forecasts. In 2017, CPI Inflation was forecasted at 2.7%; this was expected to be followed by rates of 2.4% and 1.9% in 2018 and 2019 respectively and 2.0% thereafter;
- The OBR forecasted that debt would peak at 86.5% of GDP in 2017/18, the highest it's been in 50 years. It was then forecast to reduce to 79.1% by 2022/23. This corresponds to deficit forecasts of 2.4% of GDP for 2017/18 reducing to 1.1% by 2022/23. This is consistent with the 2016 Autumn Statement, which confirmed that the Government has scrapped its target to be in budget surplus by 2019/20;
- Employment remains near the record high set earlier this year which was its lowest rate (of 4.3%) since 1975;
- £3bn has been set aside over the next two years to ensure a smooth Brexit transition. This is in addition to the £700m already invested;
- As part of the 2018 Spring Budget, the Government announced that public spending would be increased by £11bn in 2018/19. The Chancellor also stated that if in autumn 2018 the public finances continue to reflect the economic improvements indicated in his statement, that there would be the capacity to increase public spending and investments in the years ahead.
- Council tax receipts, levels and taxbases are forecasted slightly higher than the corresponding March 2017 figures.

4. Aside from the relative information above, the Autumn Budget provided no specific information of the impact on police and crime budgets. At that stage therefore (i.e. late November 2017), it could only be assumed that Government Department spending plans set out in the CSR 2015 would remain in place – i.e. that 'flat cash Central Government Grant Funding' could be expected for the 2018/19 financial year, assuming that locally



determined Council Tax Precept increases are maximised (at least a 2% increase) and council tax bases grow consistently nationally (by at least 0.5%).

5. As stated in paragraph 2 above, the Provisional Settlement was announced in a WMS by the Minister of State for Policing and the Fire Service Nick Hurd MP on Tuesday 19th December 2017. The Welsh Government (WG) also published their Provisional Settlement for Welsh Commissioners on the same date. Both documents outline the provisional levels of Central Government Grant Funding for Commissioners for 2018/19. The publication of the Draft 2018/19 Police Grant Report marks the start of the consultation period which ended on the 16th January 2018. The Final Settlement was received on the 31st January 2018, remaining unchanged from the Provisional Settlement.
6. An integral part of the Police Settlement identifies the movement in finances from the overall national Government funding available for policing and crime services, to what is actually allocated to individual Commissioners. This movement takes account of 'reallocations' (previously known as topslices), from the HO's overall police and crime budget into other parts of HO policing responsibilities. Each has an impact upon the amount of funding ultimately awarded to Commissioners through the Final Settlement and the 2018/19 reallocations are highlighted below:
  - The funding for police technology will be increased from £417m to £495m, to support the new Emergency Services Network (ESN); Home Office Biometrics; the National Law Enforcement Data Service; and the new national Automatic Number Plate Recognition (ANPR) service. These technology programmes will provide the national infrastructure that the police need for the modern communications and data requirements, thereby delivering substantial financial savings and productivity gains in future;
  - The Police Transformation Fund (PTF) will be maintained at £175m, which the Government expects to support an improvement in the leadership and culture of policing; the diversity of its workforce; protection of vulnerable people; cross-force specialist capabilities; exploitation of new technology; and how policing responds to changing threats;
  - £93m will be provided (up from £50m) for the discretionary Police Special Grant contingency fund, which supports forces facing significant and exceptional events which might otherwise place them at significant financial risk (for example, helping forces respond to terrorist attacks). The increase in funding in 2018/19 reflects both an assessment of potential need after heavy demand for Special Grant this year and the specific costs likely to be incurred for the policing operation at the Commonwealth Summit;
  - Existing Arm's Length Bodies (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the College of Policing, the Independent Police Complaints Commission (as it becomes the Independent Office for Police Conduct) and the Gangmasters and Labour Abuse Authority) will receive broadly the same level of funding as in 2017/18 (£54m). Additional Arm's Length Body funding of £9m reflects the need to set up a new Office for Communications Data Authorisations following clarification by the courts of the legal requirements for independent scrutiny of requests for communications intercepts; and
  - Finally, the HO will also maintain Private Finance Initiative (PFI) obligations (£73m); support police bail reforms (£4m – down from £15m); and top-up National Crime Agency funding and Regional Organised Crime Unit grants (from £28m to £42m) to ensure these are maintained at flat cash, in line with police grant.
7. As a rule of thumb, the local financial impact (i.e. to the Commissioner's budget in Gwent) of any reallocated amount, equates to 1%. Therefore, the overall 2018/19 reallocations of £945m above equates to a potential loss of £9.45m of Central Government Grant Funding into Gwent.
8. Within the overall Provisional Settlement, the Metropolitan Police Service, through the Greater London Authority, will continue to receive National and International Capital City (NICC) grant funding worth £173.6m. The City of London Police will also continue to receive NICC grant funding worth £4.5m. This is in recognition of the unique and additional demands of policing the capital city of the United Kingdom. No such allocation is provided in recognition of Cardiff's status as the capital city of Wales and the associated events held there that draw resources from South Wales Police and its neighbouring forces. The HO have been lobbied on this matter for a number of years, but considers the additional demand that Cardiff's status creates to be comparable with a large English city such as Bristol. Furthermore, in future dialogue with the HO in a similar vein, the resultant

demand upon policing in Gwent as a result of the expansion of the International Convention Centre for Wales at the Celtic Manor Resort will have to be considered.

9. In the last two financial years 2016/17 and 2017/18, the Government maintained broadly 'flat cash' Commissioner budgets by reducing Central Government Grant Funding as local Council Tax Precept increased. Had the Government taken that approach to the Final Settlement, Central Government Grant Funding would have reduced by over £60m (an impact of around £0.6m for Gwent). However, in recognition of the increasing demands on policing, the Government have altered their approach for 2018/19 and intend to 'protect' the Central Government Grant Funding which ultimately reaches Commissioners. This means in 2018/19, each Commissioner will receive the same amount of Central Government Grant Funding as they did in 2017/18. The Government's intention to 'protect' Central Government Grant Funding is therefore somewhat misleading, in that unavoidable increases in policing expenditure, such as inflation, the lifting of the public sector pay cap and specific service pressures, will need to be met from a combination of cashable efficiencies elsewhere in the budget and local Council Tax Precept increases. The headline 'standstill' cash settlement in the Final Settlement still amounts to a 'real term' cut in overall funding, even after the proposed increase in Council Tax Precept in 2018/19 is factored in.
10. The background to the Final Settlement is one of recognition of the shift in the pattern of demand on police time and resources. It remains true that crime (as traditionally measured by the Independent Crime Survey for England and Wales – widely regarded as the best long-term measure of the crime people experience) is down by more than a third since 2010 and 70% since its peak in 1995. However, the Government now recognises that there have been material changes in the demands on policing since CSR 2015, with demand from crimes reported to them growing and shifting to more complex and resource intensive work such as investigating child sexual exploitation (CSE) and modern slavery. At the same time the terrorist threat has changed. The 24% growth in recorded crime since 2014/15 comes from more victims having the confidence to come forward and report previously hidden crimes, better recording practices by the police – both of which are to be welcomed – but also includes some concerning increases in violent crime.
11. The Minister of State for Policing and the Fire Service has also outlined his intention that in order to assist with more efficient financial planning, he will provide Commissioners and Chief Constables greater visibility on financial plans for 2019/20. To this end, he has made clear his intention to maintain 'broadly flat' Central Government Grant Funding in 2019/20; however this is dependent upon the police service delivering clear progress against agreed milestones on productivity and efficiency during 2018/19.
12. 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 and 2017/18, these have enabled the Commissioner and the Force to be in a position to continue to reinvest cashable efficiencies into known emerging pressures and service developments from 2018/19 onwards.
13. 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 Police Chiefs' Council (NPCC)/Police and Crime Commissioners Treasurers' Society (PACCTS) submission regarding 'Future Levels of Funding for Police Services'. They include addressing:
  - Rising Crime and Incident Demand - Traditional crime types between 2015/16 and 2016/17 have increased by 12.6%, equating to an additional 4,656 crimes being recorded in Gwent;
  - Changes in the Complexity of Crime and the Need to Identify and Tackle Hidden Crime - Whilst there has been a rise in traditional crimes, further analysis shows that there is a spectrum of categories contained within each traditional crime type, which impacts on the skills needed by Police Officers to effectively and efficiently deal with the crime;

- Increase in Levels of Vulnerability - Vulnerable members of our society are increasingly calling upon police resources;
- New Technology = Increased Opportunities for Crime = Increased Demand - New technology is being exploited by criminals, thereby increasing the speed, intrusivity and impact of the crimes. This in turn, increases the police response;
- Emerging Demand for Specialist Uniformed Operations - Significant demand has already been placed upon this area of Policing. As the Government's austerity programme has hit across policing, every force has cut back on specialist uniformed resources. In any given 'mutual aid' situation, Gwent Police is expected to provide three Police Support Units (PSU). The Force only has one established PSU and barely achieves its requirement to provide three, without the future demand forecast from public disorder surrounding the building and operation of the International Convention Centre for Wales at the Celtic Manor Resort; dealing with protesters against the M4 relief road; and providing uniformed presence following counter terrorist work, such as was experienced following the Parsons Green attack in London;
- The need to Balance Focus on Uniform and Detective Resources - The balancing of resources for overt police visibility with investigative capacity (and potential covert tactics) is a constant challenge; and
- The need to Look After the Wellbeing of People Working for Gwent Police - Following years of reducing establishments as a result of the Government's austerity programme, coupled with rising demand for policing services, the wellbeing of staff is paramount. Between 2007 and 2017, Gwent Police experienced a 24.6% reduction in its overall workforce, the 5th largest across England and Wales;

14. The above areas of focus and investment build upon the Forces 'Investment Strategy' which was incorporated into the 2017/18 budget setting round and which has gained significant momentum during the 2017/18 financial year.

15. 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.

16. 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:

- Local policing;
- Specialist capabilities;
- Workforce;
- Digital Policing; and
- Enabling Business Delivery.

17. 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 balanced budget for the 2018/19 financial year; however, this reverts to a budgetary imbalance (before efficiencies) in future years increasing to £10.654m by 2022/23

**Signed:**

Darren Garwood-Pask

**Darren Garwood-Pask FCCA**

**Chief Finance Officer**

**Date: 31<sup>st</sup> July 2018**

# The Independent auditor's report of the Auditor General for Wales to Police and Crime Commissioner for Gwent

## Opinion

I have audited the financial statements of:

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

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

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

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

The Police and Crime Commissioner for Gwent Police Group's financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent; the Gwent Police Pension Fund; and the Police and Crime Commissioner for Gwent Police Group as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

## Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of

performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Report on other requirements**

#### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

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

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

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

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

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

### **Responsibilities**

#### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for Gwent Police Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

Anthony J Barrett

Anthony J Barrett

For and on behalf of the Auditor General for Wales

Date: **31<sup>st</sup> July 2018**

24 Cathedral Road

Cardiff

CF11 9LJ

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

## Statement of Responsibilities

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

### The Commissioner's Responsibilities

The Commissioner is required to:

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

I approve the Statement of Accounts for the financial year 2017/18.

### Signed:

Jeff Cuthbert

**Jeff Cuthbert**  
**Police and Crime Commissioner for Gwent**  
**Date: 31<sup>st</sup> July 2018**

### Chief Finance Officer's Responsibilities

The Chief Finance Officer (Section 151 Officer) is responsible for the preparation of the Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (The Code of Practice).

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

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts, present a true and fair financial position of the Commissioner at 31<sup>st</sup> March 2018 and his income and expenditure for the period then ended.

**Signed:**  
(by Responsible Financial Officer)

Darren Garwood-Pask

**Date: 18<sup>th</sup> June 2018**  
**Darren Garwood-Pask FCCA**  
**Chief Finance Officer**

**Signed:**  
(prior to the approval of the Police and Crime Commissioner)

Darren Garwood-Pask

**Date: 31<sup>st</sup> July 2018**  
**Darren Garwood-Pask FCCA**  
**Chief Finance Officer**

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

### INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The purpose of this Annual Governance Statement is to explain how the Police and Crime Commissioner (Commissioner) and the Chief Constable of Gwent have complied with their joint Code of Corporate Governance and to identify any significant governance issues they face.

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

The core statutory functions of the Commissioner are to secure the maintenance of the police force; secure that the force is efficient and effective; and hold the Chief Constable to account for the exercise of his functions and the functions of persons under his direction and control. The Commissioner has specific responsibilities for the delivery of community safety and crime reduction; and has the ability to make crime and disorder reduction grants within the force area. The Commissioner also has a wider responsibility for the enhancement of the delivery of criminal justice locally. Overarching these functions is a responsibility for ensuring business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; and that it is used economically, efficiently and effectively.

The operational independence of the Chief Constable is protected in legislation. He has a statutory responsibility for the control, direction and delivery of operational policing services provided by the Force. The Chief Constable is accountable to the law for the exercise of police powers and to the Commissioner for the delivery of efficient and effective policing; management of resources; and expenditure by the police force.

In discharging their overall responsibility, the Commissioner and Chief Constable are also responsible for putting in place proper arrangements for the governance of affairs and facilitating the exercise of their functions, which includes ensuring that 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's (CIPFA) *Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and Chief Financial Officer of the Chief Constable* and the Home Office *Financial Management Code of Practice for the Police Service of England and Wales 2013*. Revised guidance for 'Delivering Good Governance' for Policing Bodies was published by CIPFA in July 2016 and these have been taken into account in reviewing our governance arrangements and in preparing this Annual Governance Statement.

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

This is the first time that the Commissioner and Chief Constable have jointly produced a single Annual Governance Statement. This is because they share much of the same governance framework. The Statement highlights the few areas where governance arrangements differ.

### AIM OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Commissioner and the Chief Constable direct and control the activities through which they account to and engage with the community. The framework enables them to influence and monitor the achievement of strategic Police and Crime objectives and to consider whether those objectives have led to the delivery of the Police and Crime Plan in an efficient and effective manner.

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

The system of internal control is based on an on-going review process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The findings of the review of the system of internal control are considered by the Commissioner and the Chief Constable and independently reviewed by the Joint Audit Committee.

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

## PRINCIPLES OF GOOD GOVERNANCE

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

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

The Code of Ethics issued by the College of Policing introduced two additional principles: Fairness and Respect, thereby providing the following (extended) Nolan Principles:

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

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

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

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

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

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

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

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

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

The Code is also consistent with the seven core principles of good governance set out in the International Framework for Good Governance in the Public Sector<sup>1</sup> with which both the Commissioner and the Chief Constable comply:

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

**The table at Appendix 1 to this Annual Governance Statement illustrates how these Good Governance Principles and the (extended) Nolan Principles have been applied in the work of the Commissioner and the Chief Constable during the 2017/18 financial year, as well as identifying measures that will be undertaken in 2018/19.**

## GOVERNANCE ARRANGEMENTS

<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/IFAC 2014)



The governance architecture of both parties has been further reviewed during 2017/18. The aim of this governance framework is to provide the Commissioner and Chief Constable with a strong focus on the drivers for policing within Gwent Police, and the desire to ensure that there is a 'clear line of sight' between any decisions taken and the requirements of the Police and Crime Plan:

### **Principles of Relationships**

The Chief Constable and Commissioner developed 'Principles of Relationships', which recognise the operational responsibilities of the Chief Constable within a policy and accountability framework that enables the Commissioner to pursue his policy intentions; for those to be reflected in the operational plans of the Force; and for the Chief Constable to be held accountable for their delivery. These provide that, notwithstanding their formal 'corporation sole' status, the relationship between the Commissioner and the Chief Constable will be based on working together for the benefit of the people of Gwent, under the joint banner of 'Heddlu Gwent Police'.

The Principles also specify that the relationship between the Commissioner and Chief Constable will be built on trust, confidence and transparency. The governance arrangements adopted are consistent with the need to ensure accountability both between the parties and also accountability to the public. A transparent and auditable approach has been adopted which remained valid in 2017/18.

### **Manual of Corporate Governance**

The Commissioner and the Chief Constable have in place a joint Manual of Corporate Governance. This Manual of Corporate Governance includes a scheme of delegation, financial regulations, the Principles of Relationships and standing orders relating to contracts. It also includes a decision making framework which ensures that, where possible, all the Commissioner's decisions are published and available for public scrutiny. This key document in the governance framework of both corporations is reviewed on an annual basis to ensure that it continues to reflect and meet the needs of the organisation. The notable changes made in 2017/18 are set out below.

### **Governance Framework:**

A review was undertaken in 2017/18 and this concluded that the principles of collaboration (as set out in the Principles and in the Manual) would be best reflected through the establishment of a new meeting and reporting structure for the Chief Constable aligned to the delivery of the Police and Crime Plan, addressing both performance and delivery issues. The Scrutiny and Performance Executive Board (chaired by the Deputy Chief Constable) will feed into the monthly Chief Officer Executive Board meeting and ultimately into the quarterly Strategy and Performance Board.

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

The diagram at Appendix 2 sets out the revised meeting structure within the Force.

## **REVIEW OF EFFECTIVENESS**

The Commissioner and Chief Constable have responsibility for conducting, at least annually, a review of the effectiveness of their governance framework including the system of internal control. The review of effectiveness is informed by the work of Chief Officers and senior managers who have responsibility for the development and maintenance of the governance environment; the Internal Audit annual report; the annual report of the Joint Audit Committee; the view of the external auditor through the annual audit letter; and other review inspectorates.

As noted above, work undertaken in 2017/18 has resulted in some changes to the governance arrangements which included:

- A change in the meeting structure that report to the Commissioner's Strategy and Performance Board and to the Chief Officer Executive Board to deal with performance delivery and change;
- The reinvigoration of the Estates Strategy Board chaired by the Commissioner with representatives from both the Commissioner's team and the Chief Constable to meet the challenges presented by the new Estates Strategy and the relocation of the Gwent Police Headquarters; and
- The reporting of data breaches under the Data Protection Act 1998 and associated best practice. During 2017/18, the Office of the Commissioner classified one data breach (which did not warrant reporting to the Information Commissioner's Office). Gwent Police had three data breaches (none of which warranted reporting to the Information Commissioner's Office). It did have one vulnerability that was notified to the Information Commissioner's Office following a press report and a response has not yet been received.

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

sets out how the Commissioner and the Chief Constable have complied with the Code over the previous financial year and up to the date that the Statement of Accounts are published).

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

The roles of the various bodies in reviewing the effectiveness of the governance framework are detailed below:

### **Joint Audit Committee**

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

The Joint Audit Committee 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 Joint Audit Committee over the period of the Annual Governance Statement contributes to the review process. A report of the work of the Joint Audit Committee is produced annually, as part of that review, and submitted to the Commissioner and Chief Constable.

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

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

The Joint Audit Committee provides comments, advice and assurance on matters relating to the internal control environment of the Force and the Office of the Commissioner. It has oversight of general governance matters. During 2017/18, the Committee was composed of five people independent of the Chief Constable and the Office of the Commissioner.

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

The Joint Audit Committee has formal terms of reference, covering its core functions, and these are also set out in the joint Manual of Corporate Governance. These include reference to the Committee's role in respect of the corporate governance arrangements and in maintaining an overview of the regulatory framework. The Commissioner and Chief Constable were either present, or represented at all meetings of the Joint Audit Committee.

**The Joint Audit Committee Annual Report for 2017/18 confirmed that the Committee remain satisfied that the Commissioner and the Chief Constable can be assured that the control, risk and governance position for 2017/18 was appropriate.**

### **Ethics Committee**

This was established by the Commissioner and the Chief Constable in April 2015. It is comprised of 10 independent members as well as police officers and police staff. The Committee provides advice, support and assistance concerning ethical challenges arising from operational, administrative or organisational matters facing Gwent Police.

### **Internal audit**

Internal audit perform a range of reviews based on an agreed audit plan and in compliance with Public Sector Internal Audit Standards (PSIAS). The audit plan has regard to risks and recognises that key financial systems and other areas of wider business risk need to be reviewed on a cyclical basis to provide assurance with regard to internal controls and systems for governance. The work of internal audit contributes to the review of the effectiveness of governance by identifying the effectiveness of internal controls and providing an overall opinion annually on the control environment.

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

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

The audit work for the year is, therefore, founded on a risk based approach and focuses on significant financial and operational risks. The plan is agreed by the Chief Finance Officers of both corporations sole, and is presented to the Joint Audit Committee for approval.

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

### **INTERNAL AUDIT WORK DURING 2017/18**

The internal audit work for the last year was risk based and focused on significant financial and operational risks. The incumbent internal audit service for the Commissioner and Chief Constable are TIAA, following their appointment from 1<sup>st</sup> April 2015.

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

During 2017/18 TIAA undertook 19 audits of which 1 was assessed as providing substantial assurance, 15 with reasonable assurance and 3 with limited assurance.

Treasury Management	Substantial
Governance – Strategic Planning	Reasonable
Risk Management	Reasonable
Fleet Management – Delivery	Reasonable
HR Management – L&D	Reasonable
HR Management – Strategy	Reasonable
Budgetary Control	Reasonable
Capital Programme	Reasonable
Counter Fraud – Cyber Assurance	Reasonable
Estate Management – Delivery	Reasonable
Joint Scientific Unit	Reasonable
Corporate Communications	Reasonable
General Ledger	Reasonable
Payroll	Reasonable

Stop and Search	Reasonable
Finance and Resource System	Reasonable
Vetting	Limited
Creditors	Limited
Debtors	Limited

These reports generated 69 recommendations, of which only 3 were urgent, 37 were considered important and 29 were categorised as routine.

Of the 3 Limited Assurance internal audits the actions either have been addressed or actions taken to mitigate the risk. The Limited Assurance audit reports for Creditors and Debtors, were as a direct result of the implementation during 2017/18, of a Fully Integrated Resource Management Systems (FIRMS) - a project under the collaborative Fusion Programme with South Wales Police. FIRMS brings together the core business systems (Human Resources (HR), Learning and Development, Payroll, Finance, Procurement and Rostering) into one system, on an integrated platform between the two Forces. Although Phase 1 successfully went live on the 31<sup>st</sup> July 2017, with the transition to a new integrated HR, Payroll, Finance and Procurement System, the implementation of such a significant change to systems, process and user knowledge created challenges in the timely payment and issue of invoices.

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

**TIAA's Annual Opinion was that reasonable and effective risk management, control and governance processes are in place.**

During 2017/18 TCBC undertook 5 audits of which the assessment is below.

IT Governance	Moderate
Application Support and Maintenance	Moderate
Back Office Follow Up	Unsatisfactory
E Mail Follow Up	Satisfactory
IT Continuity Management	Reasonable

These reports generated 43 recommendations, of which 0 were high, 38 were medium and 5 were categorised as low.

The 1 Unsatisfactory Assurance report was due to the remaining 2 low risk management actions (out of 4) that remained incomplete and in the TCBC risk criteria, classifies the risk assessment as Unsatisfactory, as 50% of the original findings had not been closed.

However, at the time of the Annual Report three of these internal audit reports awaited final management comment and one remained in draft awaiting feedback and agreement to findings. Due to these delays three audits have delayed into 2018/19. This has been a matter of concern and requires management to address this governance risk and has been reflected in the audit opinion.

**TCBC's Annual Opinion was that sufficient internal audit work had been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. However, due to the difficulties in the management of the audit process that major improvement was required.**

#### External Audit

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

The Public Audit (Wales) Act requires the WAO to assess whether the Commissioner and the Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

They audit the financial statements of the Commissioner and Chief Constable, as well as the Group and Pension accounts and also report (by exception) on the Joint Annual Governance Statement if it does not comply with requirements.

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

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

### **Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)**

The role of HMICFRS 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. The HMICFRS inspects the functions of the Chief Constable, not the Commissioner. It also provides advice and support to the tripartite partners (Home Secretary, Commissioners and Chief Constables).

Gwent Police is inspected by HMICFRS. HMICFRS is independent of the Commissioner, the Chief Constable and the United Kingdom 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. HMICFRS also actively monitors the performance of the Force in relation to their plans for ensuring the sustainability of an efficient and effective police service in light of the significant grant reductions from recent Comprehensive Spending Reviews. To date, reports in this area of inspection have been positive and encouraging. HMICFRS reports are published on the following website:

<https://www.justiceinspectors.gov.uk/hmicfrs/>

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

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

### **HMICFRS INSPECTION WORK DURING 2017/18**

HMICFRS reports during 2017/18 supported the monitoring and development of many Force priorities. HMICFRS also produces a suite of value for money indicators to challenge areas of exceptional spend in comparison with Gwent Police's most similar forces. The results of the benchmarks are incorporated within the Force's change programme.

### **PEEL Assessment by HMICFRS**

During 2017/18 HMICFRS published its assessments of police forces which would allow members of the public to see how well its local force is performing. These are known as PEEL assessments (and examine **P**olice **E**ffectiveness, **E**fficiency and **L**egitimacy):

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

### **The HMICFRS Inspections undertaken during 2017/18 were as follows:**

#### **Effectiveness (last updated 22/03/18)**

Gwent Police requires improvement in keeping people safe and reducing crime. Its effectiveness has deteriorated since 2016 in the important area of protecting vulnerable people (people who are vulnerable through their age, disability, or because they have been subjected to repeated offences, or are at high risk of abuse, for example).

Gwent Police demonstrates a good understanding of the demand for its services and makes good use of technology to achieve this. The force understands how demand may be affected and demonstrates a good commitment to managing and prioritising its response to that demand. However, it does not have in place a plan to recover non-emergency abandoned calls and needs to do more to ensure it has a clear understanding of potential future demand for its services. The force encourages innovation and makes good use of technology to improve its services.

The force has a good understanding of the skills and capabilities it needs in its workforce now and in the future; however, this could be improved further with a better understanding of wider or 'softer' skills. The force manages its finances effectively and has the flexibility to meet any unforeseen demands for its services.

#### **Efficiency (last updated 09/11/17)**

Gwent Police is judged to be good in the efficiency with which it keeps people safe and reduces crime. HMICFRS's overall judgment this year is the same as last year. The Force has maintained a good understanding of demand; its use of resources to manage demand is assessed to be good; but its planning for future demand is judged to require improvement.

Gwent Police demonstrates a good understanding of the demand for its services and makes good use of technology to achieve this. The Force understands how demand may be affected and demonstrates a good commitment to managing and prioritising its response to that demand. However, it did not have in place a plan to recover non-emergency abandoned calls (which has since been rectified) and needs to do more to ensure it has a clear understanding of potential future demand for its services. The Force encourages innovation and makes good use of technology to improve its services.

The Force has a good understanding of the skills and capabilities it needs in its workforce now and in the future; however, this could be improved further with a better understanding of wider or 'softer' skills. The Force manages its finances effectively and has the flexibility to meet any unforeseen demands for its services; however, it needs to do more to develop sustainable financial plans to guide future savings.

#### **Legitimacy (Last updated 12/12/17)**

Gwent Police is judged to be good at how legitimately it keeps people safe and reduces crime. For the areas of legitimacy HMICFRS looked at this year, its overall judgment is the same as last year. The Force is judged to be requiring improvement at treating all of the people it serves with fairness and respect but judged as good at ensuring its workforce behaves ethically and lawfully and treating its workforce with fairness and respect.

The Force prioritises the ethical behaviour of the workforce and supervisors play an active role in ensuring that standards are maintained. To reinforce this, the Force has put a programme in place to simulate incidents that test the principles of ethical decision making. Known as 'ethical dilemmas', front line staff talk through hypothetical scenarios with supervisors to discuss how best to ensure that the Force's reputation is not undermined.

Leaders in Gwent Police have a limited understanding of the importance of treating all the people they serve with fairness and respect. This is reflected in a lack of understanding of skills of Gwent Police's workforce and shortcomings in arrangements for external scrutiny. Its monitoring of the use of coercive powers is too limited in scope to identify and respond effectively to individual and organisational concerns. These include uncertainty regarding the legal grounds necessary to stop and search members of the public.

The Force provides information to the public about how to make a complaint, and is good at keeping complainants updated on the progress of their complaints. The Force has effective knowledge and processes in place to identify, respond to and investigate allegations of discrimination.

Force leaders provide a range of channels to seek feedback and challenge from its workforce. The Force takes action in response to issues raised, and informs the workforce accordingly. The Force has a well-established and effective health and wellbeing strategy that is supported by a range of practical measures to promote physical and psychological wellbeing, and to take preventative and early action to address wellbeing concerns. The Force has provided training for supervisors and has a well-understood policy for providing wellbeing support. It has seen reductions in short and medium-term sickness as a result. The Force is beginning to improve how it manages and develops the individual performance of its officers and staff, but the process does not yet have credibility among much of the workforce. The Force has an established process for identifying high-potential candidates, based on line manager support, application forms and interviews, and is in the early stages of identifying high-potential members of the workforce.

#### **HMICFRS also undertook the following national/thematic reviews in 2017/18:**

Abuse of Position Assessments 05/10/17  
Joint Inspection of Police Custody 20/12/17

All issues identified as a result of the above inspections were taken forward by the Chief Constable as actions.

#### **Police and Crime Panel**

The Police and Crime Panel (the Panel) is responsible for overseeing the Commissioner and scrutinising his decisions.

The Panel is not there to scrutinise the performance of Gwent Police directly – that is the role of the Commissioner.

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

The responsibilities of the Panel include:

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

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

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

***During 2017/18 the work of the Panel included consideration of the following:***

- The Police and Crime Plan;
- Precept proposal 2018/19;
- Financial Reporting;
- Medium Term Financial Projections;
- Treasury Management;
- Annual Report ;
- Estate Strategy; and
- The appointment of a new Chief Constable in June 2017

There were 6 meetings of the Police and Crime Panel in 2017/18, including a specific induction day for new Panel members following the Local Council Elections in May 2017 and also a meeting to hold the confirmation hearing for the new Chief Constable in August 2017.

**Other Bodies**

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

**SIGNIFICANT GOVERNANCE ISSUES**

The following have been identified by the Commissioner and Chief Constable as future challenges which may have associated significant governance issues that will need to be managed through 2018/19 (some of which have been carried forward from 2017/18). They are drawn from the ongoing Joint Strategic Risk process (and an assessment of external and internal opportunities and threats):

- **Technology:** In order to meet some of the continuing financial challenges, and their impact upon our ability to maintain and improve services, we need to realise the benefits of improved productivity through better use of technology, smarter ways of working and collaboration with partners. Project Fusion (a joint project with South Wales Police) will seek to improve the information technology and communications systems within the Force and this remains key to productivity improvement;
- **Financial:** The Commissioner and Chief Constable will continue to face real term reductions in the core grant from Central Government. The Commissioner and Chief Constable will also need to ensure that they are able to meet the consequences of any future Funding Formula Review, which could have a significant impact upon police and crime funding. In addition, the level of overall funding received which is sourced from the Council Tax Precept is steadily increasing, to the point that by early next decade Council Tax Precept will account for over half of the Net Revenue Funding of the Commissioner. The public of Gwent therefore become the majority direct financial 'shareholders';
- **Partners:** The challenges facing Welsh local government may mean that partners continue to display reluctance in making long-term commitments and may withdraw from community safety initiatives which could adversely impact upon crime and anti-social behaviour issues. Governance of our ongoing relationships with our partners to meet the needs of the vulnerable and issues of Child Sexual Exploitation and mental health services remain key, as does our participation on the Public Service Boards. It is also noted that the planning

requirements upon local authorities will change and that the Chief Constable will need to further develop partnership working to deliver the Welsh Government/ Future Generations Legislation's view of cohesive communities and to engage with the Welsh Government in the development of their Community Cohesion Plan;

- **Collaboration:** Appropriate governance of an expanding portfolio of collaborations both regionally (e.g. as a result of the review being undertaken on support functions within the four Welsh forces; regional crime; and integrated offender management) and nationally (e.g. the Police ICT Company) will be paramount. 2017/18 saw the appointment of an All-Wales Deputy Chief Constable (Collaboration) to take forward such work. 2018/19 will see the Commissioner and Chief Constable facing the continuing challenges associated with the continuing collaboration agenda;
- **Estate:** Development and implementation of the Estate Strategy, which will include the new 'Hub' and 'Spoke' model of operational service delivery and the new Gwent Police Headquarters (in order to meet the changing nature of service delivery; the requirements of condition surveys; and to ensure our properties provide a safe working environment), will face unique governance issues. The work will need to take due account of the Future Generations legislation and support Standard 3 of the International Good Governance Standards;
- **Statement of Accounts:** 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 2019 and the audit opinion from our external auditors has to be provided by 31<sup>st</sup> July 2019 (this is two months earlier than the current deadline). In addition, for the 2017/18 financial year, the Commissioner and Chief Constable have trialled the use of CIPFA's 'Big Red Button'; a Statement of Accounts closedown and production tool, which aims to reduce staff time and improve the audit trail in the production of the Statement of Accounts;
- **Major Policing Challenges:** It is noted that the M4 Relief Road project and the building of the International Convention Centre at the Celtic Manor Resort will present the Force with a substantial challenge in terms of policing. This is coupled with the ongoing challenges of policing whilst responding to and supporting critical events on a local and national level;
- **Welsh Language:** Implementation of the new Welsh Language Standards and the impact upon our business: Both the Chief Constable and Commissioner remain committed to attaining the Standards to the fullest extent possible without negatively impacting upon the policing service to our communities;
- **Developing our workforce:** The Force is required to implement the College of Policing's five year strategy to professionalise policing by 2020. The Policing Education Qualifications Framework (PEQF) is intended to support the development of policing as a profession through the provision of a national approach to raising educational standards in policing. This challenge is coupled with that faced by the Force in relation to its ability to access apprenticeship funding to support this work. A key issue for 2018/2019 will be the introduction of the new Police Degree Apprenticeship. In addition, the continuing diversification of the workforce, such as in relation to race, gender, powers, skills and the nature of criminality they will face (e.g. cyber enabled) will require careful consideration, as will the associated individual's wellbeing requirements;
- **Agile Working:** There will also be internal governance challenges for the Commissioner and Chief Constable as the Force adopts the fixed, flexible and field principles of working. The challenge will include achieving a change in culture whilst maintaining the wellbeing of staff and ensuring that there is no impact upon service delivery/continuity;
- **Pension Regulations:** The Force may need to absorb the consequences of challenges to the Police Regulations (notably in relation to terms and conditions). The Pension Regulator is becoming more active in scrutinising the governance of public sector pension schemes, including the Police Pension Scheme;
- **Data Protection:** The General Data Protection Regulation (which repeals and updates the EU Data Protection Directive) became effective in UK law from 25<sup>th</sup> May 2018; both corporations sole will need to ensure that their internal processes are compliant with the same; and
- **New Complaints Procedures Arising from the Policing and Crime Act 2017:** The new legislative provisions allow Commissioners to take on greater responsibility and play a key part in many aspects of the police complaints and disciplinary system.

These areas continue to be monitored through the existing governance and risk management structures within the Office of the Commissioner and the Force as outlined above, and as set out in Appendix 1 hereto. Where relevant, such issues are also reflected in the plan of future work to be undertaken by Internal Audit. Action plans to deliver these changes and to mitigate any risks are being or have been implemented.

## CONCLUSION



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

This Annual Governance Statement is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The Commissioner and Chief Constable propose over the coming year to take steps to address the Governance actions as outlined in Appendix 1 below to ensure governance arrangements within the Commissioner's Office and Force continue to be enhanced and improved as identified in their review of effectiveness. The monitoring of their implementation and operation will form part of the next annual review.

Jeff Cuthbert  
Police and Crime Commissioner for Gwent

Darren Garwood-Pask  
Chief Finance Officer

Sian Curley  
Chief Executive

## APPENDIX 1

The following tables detail how the Commissioner and Chief Constable have complied with the governance framework to meet each of the International Good Governance principles and the Nolan principles (as extended) as required by the Policing Protocol Order 2011. Each section of the table includes a commentary on work undertaken during the last year and areas identified for development and improvement as part of the review process which will form an action plan for the forthcoming year.

<b>Principle:</b>	<b>What we do:</b>	<b>Plan for 2018/19 :</b>
<p><b>Selflessness:</b></p> <p><b>Decisions will be taken solely in terms of the public interest, and not for personal financial or other gain, whether for such person, their family or their friends.</b></p>	<p><b>Commissioner:</b></p> <ul style="list-style-type: none"> <li>• Compliance with the Elected Local Policing Bodies (Specified Information) Order 2011 and the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2012 which requires the publication of information in relation to various matters including, the names of the Commissioner and Deputy Commissioner, correspondence address for each, salaries, expenses, register of interests and the number of complaints about them which are brought by the Panel;</li> <li>• The Commissioner’s external website contains details of declared business interests and of gifts and hospitality accepted and declined by the Commissioner, Deputy Commissioner and the Office of the Commissioner;</li> <li>• The Commissioner’s, Deputy Commissioner’s and senior officers’ salaries and expenses are disclosed in the Statement of Accounts; and</li> <li>• Details of key decisions taken by the Commissioner are published on the website.</li> </ul> <p><b>Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• The Force’s external website contains details of declared business interests and of gifts and hospitality accepted and declined by Chief Officers.</li> <li>• Senior officers’ salaries and expenses are disclosed in the Statement of Accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring any changes to the 2011 and 2012 Orders and continuously seeking to ensure all relevant information is captured and disclosed as required.</li> </ul>
<p><b>Integrity:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.</b></p>	<p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• Compliance with the Manual of Corporate Governance and Principles of Relationships agreed between the Chief Constable and the Commissioner;</li> <li>• Ensuring that the register of gifts and hospitality is updated as and when offers are received;</li> <li>• Ensuring related parties’ disclosure in the Statement of Accounts;</li> <li>• The Chief Officer Team creates a climate of ethical behaviour and encourages others to challenge unprofessional behaviour, leading by example. Officers and staff are aware of the boundaries of professional behaviour, and more serious unprofessional behaviour is investigated by the Professional Standards Department;</li> <li>• The Force has utilised a variety of media to raise awareness of integrity issues for staff, including extending the membership of the Ethics Committee to include representation from both officers and staff (in addition to independent members) thus providing further emphasis on the importance of</li> </ul>	<ul style="list-style-type: none"> <li>• Review and reinforce the procedures set out in the Manual of Corporate Governance to ensure understanding and compliance;</li> <li>• The Ethics Committee will report to the Chief Constable and the Commissioner on any recommendations they have made in 2017/18;</li> </ul>

<p><i>IFGG Standard 1: Behave with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</i></p>	<p>ethical behaviour and integrity. Arrangements are in place to ensure that staff understand and adhere to the Code of Ethics;</p> <ul style="list-style-type: none"> <li>• All requests for authorisation of a business interest are recorded in a central electronic register;</li> <li>• There are confidential mechanisms and a clear policy to support staff reporting wrongdoing; and</li> <li>• 2017/18 also saw public hearings in Gwent chaired by Legally Qualified Chairs, in accordance with the legislative requirements that independent Legally Qualified Chairs replace police chairs on Police Misconduct Panels (to preside over serious misconduct cases).</li> </ul>	<ul style="list-style-type: none"> <li>• Repeat of a further staff survey by Durham University in 2018/19; and</li> <li>• The completion of a new register in 2018/19 in which Chief Officers will disclose any media contacts in accordance with the recommendation (no 76) made by the Leveson Inquiry.</li> </ul>
<p><b>Objectivity:</b></p> <p><b>In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, the Chief Constable, their officers and staff will make choices on merit.</b></p>	<p><b>Commissioner:</b></p> <ul style="list-style-type: none"> <li>• All posts are made on merit in compliance with section 7 of the Local Government and Housing Act 1989;</li> <li>• All posts within the Commissioner's staff are politically restricted, with the exception of the Commissioner and Deputy Commissioner;</li> <li>• The Chief Executive/Monitoring Officer and the Chief Finance Officer have specific legal responsibilities to advise on the lawfulness and budget implications of transactions; and</li> <li>• Where relevant, details of posts are included within the annual Statement of Accounts.</li> </ul> <p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• The Manual of Corporate Governance (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 Sell2Wales systems;</li> <li>• Contract documentation is published on the Blue Light Police Database, which is a national system accessible by the public;</li> <li>• Contracts are also published in accordance with the requirements of the 2011 Order (as amended); and</li> <li>• All Force appointments (both into operational and support roles) are made in accordance with Force recruitment policies and in accordance with the requirements of current legislation.</li> </ul>	<ul style="list-style-type: none"> <li>• Any further appointments will be made in compliance with the requirements of the Act and Regulations; and</li> <li>• Adoption of new Southern Wales procurement strategy - which will continue to be monitored during 2018/19.</li> </ul>
<p><b>Accountability:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will be accountable for their decisions and</b></p>	<p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• Informed and Transparent Decisions: All decision-making operates within the specific legislative and regulatory frameworks that confer on both the Commissioner and the Chief Constable duties, powers and responsibility;</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with the Panel to create a development and briefing programme of work to support them in undertaking their functions; and</li> </ul>

<p><b>actions to the public and will submit themselves to whatever scrutiny is appropriate.</b></p> <p><i>IFGG Standard 6: Manage risks and performance through robust internal control and strong public financial management.</i></p> <p><i>IFGG Standard 4: Determine the interventions necessary to optimise the achievement of the intended outcomes.</i></p>	<ul style="list-style-type: none"> <li>• As set out above, the Commissioner holds the Chief Constable to account for the maintenance of an efficient and effective Force. The Commissioner and the Chief Constable ensure that information relating to decisions is made readily available to local people;</li> <li>• Scrutiny: The Joint Audit Committee has held 4 formal meetings during the course of the year. The Joint Audit Committee has attended a national training event with CIPFA. As an advisory body, the Joint Audit Committee has undertaken a significant amount of work to review and make recommendations in respect of the arrangements adopted by the Commissioner and the Chief Constable for governance and management of uncertainty/risk;</li> <li>• Risk remains a standing agenda item on all strategic meetings within the Force and all decision making meetings of the Commissioner. The joint risk management strategy adopted by the Commissioner and the Chief Constable establishes how risk is embedded throughout the various elements of corporate governance of the corporation(s) sole;</li> <li>• The Chief Finance Officers for the Commissioner and for the Chief Constable advise their respective corporation sole on the safeguarding of assets, risk management and insurance. They ensure that in relation to any strategic business decisions of the Commissioner and the Chief Constable, that consideration is given to immediate and longer term implications, opportunities and risks;</li> <li>• 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 Commissioner and Chief Constable maintain an insurance provision which is reviewed annually to help meet claims;</li> <li>• Decision records are published on public websites in compliance with the 2011 and 2012 Orders and with the requirements of section 11 of the Police Reform and Social Responsibility Act 2011;</li> <li>• The Commissioner is held to account and scrutinised by the Police and Crime Panel; a body consisting of local councillors representing the local authorities in Gwent and independent members. The Panel meets on a quarterly basis with the remit to: <ul style="list-style-type: none"> <li>○ Support the Commissioner to exercise their functions effectively;</li> <li>○ Review the Commissioner's annual draft Police and Crime Plan;</li> <li>○ Review the Commissioner's annual draft budget and precept proposal;</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> </li> <li>• The Commissioner provides the Panel with any information which it may reasonably require (in compliance with section 13 of the Police Reform and Social Responsibility Act 2011). The Commissioner produces an annual report in accordance with section 12 of the Police Reform and Social Responsibility Act 2011;</li> <li>• The Panel do not scrutinise the performance of the Force as this is the responsibility of the Commissioner. The meetings of the Panel are held in public and it met 6 times during 2017/18;</li> <li>• Statement of Accounts are produced annually and subject to public inspection and audit by the WAO. WAO report by exception on the Joint Annual Governance Statement. WAO assess the arrangements for securing economy, efficiency and effectiveness in the use of resources;</li> </ul>	<ul style="list-style-type: none"> <li>• Repeat of annual update training to the members of the Joint Audit Committee, with external providers such as CIPFA and the WAO.</li> </ul>
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	<ul style="list-style-type: none"> <li>The Commissioner and Chief Constable jointly commission an Internal Audit service and have agreed the audit plan; and</li> <li>An independent Joint Audit Committee appointed by the Commissioner in conjunction with the Chief Constable meets quarterly and this operates in line with guidance from CIPFA and the Financial Management Code of Practice.</li> </ul> <p><b>Chief Constable:</b></p> <ul style="list-style-type: none"> <li>HMICFRS conducts its own comprehensive inspection of Force performance and the Commissioner comments on the findings. HMICFRS reports are published on their website and are publically accessible.</li> </ul>	
<p><b>Openness:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will be as open as possible about all decisions and action they take. Reasons for decisions will be made available and information will be restricted only when so required by the wider public interest.</b></p> <p><i>IFGG Standard 2: Ensure openness and comprehensive stakeholder engagement</i></p> <p><i>IFGG Standard 3: Define outcomes in terms of sustainable economic social and environmental benefits.</i></p>	<p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>The Commissioner and Chief Constable have adopted arrangements for effective engagement with key stakeholders, ensuring that where appropriate such stakeholders remain closely involved in decision making, accountability and the future direction of the service. Public consultation and/or engagement has been undertaken in 2017/18 by way of a comprehensive strategy which includes: <ul style="list-style-type: none"> <li>Regular meetings with the local authorities in Gwent;</li> <li>Frequent meetings with other key partners, including the Welsh Government;</li> <li>Public consultation on the Police and Crime Plan and Precept;</li> <li>Widespread use of social media and the Commissioner’s website;</li> <li>Press, TV and radio articles and interviews;</li> <li>Responding to complaints; and</li> <li>Surveys.</li> </ul> </li> <li>In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 and 2012 (and the guidance provided by the Information Commissioner) a range of information has been made publically available through the Force and Commissioner’s websites over the course of the last year. The Commissioner’s decisions, which are of significant public interest, are publicised on his website (unless there are specific reasons why a decision should be exempt).</li> </ul>	<ul style="list-style-type: none"> <li>Alignment with Local Government wellbeing plans and adoption of the principles of the Wellbeing of Future Generations (Wales) Act 2015; and</li> <li>Gwent Police remain committed to sustainable environmental initiatives and this will be reflected in its proposals for the development of a new Gwent Police Headquarters and its wider Estate Strategy.</li> </ul>
<p><b>Honesty:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will have a duty to declare</b></p>	<p><b>Commissioner:</b></p> <ul style="list-style-type: none"> <li>A Register is maintained of the Commissioner’s disclosable interests in accordance with Schedule 1, Paragraph 1(e) of the Elected Local Policing Bodies (Specified Information) Order 2011 (as amended).</li> </ul> <p><b>Chief Constable:</b></p>	<ul style="list-style-type: none"> <li>The Professional Standards Department (Chief Constable) and the Chief Executive (Commissioner) will continue to monitor compliance by police</li> </ul>

<p><b>any private interests relating to public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.</b></p> <p><i>IFGG Standard 7: Implement good practices in transparency, reporting and audit to deliver effective accountability.</i></p>	<ul style="list-style-type: none"> <li>• Any business interests are disclosed and maintained in a Register (which is accessible to the public).</li> <li>•</li> </ul>	<p>officers and police staff with these requirements.</p>
<p><b>Leadership:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will promote and support these principles through leadership and by example.</b></p> <p><i>IFGG Standard 5: Develop the entity's capacity, including the capability of its leadership and the individuals within it.</i></p>	<p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• Adoption of Nolan Principles in the Code of Governance;</li> <li>• Adoption and embedding of the Code of Ethics (including the establishment of an Ethics Committee);</li> <li>• Clear Leadership Team; and</li> <li>• The Police and Crime Plan outlines the police and crime objectives (outcomes) and the strategic direction for policing. The Commissioner and the Chief Constable both have regard to the Plan.</li> </ul> <p><b>Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• A Medium Term Financial Plan (MTFP) has been jointly developed and is reviewed quarterly to support delivery of these plans;</li> <li>• Information is provided by the Chief Constable's Professional Standards Department – this outlines major areas of organisational and the behavioural expectations for all staff; and</li> <li>• The Force maintains an internal website which contains information and guidance on ethics and behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>• In 2018/19 the Force will repeat the Force-wide staff survey facilitated by Durham University which will also support the wider wellbeing agenda being promoted by the Commissioner and the Chief Constable.</li> </ul>
<p><b>Fairness:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will act with fairness and impartiality.</b></p>	<p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• The Commissioner and Chief Constable strive to treat each other <b>fairly</b>, with <b>dignity</b> and with <b>respect</b>, and this is reflected in their agreed Decision Making and Accountability Framework within the Manual of Corporate Governance;</li> <li>• Duties are undertaken in accordance with the laws relating to human rights and equality;</li> <li>• It is recognised that some individuals who come into contact with the police are vulnerable and may require additional support and assistance and this is reflected in the Force's initiatives; and</li> <li>• A proactive approach is taken to opposing discrimination and this is reflected in the learning strategies of the Force.</li> </ul>	<ul style="list-style-type: none"> <li>• Review and reinforce the procedures set out in the Manual of Corporate Governance to ensure understanding and compliance; and</li> <li>• Continuing to deliver and comply with the Joint Strategic Equality Plan.</li> </ul>

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





## Comprehensive Income and Expenditure Statement (CIES) for PCC Group for 2017/18

This statement shows the accounting cost in year to 31st March 2018, of providing services for the PCC Group, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement on Reserves Statement.

2016/17			2017/18			
Expenditure	Income	Net	Expenditure	Income	Net	
£000	£000	£000	£000	£000	£000	
62,725	0	62,725	Police Officer Salaries and Allowances	67,878	0	67,878
23,790	0	23,790	Police Staff Salaries and Allowances	26,137	0	26,137
3,998	0	3,998	PCSO Salaries and Allowances	4,043	0	4,043
2,071	0	2,071	Police Officer Overtime and Enhancements	2,314	0	2,314
915	0	915	Police Staff Overtime and Enhancements	881	0	881
435	0	435	PCSO Overtime and Enhancements	343	0	343
4,218	0	4,218	Other Employee Related Costs	4,728	0	4,728
12,543	0	12,543	Premises Costs	5,984	0	5,984
3,223	0	3,223	Transport Costs	2,771	0	2,771
20,525	0	20,525	Supplies and Services	22,647	0	22,647
257	0	257	Major Incident Schemes	253	0	253
144	0	144	Proactive Operational Initiatives	161	0	161
0	(11,779)	(11,779)	Other Income	0	(12,474)	(12,474)
<b>134,844</b>	<b>(11,779)</b>	<b>123,065</b>	<b>Cost of Services</b>	<b>138,140</b>	<b>(12,474)</b>	<b>125,666</b>
1,257	(17,898)	(16,641)	Other Operating Expenditure	1,361	(20,251)	(18,890)
47,717	(4,172)	43,545	Financing and Investment Income and Expenditure	42,909	(3,427)	39,482
0	0	0	Surplus or Deficit on Discontinued Operations	0	0	0
0	(120,647)	(120,647)	Taxation and Non Specific Grant Income	0	(121,391)	(121,391)
<b>183,818</b>	<b>(154,496)</b>	<b>29,322</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>182,410</b>	<b>(157,543)</b>	<b>24,867</b>
		(2,432)	Surplus or deficit on revaluation of Property, Plant and Equipment			0
		0	Impairment losses on non-current assets charged to the Revaluation Reserve			0
		0	Surplus or deficit on revaluation of available for sale financial assets			0
		264,888	Remeasurement of the net defined benefit liability / asset			(91,462)
		<b>262,456</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(91,462)</b>
		<b>291,778</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(66,595)</b>

## Comprehensive Income and Expenditure Statement (CIES) for Police and Crime Commissioner for 2017/18

2016/17			2017/18		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
0	0	0	0	0	0
959	0	959	1,183	0	1,183
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1	0	1
0	0	0	0	0	0
23	0	23	7	0	7
7,143	0	7,143	265	0	265
23	0	23	114	0	114
2,841	0	2,841	2,841	0	2,841
0	0	0	0	0	0
0	0	0	0	0	0
0	(11,779)	(11,779)	0	(12,474)	(12,474)
<b>10,989</b>	<b>(11,779)</b>	<b>(790)</b>	<b>4,411</b>	<b>(12,474)</b>	<b>(8,063)</b>
165,974	0	165,974	174,253	0	174,253
1,257	(17,898)	(16,641)	44	(20,251)	(20,207)
2,278	(852)	1,426	615	(340)	275
0	0	0	0	0	0
0	(120,647)	(120,647)	0	(121,391)	(121,391)
<b>180,498</b>	<b>(151,176)</b>	<b>29,322</b>	<b>179,323</b>	<b>(154,456)</b>	<b>24,867</b>
		(2,432)			0
		0			0
		962			(191)
		263,926			(91,271)
		<b>262,456</b>			<b>(91,462)</b>
		<b>291,778</b>			<b>(66,595)</b>

## Balance Sheet for the PCC Group

The Balance Sheet shows the value as at 31st March 2018 of the assets and liabilities recognised by the PCC Group. The net assets of the PCC Group (assets less liabilities) are matched by the reserves held by the PCC Group. The reserves are presented within two categories, usable reserves and unusable reserves. Usable reserves may be used to provide services subject to statutory limitations on their use and the need to maintain prudent level of reserves for financial stability. Unusable reserves cannot be used to fund PCC Group services.

31 March 2017				31 March 2018			
OPCC	Group			OPCC	Group		
£000	£000	Notes		£000	£000		
29,455	29,455	13	Property, Plant and Equipment	28,629	28,629		
1,784	1,784	14	Intangible Assets	1,099	1,099		
845	845	20	Assets Held for Sale	770	770		
11	11	16	Long Term Debtors	20	20		
<b>32,095</b>	<b>32,095</b>		<b>Long Term Assets</b>	<b>30,518</b>	<b>30,518</b>		
46,034	46,034	16	Short-term Investments	51,071	51,071		
0	399	17	Inventories	0	399		
11,029	11,029	18	Short Term Debtors	11,845	11,845		
13,070	13,070	19	Cash and Cash Equivalents	8,684	8,684		
<b>70,132</b>	<b>70,532</b>		<b>Current Assets</b>	<b>71,600</b>	<b>71,999</b>		
(18,173)	(18,572)	21	Short-Term Creditors	(14,100)	(14,499)		
(1,368)	(1,368)	22	Provisions	(1,542)	(1,542)		
(6)	(6)	32	Grants Receipts in Advance - Revenue	0	0		
<b>(19,547)</b>	<b>(19,946)</b>		<b>Current Liabilities</b>	<b>(15,642)</b>	<b>(16,041)</b>		
(1,483,548)	0	21	Long-Term Creditors	(1,421,040)	0		
(7,209)	(1,490,757)		Other Long-Term Liabilities	(7,012)	(1,428,052)		
<b>(1,490,757)</b>	<b>(1,490,757)</b>		<b>Long Term Liabilities</b>	<b>(1,428,052)</b>	<b>(1,428,052)</b>		
<b>(1,408,076)</b>	<b>(1,408,076)</b>		<b>Net Assets</b>	<b>(1,341,576)</b>	<b>(1,341,576)</b>		
(52,810)	(52,810)	23	Usable Reserves	(57,712)	(57,712)		
1,460,886	1,460,886	24	Unusable Reserves	1,399,288	1,399,288		
<b>1,408,076</b>	<b>1,408,076</b>		<b>Total Reserves</b>	<b>1,341,576</b>	<b>1,341,576</b>		

The figure for the OPCC's short term creditors of £14,100k (2016/17 - £18,173k) includes £10,001k (2016/17 - £11,382k) in relation to intra-group adjustments. Due to the implementation of a new system to prepare the financial statements it is not possible to provide the same split within the balance sheet. Detail of the balances that make up short-term creditors can be found in Note 21.

## Movement in Reserves Statement for the PCC Group 2017/18

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2017</b>	(10,905)	(40,279)	(1,626)	<b>(52,810)</b>	1,460,886	<b>1,408,076</b>
<b>Movement in reserves during 2017/18</b>						
(Surplus) or deficit on the provision of services	24,867			<b>24,867</b>		<b>24,867</b>
Other Comprehensive Income / Expenditure					(91,462)	<b>(91,462)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>24,867</b>	<b>0</b>		<b>24,867</b>	<b>(91,462)</b>	<b>(66,595)</b>
Adjustments between accounting basis and funding basis under regulations	(29,791)		(74)	<b>(29,865)</b>	29,864	<b>(1)</b>
Other Reserve Transfers	96			<b>96</b>	<b>0</b>	<b>96</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(4,828)</b>	<b>0</b>	<b>(74)</b>	<b>(4,902)</b>	<b>(61,598)</b>	<b>(66,500)</b>
(Transfers to) / from Earmarked Reserves	1,039	(1,039)		<b>0</b>	0	<b>0</b>
<b>(Increase) or Decrease in 2017/18</b>	<b>(3,789)</b>	<b>(1,039)</b>	<b>(74)</b>	<b>(4,902)</b>	<b>(61,598)</b>	<b>(66,500)</b>
<b>Balance at 31 March 2018</b>	<b>(14,694)</b>	<b>(41,318)</b>	<b>(1,700)</b>	<b>(57,712)</b>	<b>1,399,288</b>	<b>1,341,576</b>

## Movement in Reserves Statement for the PCC Group 2016/17

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2016</b>	(9,112)	(38,851)	(1,626)	<b>(49,589)</b>	1,165,674	<b>1,116,085</b>
<b>Movement in reserves during 2016/17</b>						
(Surplus) or deficit on the provision of services	29,322			<b>29,322</b>		<b>29,322</b>
Other Comprehensive Income / Expenditure					262,456	<b>262,456</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>29,322</b>	<b>0</b>		<b>29,322</b>	<b>262,456</b>	<b>291,778</b>
Adjustments between accounting basis and funding basis under regulations	(32,756)		0	<b>(32,756)</b>	32,756	<b>0</b>
Other Reserve Transfers	213			<b>(213)</b>	<b>0</b>	<b>213</b>
<b>Net (Increase) or Decrease before Transfers to Earmarked Reserves</b>	<b>(3,221)</b>	<b>0</b>	<b>0</b>	<b>(3,221)</b>	<b>295,212</b>	<b>291,991</b>
(Transfers to) / from Earmarked Reserves	1,428	(1,428)		<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2016/17</b>	<b>(1,793)</b>	<b>(1,428)</b>	<b>0</b>	<b>(3,221)</b>	<b>295,212</b>	<b>291,991</b>
<b>Balance at 31 March 2017</b>	<b>(10,905)</b>	<b>(40,279)</b>	<b>(1,626)</b>	<b>(52,810)</b>	<b>1,460,886</b>	<b>1,408,076</b>

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

## Cash Flow Statement

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).

2016/17			2017/18
£000	Notes		£000
29,322		Net (surplus) or deficit on the provision of services	24,867
(34,674)	25	Adjustment to surplus or deficit on the provision of services for noncash movements	(27,031)
1,048	25	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	591
<b>(4,304)</b>		<b>Net cash flows from operating activities</b>	<b>(1,573)</b>
1,224	26	Net cash flows from investing activities	5,894
5,151	27	Net cash flows from financing activities	65
<b>2,071</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>4,386</b>
15,141		Cash and cash equivalents at the beginning of the reporting period	13,070
<b>13,070</b>		<b>Cash and cash equivalents at the end of the reporting period</b>	<b>8,684</b>

## Police Pensions Account

The Police Pension Fund Account at the 31st March 2018 is detailed below.

2016/17 £000		2017/18 £000
	<b>Contributions Receivable:</b>	
(10,082)	Employer Contributions	(10,105)
(1,743)	Injury Pensions including Gratuities Paid	(1,713)
(1,276)	Early Retirements (Capital Equivalent Charges)	(679)
0	Un-authorized Backdated Lump Sum Tax Payments (Home Office funding)	0
(440)	Transfers in from other Schemes	(180)
(5,716)	Members Contributions	(5,671)
<b>(19,257)</b>	<b>Net Income</b>	<b>(18,348)</b>
	<b>Benefits Payable:</b>	
28,336	Pensions Paid	29,583
-	Refunded Contributions	14
8,273	Lump Sum Benefits	8,944
-	Un-authorized Backdated Lump Sum Tax Payments	-
75	Lump Sum Death Benefits	49
-	Transfers out to other Schemes	37
<b>36,684</b>	<b>Net Expenditure</b>	<b>38,627</b>
<b>17,427</b>	<b>Net Amount Payable for the Year</b>	<b>20,279</b>
-	17,427 Additional Contribution from the Police & Crime Commissioner	(20,279)
-	<b>(Surplus)/Deficit on Fund</b>	<b>-</b>

The Police Pension Fund Account Net Assets at the 31st March 2018 are:

31 March 2017	£000		31 March 2018	£000
		<b>Current Assets:</b>		
2,121		Prepaid Pension Benefits	2,244	
6,467		Funding to meet deficit due from Police & Crime Commissioner/Home Office	3,732	
0		Recovery of Pension Benefits	0	
		<b>Current Liabilities:</b>		
0		Provision for Backdated Lump Sums	0	
(8,407)		Overdrawn Pension Cash Position	(5,918)	
(181)		Unpaid Pension Benefits	(58)	
-		<b>Total</b>	<b>-</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 31st March 2018. However these are presented on the Balance Sheet under Net Pension Liability with detailed disclosures in Note 41, Defined Benefit Pension Schemes.



## Notes to the Financial Statements for the PCC Group

This set of notes represents the consolidated notes for the Statement of Accounts for 2017/18.

### Note 1 - Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the PCC Group's transactions for the 2017/18 financial year and its position at the year-end of 31<sup>st</sup> March 2018. The PCC Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice (The Code) on Local Authority Accounting in the UK 2017/18 and the CIPFA Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts have been prepared on a going concern basis.

#### 1.2 Charges to Revenue for Non-Current Assets

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

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

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

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

#### 1.3 Accruals of Income and Expenditure

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

- (i) Revenue from the sale of goods is recognised when the PCC Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC Group;
- (ii) Revenue from the provision of services is recognised when the PCC Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC Group;
- (iii) Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- (iv) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- (v) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- (vi) Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

#### **1.4 Exceptional Items**

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

#### **1.5 Capital Receipts**

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

#### **1.6 Cash and Cash Equivalents**

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

#### **1.7 Employee Benefits**

##### **Benefits Payable during Employment**

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and overtime on the card and are recognised as an expense for services in the year in which employees render service to the PCC Group. An accrual is made for the cost of holiday entitlements (or any form of leave, flexi balances and overtime on the card) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable at the end of the accounting period in question. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the PCC Group to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. When the PCC Group is demonstrably committed to the termination of the employment of an employee or group of 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 2017/18 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 the year as balances held were not deemed to be material. The value of stocks held at the end of the year is recorded in the accounts at current cost, with the exception of vehicle parts which are recorded at historical cost.

## **1.12 Service Expenditure Analysis and Overheads**

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

As a result, and consistent with prior year, the Net Cost of Police Services has been reported in line with internal management reports for the PCC Group and Chief Constable. The presentation is not segmental and the costs of overheads and support

services have not been re-allocated. However the format is in accordance with the PCC Group's arrangements for accountability and financial performance.

### 1.13 Intangible Assets

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

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

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

Principal Asset Categories and their Useful Economic Lives	Years
Other Assets 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; the last revaluation took place in 16/17. For other classes of assets annual reviews are undertaken by the asset owners, which includes a review of the carrying amount of the asset in the Balance Sheet. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 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:

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

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

#### **1.15 Disposals and Non-current Assets Held for Sale**

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

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

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

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

#### **1.16 Leases**

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

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

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

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

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

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

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

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

### **1.19 Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

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

#### **Contingent Liabilities**

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

#### **Contingent Assets**

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

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

### **1.20 Private Finance Initiative (PFI)**

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

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

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

The PFI contract for the provision of a Custody Unit and Police Station at Ystrad Mynach 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.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 2017/18 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

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

- (i) IFRS 9 – Financial Instruments, effective for accounting periods commencing on or after 1 January 2018 and adopted in the 2018/19 Code. The changes adopted in IFRS9 are not expected to have a material impact on the PCC Group's accounts given the nature of the financial instruments that it holds, and expects to hold in the future.
- (ii) IFRS 15 – Revenue from Contracts with Suppliers, effective for accounting periods commencing on or after 1 January 2018 and Amendments to IFRS 15: Clarifications to IFRS 15 (issued April 2016) and adopted in the 2018/19 Code. The changes are not expected to have an impact on the PCC Group's accounts as it does not generate revenue.
- (iii) Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued January 2016) and adopted in the 2018/19 Code. The changes are not expected to have an impact on the PCC Group's accounts as it does not recognise any deferred taxation.
- (iv) Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (issued January 2016) and adopted in the 2018/19 Code. The changes will not impact the PCC Group's accounts as it does not present a Statement of Cash Flows.

Given the above the PCC Group's does not anticipate any additional disclosures to be required in the 2018/19 financial statements in respect of accounting changes that were introduced in the 2018/19 Code.

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:

- (v) IFRS 16 – Leases, due to be issued in January 2019 and adopted in the 2019/20 Code.

### Note 3 - Critical judgments in applying accounting policies

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the PCC Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the PCC Group's Balance Sheet as at 31<sup>st</sup> March 2018 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	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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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.	would increase by £1.130m 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 £17m 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 £33m.</p> <p>However, the assumptions interact in complex and sensitive ways. During 2017/18, GAD advised that the net pensions' liability had decreased by £59m due to changes in financial assumptions used. In the previous financial year the net pension liability increased as a result of losses of £251.2m attributable to changes in financial assumptions.</p> <p>In their IAS19 report on the Police Officer Pension Scheme the actuary has reported that the new scheme came into place in 2015 and that this may impact on retirement patterns. However there is no scheme experience data yet which would highlight this change. Any adjustment that could be made would be highly subjective therefore no adjustment has been made.</p>
Accumulated Absences	Estimation of the liability with respect to untaken annual leave, flexi balances, rest days for recovery and overtime on the card requires the use of sampling techniques to form a reliable estimate of the outstanding liability. Sample size and methodology can all impact on the final estimated liability.	The effect of a 1% increase in untaken accumulated absences results in a £14,918 increase in the estimated liability.
Arrears	At 31st March 2018, the PCC Group had a balance of Sundry Debtors of £2.951k. 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 £22k 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 2018 to £52k

### Note 5 - Material items of Income & Expenditure

During 2017/18 the following material items of expenditure were reported.

	2016/17	2017/18
	£'000	£'000
LGPS deficit recovery contribution	2,000	4,000
Repayment of principal debt - cash	4,825	-
Repayment of principal debt - premium	1,519	-
	<b>8,344</b>	<b>4,000</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 26th March 2018 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.

#### **Note 6 - Events after the Balance Sheet date**

£378k was provided within these accounts in relation to the anticipated staff pay award. In May 2018 the pay award for staff was approved. The pay award included a general 1% increase in basic pay plus a 1% lump sum award based upon salary as at 31<sup>st</sup> August 2018.

## Note 7 -Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, income, council tax and business rates) by the PCC Group in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the PCC Group, Chief Constable and associated services/departments. Income and expenditure is presented more fully in the CIES on page 33.

Net Expenditure Chargeable to the General Fund Balance	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement	2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments		
£000	£000	£000	£000	£000	£000	£000
61,473	1,252	62,725	Police Officer Salaries and Allowances	59,739	8,139	67,878
25,074	(1,284)	23,790	Police Staff Salaries and Allowances	25,736	401	26,137
3,998	0	3,998	PCSO Salaries and Allowances	4,043	0	4,043
2,071	0	2,071	Police Officer Overtime and Enhancements	2,321	(7)	2,314
915	0	915	Police Staff Overtime and Enhancements	881	0	881
435	0	435	PCSO Overtime and Enhancements	343	0	343
4,218	0	4,218	Other Employee Related Costs	4,728	0	4,728
5,309	7,234	12,543	Premises Costs	5,844	140	5,984
2,281	942	3,223	Transport Costs	2,497	274	2,771
22,741	(2,216)	20,525	Supplies and Services	21,770	877	22,647
257	0	257	Major Incident Schemes	253	0	253
144	0	144	Proactive Operational Initiatives	161	0	161
(10,198)	(1,581)	(11,779)	Other Income	(13,903)	1,429	(12,474)
179	(179)	0	Contribution to Police Computer Co.	788	(788)	0
1,412	(1,412)	0	Capital Charges	(6)	6	0
0	0	0	Other Approved Revenue Requirements	3,859	(3,859)	0
<b>120,309</b>	<b>2,756</b>	<b>123,065</b>	<b>Net Cost of Services</b>	<b>119,054</b>	<b>6,612</b>	<b>125,666</b>
(122,530)	29,787	(93,743)	Other Income and Expenditure	(123,956)	23,156	(100,800)
(49,589)			Opening Combined General Fund Balance	(52,810)		
(3,221)			Plus /( less) Surplus or (Deficit) on the General Fund Balance for the Year (Statutory basis)	(4,902)		
<b>(52,810)</b>			<b>Closing Combined General Fund Balance</b>	<b>(57,712)</b>		

### Note 7a - Note to the Expenditure and Funding Analysis

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

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

	2017/18			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Police Officer Salaries and Allowances	0	26,655	(18,516)	8,139
Police Staff Salaries and Allowances	0	2,344	(1,943)	401
PCSO Salaries and Allowances	0	0	0	0
Police Officer Overtime and Enhancements	0	0	(7)	(7)
Police Staff Overtime and Enhancements	0	0	0	0
PCSO Overtime and Enhancements	0	0	0	0
Other Employee Related Costs	0	0	0	0
Premises Costs	662	0	(521)	141
Transport Costs	916	0	(642)	274
Supplies and Services	1,535	0	(658)	877
Other Income	0	0	1,429	1,429
Contribution to Police Computer Co.	0	0	(788)	(788)
Capital Charges	0	0	6	6
Other Approved Revenue Requirements	(1,138)	0	(2,721)	(3,859)
<b>Net Cost of Services</b>	<b>1,975</b>	<b>28,999</b>	<b>(24,361)</b>	<b>6,613</b>
Other Income and Expenditure	(449)	0	23,605	23,156
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>1,526</b>	<b>28,999</b>	<b>(756)</b>	<b>29,769</b>

	2016/17			Total Adjustments £000
	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Differences £000	
Police Officer Salaries and Allowances	0	25,200	(23,948)	1,252
Police Staff Salaries and Allowances	0	553	(1,837)	(1,284)
PCSO Salaries and Allowances	0	0	0	0
Police Officer Overtime and Enhancements	0	0	0	0
Police Staff Overtime and Enhancements	0	0	0	0
PCSO Overtime and Enhancements	0	0	0	0
Other Employee Related Costs	0	0	0	0
Premises Costs	7,731	0	(497)	7,234
Transport Costs	942	0	0	942
Supplies and Services	1,423	0	(3,639)	(2,216)
Major Incident Schemes	0	0	0	0
Proactive Operational Initiatives	0	0	0	0
Other Income	0	0	(1,581)	(1,581)
Contribution to Police Computer Co.	0	0	(179)	(179)
Capital Charges	(1,412)	0	0	(1,412)
Other Approved Revenue Requirements	0	0	0	0
<b>Net Cost of Services</b>	<b>8,684</b>	<b>25,753</b>	<b>(31,681)</b>	<b>2,756</b>
Other Income and Expenditure	(1,126)	0	29,808	28,682
	<b>7,558</b>	<b>25,753</b>	<b>(1,873)</b>	<b>31,438</b>
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>				

## Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18

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.

2017/2018	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(28,998)			28,998
Holiday pay (transferred to the Accumulated Absences reserve)	723			(723)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,872)		0	2,872
<b>Total Adjustments to Revenue Resources</b>	<b>(31,147)</b>	<b>0</b>	<b>0</b>	<b>31,147</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	74	(74)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,283			(1,283)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,357</b>	<b>(74)</b>	<b>0</b>	<b>(1,283)</b>
<b>Total Adjustments</b>	<b>(29,790)</b>	<b>(74)</b>	<b>0</b>	<b>29,864</b>

## Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17

2016/2017	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(26,265)			26,265
Holiday pay (transferred to the Accumulated Absences reserve)	(136)			136
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(9,235)		0	9,817
<b>Total Adjustments to Revenue Resources</b>	<b>(35,636)</b>	<b>0</b>	<b>0</b>	<b>36,218</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	56			(56)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,858			(2,858)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,914</b>	<b>0</b>	<b>0</b>	<b>(2,914)</b>
Other adjustments	(34)	0	0	(35)
<b>Total Adjustments</b>	<b>(32,755)</b>	<b>0</b>	<b>0</b>	<b>33,268</b>

## Note 9 - Transfers to/from Earmarked Reserves

This note shows the amounts set aside from the PCC Group's Police Fund balances in Earmarked Reserves, to provide financing for future expenditure plans and also those used to meet Police Fund expenditure in 2017/18.

	Balance at 1 April 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance at 31 March 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Reserves:</b>							
Speed Awareness	(63)	0	0	<b>(63)</b>	0	0	<b>(64)</b>
PFI - Investment	(11,547)	(2,044)	1,671	<b>(11,920)</b>	(2,001)	1,704	<b>(12,217)</b>
Future Budgetary Balance	(4,379)	0	0	<b>(4,379)</b>	0	0	<b>(4,379)</b>
Debt Repayment	0	0	0	<b>0</b>	0	0	<b>0</b>
Staying Ahead Team	(1,654)	0	41	<b>(1,613)</b>	0	0	<b>(1,613)</b>
PCC Commissioning Strategy	(1,502)	(140)	297	<b>(1,345)</b>	(140)	586	<b>(899)</b>
PCC Drug Intervention Programme	(168)	0	0	<b>(168)</b>	0	0	<b>(168)</b>
Workstream Specific	(540)	(1,446)	0	<b>(1,986)</b>	(2,066)	267	<b>(3,785)</b>
Pending Legal Cases	(149)	0	0	<b>(149)</b>	0	0	<b>(149)</b>
Proceeds of Crime Act	(310)	(158)	124	<b>(344)</b>	0	150	<b>(194)</b>
Third Party Funds	(220)	(103)	6	<b>(317)</b>	(37)	179	<b>(175)</b>
Victim Services Commissioning	(181)	(40)	0	<b>(221)</b>	(7)	0	<b>(228)</b>
Innovation Fund	(56)	0	53	<b>(3)</b>	0	3	<b>0</b>
Unspent Revenue Grants	(372)	(31)	147	<b>(256)</b>	(43)	12	<b>(287)</b>
Police HQ and Capital Replacement	(14,719)	0	1,114	<b>(13,605)</b>	0	547	<b>(13,058)</b>
Airwave	(1,830)	(341)	0	<b>(2,171)</b>	(210)	0	<b>(2,381)</b>
Earmarked Capital Reserve	(1,161)	(578)	0	<b>(1,739)</b>	0	17	<b>(1,722)</b>
<b>Total General Fund</b>	<b>(38,851)</b>	<b>(4,881)</b>	<b>3,453</b>	<b>(40,279)</b>	<b>(4,504)</b>	<b>3,465</b>	<b>(41,318)</b>

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. Thus 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.



## Note 10 - Other Operating Expenditure

Other Operating Income and Expenditure reported includes all levies payable, (gains)/losses generated from in year disposals of non-current assets and Home Office Top Up Grant due to fund the Police Officer pension account deficit at 31st March 2018. These are all items which could not be allocated or apportioned to service areas.

2016/17		2017/18
£000		£000
803	Levies	1,317
(17)	Gains/losses on the Disposal of Non-Current Assets	44
(17,427)	Other	(20,251)
<b>(16,641)</b>	<b>Total Other Operating Expenditure</b>	<b>(18,890)</b>

## Note 11 - Financing and Investment Income and Expenditure

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

2016/17		2017/18
£000		£000
2,226	Interest payable and similar charges	445
42,171	Net interest on the net defined benefit liability (asset)	39,273
(256)	Interest receivable and similar income	(236)
(596)	Income and expenditure in relation to investment properties and changes in their fair value	0
<b>43,545</b>	<b>Total</b>	<b>39,482</b>

## Note 12 - Taxation and Non-Specific Grant Income

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

2016/17		2017/18
£000		£000
(47,039)	Council tax income	(49,455)
(9,063)	Non-domestic rates income and expenditure	(9,835)
(63,437)	Non-ringfenced government grants	(61,652)
(1,108)	Capital grants and contributions	(449)
<b>(120,647)</b>	<b>Total</b>	<b>(121,391)</b>

## Note 13 - Property, Plant and Equipment

Movement on Property, Plant and Equipment balances during 2017/18.

### Movements to 31 March 2018

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>at 1 April 2017</b>	26,027	18,412	250	44,689
Adjustments to cost/value & depreciation/impairment	0	0	0	0
Additions	113	1,435	0	1,548
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition – disposals	0	(2,859)	0	(2,859)
Reclassifications and transfer	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0
<b>at 31 March 2018</b>	<b>26,140</b>	<b>16,988</b>	<b>250</b>	<b>43,378</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>at 1 April 2017</b>	0	(15,233)	0	(15,233)
Adjustments to cost/value & depreciation/impairment	0	0	0	0
Depreciation charge	(702)	(1,559)	(3)	(2,264)
Derecognition – disposals	0	2,748	0	2,748
Reclassifications and transfers	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0
<b>at 31 March 2018</b>	<b>(702)</b>	<b>(14,044)</b>	<b>(3)</b>	<b>(14,749)</b>
<b>Net Book Value</b>				
<b>at 31 March 2018</b>	<b>25,438</b>	<b>2,944</b>	<b>247</b>	<b>28,629</b>
<b>at 31 March 2017</b>	<b>26,027</b>	<b>3,179</b>	<b>250</b>	<b>29,456</b>

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

**Movements to 31 March 2017**

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>at 1 April 2016</b>	43,137	17,315	825	<b>61,277</b>
Adjustments to cost/value & depreciation/impairment	(12,805)	0	0	<b>(12,805)</b>
Additions	91	1,474	0	<b>1,565</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,463	0	2	<b>2,465</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,859)	0	18	<b>(6,841)</b>
Derecognition – disposals	0	(377)	0	<b>(377)</b>
Reclassifications and transfer	0	0	(830)	<b>(830)</b>
Assets reclassified (to)/from Held for Sale	0	0	235	<b>235</b>
<b>at 31 March 2017</b>	<b>26,027</b>	<b>18,412</b>	<b>250</b>	<b>44,689</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>at 1 April 2016</b>	(12,002)	(13,988)	(277)	<b>(26,267)</b>
Adjustments to cost/value & depreciation/impairment	12,805	0	0	<b>12,805</b>
Depreciation charge	(803)	(1,561)	(3)	<b>(2,367)</b>
Derecognition – disposals	0	316	0	<b>316</b>
Reclassifications and transfers	0	0	315	<b>315</b>
Eliminated on reclassification to Held for Sale	0	0	(35)	<b>(35)</b>
<b>at 31 March 2017</b>	<b>0</b>	<b>(15,233)</b>	<b>0</b>	<b>(15,233)</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>at 31 March 2016</b>	<b>31,135</b>	<b>3,327</b>	<b>548</b>	<b>35,010</b>

**Capital Commitments**

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 and move in date is June 2020 with the subsequent demolition of the current Headquarters during the following 6 months. A total capital budget of £19.8m is projected to cover the build, IT and furnishings as well as the cost of de-commissioning the current HQ.

## Note 14 - Intangible Assets

The PCC Group accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system 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 £0.871m (2016/17: £0.743m) and impairment of £0 (2016/17: £0) was charged to the CIES during 2017/18. 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 2017/18 with comparatives for 2016/17 was:

<b>31st March 2017</b>			<b>31st March 2018</b>	
<b>Other Assets</b>	<b>Total</b>		<b>Other Assets</b>	<b>Total</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
Balance at start of year:				
5,986	5,986	Gross carrying amounts	6,414	6,414
(3,886)	(3,886)	Accumulated amortisation	(4,630)	(4,630)
<b>2,100</b>	<b>2,100</b>	<b>Net carrying amount at start of year</b>	<b>1,784</b>	<b>1,784</b>
Additions:				
427	427	Purchases	186	186
0	0	Other disposals	(2,573)	(2,573)
(743)	(743)	Amortisation for the period	(871)	(871)
0	0	Amortisation written off on disposal	2,573	2,573
<b>1,784</b>	<b>1,784</b>	<b>Net carrying amount at end of year</b>	<b>1,099</b>	<b>1,099</b>
Comprising:				
6,414	6,414	Gross carrying amounts	4,027	4,027
(4,630)	(4,630)	Accumulated amortisation	(2,928)	(2,928)
<b>1,784</b>	<b>1,784</b>	<b>Total</b>	<b>1,099</b>	<b>1,099</b>

## Note 15 - Investment Properties, Community Assets and Heritage Assets

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

## Note 16 - Financial Instruments

### Financial Instrument Balances

The following categories of financial instrument are carried in the Balance Sheet at 31st March 2018:

#### Financial Instruments

	Long-term 31 March 2017 £000	Long-term 31 March 2018 £000	Current 31 March 2017 £000	Current 31 March 2018 £000
<b>Investments</b>				
Loans and receivables	0	0	46,034	51,071
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>46,034</b>	<b>51,071</b>
<b>Debtors</b>				
Loans and receivables	11	20	0	0
Other	0	0	11,029	11,845
<b>Total included in Debtors</b>	<b>11</b>	<b>20</b>	<b>11,029</b>	<b>11,845</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	(4,752)	(4,510)		
<b>Total other long term liabilities</b>	<b>(4,752)</b>	<b>(4,510)</b>		
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount			18,572	14,499
Other	0	0	0	0
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>18,572</b>	<b>14,499</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:

	2016/17			2017/18		
	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	-1,790	0	-1,790	-6	0	-6
Interest income	0	256	256	0	224	224
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0
<b>Net gain/(loss) for the year</b>	<b>-1,790</b>	<b>256</b>	<b>-1,534</b>	<b>-6</b>	<b>224</b>	<b>218</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:

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding (plus interest) or the billed amount; and
- 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 2017		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial liabilities</b>				
PWLB debt	-	-	-	-
Newport CC debt	-	-	-	-
Finance lease liability	4,752	4,752	4,686	4,686
Short-term creditors	18,572	18,572	14,499	14,499
<b>Total Financial Liabilities</b>	<b>23,324</b>	<b>23,324</b>	<b>19,185</b>	<b>19,185</b>
	31 March 2017		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
Investments and money market loans	46,034	46,039	51,071	51,071
Short-term debtors	11,029	11,029	11,845	11,845
<b>Total Financial Assets</b>	<b>57,063</b>	<b>57,068</b>	<b>62,916</b>	<b>62,916</b>

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

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

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

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

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

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

#### Fair Value Hierarchy 31 March 2018

	Level 1 £000	Level 2 £000	Level 3 £000
<b>Financial liabilities</b>			
PWLB debt	-	-	-
Newport CC debt	-	-	-
Finance lease liability	-	4,686	-
<b>Total Financial Liabilities</b>	-	<b>4,686</b>	-
<b>Financial Assets</b>			
Investments and money market loans	-	51,071	-
<b>Total Financial Assets</b>	-	<b>51,071</b>	-

Comparatives balances at 31st March 2017 are detailed in the table below.

#### 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>	-

## Note 17 - Inventories

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

	Consumable Stores		Maintenance Materials		Total	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Balance outstanding at start of year	340	331	68	68	408	399
Purchases	148	408	0	349	148	757
Recognised as an expense in the year	(157)	(412)	0	(345)	(157)	(757)
<b>Balance Outstanding at Year End</b>	<b>331</b>	<b>327</b>	<b>68</b>	<b>72</b>	<b>399</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

## Note 18 - Debtors

The Short-Term Debtor balances carried by the PCC Group at 31st March 2018 are:

31 March 2017			31 March 2018		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
8,644	8,644	Central Government Bodies	4,954	4,954	
1,990	1,990	Other Local Authorities	6,093	6,093	
109	109	NHS Bodies	71	71	
0	0	Public Corporations and Trading Funds	11	11	
286	286	Other Entities and Individuals	717	717	
<b>11,029</b>	<b>11,029</b>	<b>Total Debtors</b>	<b>11,845</b>	<b>11,845</b>	



## Note 19 - Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash in hand and balances held with financial institutions. The Bank Current Account balance includes a cash equivalent adjustment of £5.918m 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 2017		31 March 2018
£000		£000
8,559	Cash and Bank balances	4,162
0	Short Term Investments	0
4,511	Short Term Deposits	4,522
0	Bank Overdraft	0
<b>13,070</b>	<b>Total Cash and Cash Equivalents</b>	<b>8,684</b>

## Note 20 - Assets Held for Sale

These represent Non-current Assets Held for Sale as at the 31st March 2018. The carrying amount of assets held for sale at the balance sheet date, were re-valued at fair value.

Current	Non-current		Current	Non-current
31 March 2017	31 March 2017		31 March 2018	31 March 2018
£000	£000		£000	£000
0	860	Balance outstanding at start of year	0	845
0	0	Additions	0	0
		Assets newly classified as held for sale:		
0	515	Property Plant and Equipment	0	0
0	(440)	Revaluation losses	0	0
0	110	Revaluation gains	0	0
		Assets declassified as held for sale:		
0	(200)	Property Plant and Equipment	0	0
0	0	Assets sold	0	(75)
<b>0</b>	<b>845</b>	<b>Balance Outstanding year end</b>	<b>0</b>	<b>770</b>

At the beginning of the year, there were three properties classified as held for sale. The status of these properties as at 31st March 2018 is as follows:

- (i) Newbridge Police Station. Offer accepted of £0.165m which has been approved by the District Valuer. The sale was not completed as at 31st March 2018 and as a result the asset remains in the books of the PCC Group.
- (ii) Abergavenny Police Station. Offer accepted of £0.605m which has been approved by the District Valuer, but there is a legally binding agreement to occupy until Feb 19. The sale was not completed as at 31st March 2018 and as a result the asset remains in the books of the PCC Group.
- (iii) Abertillery Police Station. These premises were sold in August 2017 at Auction for £0.075m and payment received on 24th August 2017.

## Note 21 - Creditors

Short- Term Creditor balances held by the PCC Group at 31st March 18 are:

31 March 2017			31 March 2018	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
(6,484)	(8,166)	Central Government Bodies	(3,752)	(6,138)
(11,664)	(6,198)	Other Local Authorities	(10,001)	(2,501)
0	0	NHS Bodies	0	(619)
(25)	(50)	Public Corporations and Trading Funds	(39)	(211)
0	(4,158)	Other Entities and Individuals	(308)	(5,030)
<b>(18,173)</b>	<b>(18,572)</b>	<b>Total Creditors</b>	<b>(14,100)</b>	<b>(14,499)</b>

### Long-Term Creditor

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

PCC	PCC Group		PCC	PCC Group
31 March 2017	31 March 2017		31 March 2018	31 March 2018
£000	£000		£000	£000
	0			0
(1,483,548)	Net Pension Liability		(1,421,040)	
<b>(1,483,548)</b>	<b>0 Total</b>		<b>(1,421,040)</b>	<b>0</b>

## Note 22 - Provisions

All provisions are short-term as it is expected that the liability will be settled within 12 months after the reporting period. Provisions in relation to the PCC Group during 2017/18 are:

### 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.

## Provisions

### Current Provisions

2017/18	Injury Damage & Other Compensation Claims	Holiday Pay	Provision for Doubtful Debts	Provision for Pay Award	Total
	£000	£000	£000	£000	£000
Opening Balance	(1,355)	0	(13)	0	(1,368)
Increase in provision during year	(393)	0	(9)	(378)	(780)
Utilised during year	606	0	0	0	606
Unused Amounts Reversed	0	0	0	0	0
Unwinding of discounting	0	0	0	0	0
Other movements	0	0	0	0	0
<b>Closing Balance</b>	<b>(1,142)</b>	<b>0</b>	<b>(22)</b>	<b>(378)</b>	<b>(1,542)</b>

### 2016/17

2016/17	Injury Damage & Other Compensation Claims	Holiday Pay	Provision for Doubtful Debts	Provision for Pay Award	Total
	£000	£000	£000	£000	£000
Opening Balance	(998)	(78)	(12)	0	(1,088)
Increase in provision during year	(357)	0	(1)	0	(358)
Utilised during year	0	78	0	0	78
Unused Amounts Reversed	0	0	0	0	0
Unwinding of discounting	0	0	0	0	0
Other movements	0	0	0	0	0
<b>Closing Balance</b>	<b>(1,355)</b>	<b>0</b>	<b>(13)</b>	<b>0</b>	<b>(1,368)</b>

The balance of £10,001,000 shown for other Local Authorities relates to the inter company balance held with the Chief Constable that is eliminated on consolidation.

## Note 23 - Usable Reserves

### General Fund

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

#### General Fund Reserve

31 March 2017	31 March 2018
£000	£000
9,112 Opening Balance	10,905
- Transfers in to General Fund Reserve	-
- Transfer Out to Forecasted Accelerated Efficiencies Reserve	-6,905
1,793 Other Transfers Out of General Fund Reserve	-
<b>10,905 Closing Balance</b>	<b>4,000</b>

#### Forecast Accelerated Efficiency Savings Reserve

31 March 2017	31 March 2018
£000	£000
- Opening Balance	-
- Transfers In From General Fund Reserve	6,905
- Transfers In to Forecast Accelerated Efficiencies Reserve	3,789
- Transfers Out of Forecast Accelerated Efficiencies Reserve	-
<b>- Closing Balance</b>	<b>10,694</b>

#### Earmarked Reserves

31 March 2017	31 March 2018
£000	£000
38,850 Opening Balance	40,279
4,882 Transfers In to Earmarked Reserves	4,503
-3,454 Transfers Out of Earmarked Reserves	-3,464
<b>40,279 Closing Balance</b>	<b>41,318</b>

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

#### Capital Receipts Reserve

31 March 2017	31 March 2018
£000	£000
1,626 Balance 1 April	1,626
0 Capital Receipts in year	74
0 Other movements	0
<b>1,626 Balance 31 March</b>	<b>1,700</b>

## Note 24 - Unusable Reserves

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

31 March 2017			31 March 2018	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
(4,289)	(4,289)	Revaluation Reserve	(4,092)	(4,092)
(23,045)	(23,045)	Capital Adjustment Account	(21,653)	(21,653)
1,486,005	1,486,005	Pension Reserve	1,423,541	1,423,541
2,215	2,215	Accumulated Absences Account	1,492	1,492
<b>1,460,886</b>	<b>1,460,886</b>	<b>Total</b>	<b>1,399,288</b>	<b>1,399,288</b>

### Revaluation Reserve

31 March 2017			31 March 2018	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
(2,029)	(2,029)	<b>Balance 1 April</b>	(4,288)	(4,288)
(3,149)	(3,149)	Upward revaluation of assets	0	0
684	684	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	0	0
<b>(2,465)</b>	<b>(2,465)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>
172	172	Difference between fair value depreciation and historical cost depreciation	196	196
<b>172</b>	<b>172</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>196</b>	<b>196</b>
33	33	Other movements to Other Comprehensive Income and Expenditure	0	0
<b>(4,289)</b>	<b>(4,289)</b>	<b>Balance 31 March</b>	<b>(4,092)</b>	<b>(4,092)</b>

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

The balance is reduced when assets with accumulated gains are:

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

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

## Capital Adjustment Account

31 March 2017			31 March 2018	
OPCC	Group		OPCC	Group
£000	£000		£000	£000
(29,740)	(29,740)	<b>Balance 1 April</b>	(23,045)	(23,045)
2,697	2,697	Charges for depreciation and impairment of non-current assets	2,264	2,264
6,841	6,841	Revaluation losses on non-current assets	0	0
743	743	Amortisation of intangible assets	871	871
61	61	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	186	186
10,342	10,342	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	3,321	3,321
(173)	(173)	Adjusting Amounts written out of the Revaluation Reserve	(196)	(196)
10,169	10,169	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	3,125	3,125
(526)	(526)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(449)	(449)
(56)	(56)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	0	0
(2,858)	(2,858)	Capital expenditure charged against the General Fund and HRA balances	(1,284)	(1,284)
(3,440)	(3,440)	<b>Capital financing applied in year:</b>	(1,732)	(1,732)
(35)	(35)	Other movements	0	0
<b>(23,045)</b>	<b>(23,045)</b>	<b>Balance 31 March</b>	<b>(21,653)</b>	<b>(21,653)</b>

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

## Pension Reserve

31 March 2017			31 March 2018		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
1,397	1,195,364	Balance 1 April	2,457	1,486,005	
962	264,888	Remeasurements of the net defined benefit (liability)/asset	(191)	(91,462)	
191	62,591	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	336	70,099	
(48)	(36,326)	Employer's pensions contributions and direct payments to pensioners payable in the year	(101)	(41,101)	
(1,488,507)	(512)	Other movements	1,421,040	0	
<b>1,486,005</b>	<b>1,486,005</b>	<b>Balance 31 March</b>	<b>1,423,541</b>	<b>1,423,541</b>	

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

## Accumulated Absences Account

31 March 2017			31 March 2018		
OPCC	Group		OPCC	Group	
£000	£000		£000	£000	
2,079	2,079	<b>Balance 1 April</b>	2,215	2,215	
(2,079)	(2,079)	Settlement or cancellation of accrual made at the end of the preceding year	(2,215)	(2,215)	
2,215	2,215	Amounts accrued at the end of the current year	1,492	1,492	
136	136	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(723)	(723)	
<b>2,215</b>	<b>2,215</b>	<b>Balance 31 March</b>	<b>1,492</b>	<b>1,492</b>	

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

## Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(256)	Interest received	(199)
2,226	Interest paid	445
0	Dividends received	0
<b>1,970</b>	<b>Total</b>	<b>245</b>

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

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(2,367)	Depreciation	(2,264)
(7,171)	Impairment and downward valuations	0
(743)	Amortisation	(871)
0	(Increase)/decrease in impairment for bad debts	0
3,117	(Increase)/decrease in creditors	4,503
(1,606)	Increase/(decrease) in debtors	862
(9)	Increase/(decrease) in inventories	0
(26,265)	Movement in pension liability	(28,998)
0	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(186)
370	Other non-cash movements charged to the surplus or deficit on provision of services	(77)
<b>(34,674)</b>	<b>Total</b>	<b>(27,031)</b>

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

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(78)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	142
1,126	Any other items for which the cash effects are investing or financing cash flows	449
<b>1,048</b>	<b>Total</b>	<b>591</b>



## Note 26 - Cash Flow from Investing Activities

The cash flows from investing activities include the following items:

31 March 2017		31 March 2018
£000		£000
2,410	Purchase of property, plant and equipment, investment property and intangible assets	1,485
137,750	Purchase of short-term and long-term investments	123,000
(78)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(142)
(137,750)	Proceeds from short-term and long-term investments	(118,000)
(1,108)	Other receipts from investing activities	(449)
<b>1,224</b>	<b>Net cash flows from investing activities</b>	<b>5,894</b>

## Note 27 - Cash Flow from Financing Activities

31 March 2017		31 March 2018
£000		£000
211	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	65
4,940	Repayments of short-term and long-term borrowing	0
<b>5,151</b>	<b>Net cash flows from financing activities</b>	<b>65</b>

## Note 28 - Members' Allowances

The PCC Group paid the following amounts to Joint Audit Committee Members during the year ended 31st March 2018. Amounts are split evenly with the Chief Constable.

31 March 2017		31 March 2018
£		£
0	Salaries	0
3,921	Allowances	2,755
0	Expenses	122
<b>3,921</b>	<b>Total Members' Allowances</b>	<b>2,877</b>

## Note 29 - Police Officer and Staff Remuneration PCC Group

### Police Officer and Staff Numbers

	31st March 2017	31st March 2018
<b>Police Officers:</b>		
Above the rank of Constable	240	250
Constable	952	1,037
<b>Total</b>	<b>1,192</b>	<b>1,287</b>
<b>Police Staff:</b>		
Full Time	561	632
Part Time	160	146
<b>Total</b>	<b>721</b>	<b>778</b>

The above numbers are as at 31<sup>st</sup> March 2018.

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

### Remuneration Received

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

PCC 2016/17	PCC Group 2016/17	Remuneration Band	PCC 2017/18	PCC Group 2017/18
1	8	£60,000 - £64,999	-	7
-	10	£65,000 - £69,999	1	6
-	3	£70,000 - £74,999	-	1
-	8	£75,000 - £79,999	-	2
1	9	£80,000 - £84,999	-	4
-	3	£85,000 - £89,999	1	1
-	1	£90,000 - £94,999	-	1
-	1	£95,000 - £99,999	-	1
-	1	£100,000 - £104,999	-	1
-	-	£105,000 - £109,999	-	1
-	1	£110,000 - £114,999	-	-
-	-	£115,000 - £119,999	-	-
-	-	£120,000 - £124,999	-	-
-	-	£125,000 - £129,999	-	-
-	-	£130,000 - £134,999	-	-
-	-	£135,000 - £139,999	-	-
-	1	£140,000 - £144,999	-	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 and is determined by taking the salary as at 31<sup>st</sup> March plus the benefit in kind and other payments made during the period.

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

	2016/17	2017/18
Chief Constables Pay	149,560	151,095
Median Pay of the Chief Constable's Staff	33,597	29,600
Median Pay Ratio	<b>4.45</b>	<b>5.10</b>
Chief Finance Officer's Pay	84,447	85,291
Median Pay of the Police and Crime Commissioner's Staff	31,938	32,257
Median Pay Ratio	<b>2.64</b>	<b>2.64</b>

## Remuneration Disclosure

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

Expense allowances include "essential user" car lump sum allowance and benefit in kind includes the money value of benefits received otherwise than in cash e.g. private use of a Force asset. Other payments include those allowances only relevant to Police Officers such as rent allowance and compensatory grant. During the year no amounts were paid in respect of compensation for loss of employment. Equivalent disclosure is provided for the previous year 2016/17.

### 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 2018.

2017/18

Post Holder Information (Post Title)	Note	Salary £	Post Related Pay £	Bonus £	Expenses £	Benefits in Kind £	Other Payments £	Total Remuneration excluding Pension Contributions £	Employers Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Constable (1)	1	34,626	-	-	-	1,542	1,011	37,179	-	37,179
Chief Constable (2)	2	104,687	-	-	-	5,369	3,034	113,090	25,334	138,424
Deputy Chief Constable (1)	3	28,560	-	-	-	1,790	1,011	31,361	6,912	38,273
Deputy Chief Constable (2)	4	36,600	-	-	-	2,059	-	38,659	8,857	47,516
Assistant Chief Constable (1)	5	60,753	-	-	-	1,756	2,034	64,543	11,947	76,490
Assistant Chief Constable (2)	6	41,058	-	-	-	-	3,444	44,502	8,633	53,135
Assistant Chief Officer Resources		105,251	-	-	-	-	-	105,251	16,630	121,881
Police & Crime Commssioner (1)		70,000	-	-	-	-	-	70,000	11,060	81,060
Deputy Police & Crime Commssioner (1)		52,500	-	-	-	-	-	52,500	8,295	60,795
Chief Finance Officer to the Police & Crime Commissioner		84,447	-	-	-	-	1,689	86,136	13,343	99,479
Police & Crime Commssioner Chief of Staff		63,993	-	-	-	-	1,280	65,273	10,111	75,384

#### Notes

- 1) Chief Constable 1 retired on the 30th June 2017.
- 2) Chief Constable 2 was appointed and took office on the 1st July 2017 with an annualised salary of £138,504.
- 3) Deputy Chief Constable 1 left office on the 30th June 2017 to take up the Chief Constable position.
- 4) Deputy Chief Constable 2 was appointed and took office on the 7th December 2017 with an annualised salary of £115,383. Prior to taking up appointment on a permanent basis Deputy Chief Constable 2 was seconded to the force from Dyfed Powys Police from July 2017.
- 5) Assistant Chief Constable 1 left office on the 31st October 2017.
- 6) Assistant Chief Constable 2 was appointed and took office on the 1st November 2017 with an annualised salary of £98,538.
- 7) The employers pension contribution in respect of Police Officers were paid at a rate of 24.2%. All other Senior Employees were paid at a rate of £15.8%.
- 8) Salaries disclosed above are actual amounts paid during the year and exclude salary sacrifice deductions.
- 9) Included within Other payments is the impact of the pay award and non-consolidated bonus that as at year end was accrued for staff. The pay award and bonus have been agreed at 1% each.
- 10) The All Wales Deputy Chief Constable is employed by South Wales Police and their total remuneration costs are shown in the Remuneration Report of South Wales Police. Each of the four Welsh Forces contribute to the total remuneration cost of the All Wales Deputy Chief Constable. In 2017-18, the contribution made by Gwent Police was £32,529.
- 11) From 1<sup>st</sup> May 2018 the Chief of Staff's job title changed to that of Chief Executive.

### 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 2017.

2016/17

Post Holder Information (Post Title)	Note	Salary £	Post Related Pay £	Bonus £	Expenses £	Benefits in Kind £	Other Payments £	Total Remuneration excluding Pension Contributions £	Employers Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Constable	1	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 30th 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 11th May 2016.
- 7) Police & Crime Commissioner (2) was elected and took office on the 12th May 2016 with an annualised salary of £70,000.
- 8) The Deputy Police & Crime Commissioner (2) was appointed and took office on the 30th 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

### Note 30 - Termination Benefits

A Schedule of exit packages agreed as at 31st March 2018 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	
		2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 -	£20,000	30	19	18	6	48	25	538,153	272,847
£20,001 -	£40,000	28	3	15	1	43	4	1,252,277	101,857
£40,001 -	£60,000	1	1	13	1	14	2	628,241	88,348
£60,001 -	£80,000	-	-	1	1	1	1	74,550	64,535
<b>Total</b>		<b>59</b>	<b>23</b>	<b>47</b>	<b>9</b>	<b>106</b>	<b>32</b>	<b>2,493,221</b>	<b>527,587</b>

Exit packages include 4 departures agreed prior to the 31st March 2018, although payments will not be made until 2018/19.

Due to the underpayment of a termination payment made in 2016/17, an additional payment of £2,691 has been made to the individual in 2017/18. This figure is not included in the table above.

### Note 31 - External Audit Costs

The PCC Group has incurred the following costs in relation to the audit of the Statement of Accounts. The costs are jointly incurred by the PCC and the Chief Constable.

2016/17		2017/18
£000		£000
83	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	83
<b>83</b>	<b>Total</b>	<b>83</b>

### Note 32 - Grant Income

The following grants were credited to the Cost of Services in the CIES in 2017/18.

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

31 March 2017		31 March 2018
£000		£000
(21,044)	Revenue Support Grant	(20,748)
(42,393)	Police Grant	(40,904)
(1,108)	Capital Grant and Contributions	(449)
<b>(64,545)</b>	<b>Total</b>	<b>(62,101)</b>

## Credited to Services

31 March 2017	31 March 2018
£000	£000
(596) All Wales Counter Terrorism Unit (CTIU)	(586)
0 All Wales Firearms CTSFO	(177)
(102) All Wales Regional Intelligence Unit (RIU)	(298)
0 All Wales Regional Organised Crime Unit - Cyber	(21)
(174) All Wales Regional Prison Intelligence	(98)
0 All Wales Witness Protection	(118)
0 Cadet Scheme Grant	(3)
(37) Counter Terrorism Security Advisors (CTSA) - Ports Policing	(35)
(307) Data Barring Service	(309)
(28) Domestic Abuse Early Intervention IF	0
(56) Fire Crime Unit	(62)
(299) IOM Cymru Women's Pathfinder (Diversion - IF)	(33)
(39) Local Resilience Forum	(41)
(686) Ministry of Justice - Victim Services	(682)
0 Mobile Data Funding	(71)
(58) National Child Sex Exploitation Co-ordinator (ROCU)	0
50 Operation Ismay (NATO)	0
9 Other Miscellaneous Grants	(11)
(3,477) Police Community Support Officers	(3,333)
(621) Private Finance Initiative (PFI) - Ystrad Mynach	(593)
(492) Safety Camera Enforcement	(414)
0 Trauma Resilience Training	(50)
(5) UKFPO Banning Orders	0
(541) Welsh Government (WG) - All Wales Schools Liaison (AWSL)	(439)
(4) Welsh Government (WG) - Hate Crime Awareness	0
(39) WISDOM Project	(29)
(104) Youth Offending	(109)
<b>(7,606) Total</b>	<b>(7,512)</b>

## Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31 March 2017	31 March 2018
£000	£000
(6) Cosain Software License	0
<b>(6) Total</b>	<b>0</b>

The PCC Group received £6k of revenue receipts which were utilised during 2016/17. This grant is detailed above:



## Note 33 - Related Parties

IAS 24 requires the PCC Group to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the PCC Group or to be controlled and influenced by the PCC Group. Disclosure of these transactions allows the reader to access the extent to which the PCC Group might have been constrained in his ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the PCC Group. This disclosure note has been prepared on the basis of specific declarations obtained between April 2017 and March 2018, in respect of related party transactions.

### **Central Government**

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

### **Members**

The total allowances and expenses paid to Members during the year are shown in Note 28. Transactions with the unitary authorities that members of the Police and Crime Panel represent are detailed in note 28 of the PCC group Statement of accounts – Taxation and Non Specific 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 £10,589 (2016/17: £27,960) (net of VAT) was received from Velindre NHS Trust in 2017/18.

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 2017/18 financial year, the Police and Crime Commissioner for Gwent paid a total to the Company of £90,896 (2016/17: £60,000).

The Chief Finance Officer is seconded to Police and Crime Commissioner for South Wales Police two days a week to cover the role of Chief Finance Officer for South Wales Police. No additional remuneration is received in relation to this secondment. The Chief Finance Officer to the Commissioner is also the Chief Finance Officer to the Police and Crime Commissioner for South Wales Police. During 2017-18, income of £3,003,427 was receivable by Gwent Police from South Wales Police. The debtor balance at the year-end was £1,015,319 (net of VAT). Expenditure of £4,521,685 was payable to South Wales Police by Gwent Police. The creditor balance as at the year-end was £2,091,187, which includes £1,638,875 of invoices that were received after 31st March 2018 that related to financial year 2017/18. In addition, the PCC Group are party to a number of collaborative operations with South Wales Police, details of which can be found in Note 40.

A family member of the Chief Finance Officer is a Senior Finance Business Partner for Newport City Council (NCC). The Police and Crime Commissioner for Gwent 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 2017/18, the Police and Crime Commissioner for Gwent received £13,240,208 (2016/17: £12,522,645) income from NCC, made payments to them of £1,630,428 (2016/17: £1,957,821). In 2016/17 a one-off Loan repayment of £751,153 was also made.

## Note 34 - Capital Expenditure and Capital Financing

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

### Capital Expenditure and Capital Financing

31 March 2017		31 March 2018
£000		£000
6,200	Opening Capital Financing Requirement	4,752
	Capital Investment:	
1,565	Property Plant and Equipment	1,548
427	Intangible Assets	186
0	Other Capital Expenditure	(65)
<b>1,992</b>	<b>Total Capital Spending</b>	<b>1,669</b>
	Sources of Finance:	
(526)	Government Grants and other contributions	(449)
	Sums set aside from revenue:	
(2,858)	Direct revenue contributions	(1,283)
(56)	Minimum revenue provision	0
<b>(3,440)</b>	<b>Total Sources of Finance</b>	<b>(1,732)</b>
<b>4,752</b>	<b>Closing Capital Financing Requirement</b>	<b>4,689</b>
<b>Explanation of movements in year</b>		
31 March 2017		31 March 2018
£000		£000
(1,448)	Other movements	(63)
<b>(1,448)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(63)</b>

The direct revenue contributions are made up of:

Direct revenue financing - £574,867

PFI Lifecycle additions financed through the revenue unitary charge - £143,778

Funding from reserves - £564,000

## Note 35 - Leases PCC

PCC and PCC Group as Lessee

### **Finance Leases**

The PCC Group does not participate in any finance lease arrangements except the Private Finance Initiative (PFI) contract with respect to Ystrad Mynach Police Station and Custody Unit.

### **Operating Leases**

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

The expenditure charged to Premises costs line in the CIES during the year in relation to the property leases was £579,520 (2016/17: £384,021).

The PCC Group also utilises Multi-Functional Devices (combined photocopier, printer and scanners) through operating leases. During the year the PCC Group entered into a new contract with Konia replacing the previous supplier (Canada Copying). Expenditure on these leases (excluding copy charges) during the year was approximately £7,751 (2016/17: £45,000).

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

### **Premises Leases**

	2016/17	2017/18
	£000	£000
Not later than 1 year	235	424
Later than 1 year but not later than 5 years	86	292
Later than 5 years	-	-
<b>Total</b>	<b>321</b>	<b>716</b>

### **MFD Leases**

	2016/17	2017/18
	£000	£000
Not later than 1 year	2	37
Later than 1 year but not later than 5 years	-	90
Later than 5 years	-	-
<b>Total</b>	<b>2</b>	<b>127</b>

### **PCC and PCC Group as Lessor**

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

1) Pontypool Police Station – £52,732 (2016/17: £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(2016/17: £2,000) from Bargoed Town Council.

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

## Note 36 - 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.

The accounting treatment of the PFI contract is 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.

<b>31 March 2017</b>	<b>31 March 2018</b>
<b>£000</b>	<b>£000</b>
5,624 Non-current assets net book value (NBV)	5,549
194 Lifecycle assets net book value (NBV)	248
(4,752) Finance Lease Liability	(4,686)
<b>1,066 Total</b>	<b>1,111</b>

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

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
293 Service element of unitary charge	301
119 Depreciation charge liability	154
391 Finance cost	388
45 Contingent rent	57
<b>848 Total</b>	<b>900</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 £954,942.

The PCC Group receives funding from the Welsh Government, via specific grant payments (2017/18 £593,304), 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 process has been undertaken 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 2018/19 financial year. However until such decision is made the PCC Group is committed to make the following future payments in respect of this contract:

<b>2016/17</b> <b>£000</b>	<b>2017/18</b> <b>£000</b>
964 Within 1 year	979
4,104 Years 2 to 5 inclusive	4,166
5,734 Years 6 to 10 inclusive	5,821
6,488 Years 11 to 15 inclusive	6,586
5,799 Years 16 to 20 inclusive	4,360
- Year 21 onwards	-
<b>23,089 Total</b>	<b>21,912</b>

### Note 37 – Collaboration

Police forces in Wales have a long, successful history of collaborating to develop specialist areas of policing. This included those under the remit of the former Police Authorities of Wales Joint Committee. Future collaboration will be driven by the need to satisfy the Strategic Policing Requirement and by the outcomes of the Regional Strategic Assessment of threats, risks and harm to the southern region of Wales. The Police and Crime Commissioner for each Police Force will be responsible for ensuring the Strategic Policing Requirement is met. As part of this, they will look to work in collaboration with other Commissioner's and forces to provide the most effective service possible. Such agreements are regulated by Section 22A of the Police Act 1996, as amended by the Police Reform and Social Responsibility Act 2011.

The collaborative services and their funding continue under revised Commissioner and Force Governance arrangements. These are in effect considered as 'Pooled Budgets' with agreements for Funding Contributions, made and varied from time to time, and certain Specific Government Grants. The pooled budgets are effectively hosted by the Commissioner and Force for South Wales Police on behalf of the four police forces in Wales. The Joint Legal Service is included in the 2017-18 table but not shown in the comparative table as the Section 22A agreement was agreed in 2017-18. A summary of the cost of the various collaborative services attributable to the PCC Group is shown in the following table.

#### **2017/18 costs of the various collaborative services attributable to the PCC Group.**

	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/ Dedicated Security Population	Regional Organised Crime Unit Population	Regional Task Force	Counter Terrorism Special Branch	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit (inc CTSFO)	<b>Total</b>
<b>SHARE OF SERVICE COLLABORATION</b>	Population (national benefit basis)	Population (national benefit basis)	(national benefit basis) - Exc NWP	(national benefit basis) - Exc NWP	Agreed financial contribution (local delivery)	Own Spending	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	
<b>Share of service benefit</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000	<b>£000</b>
<b>Gross Expenditure</b>										
South Wales Police	2,842	193	1,206	3,266	1,055	0	829	3,808	5,795	<b>18,994</b>
Dyfed Powys Police	1,113	75	472	1,279	400	0	0	0	3,998	<b>7,337</b>
Gwent Police	1,260	85	535	1,449	510	0	414	1,745	3,067	<b>9,065</b>
North Wales Police	1,501	102	2,428	0	0	0	0	0	0	<b>4,031</b>
	<b>6,716</b>	<b>455</b>	<b>4,641</b>	<b>5,994</b>	<b>1,965</b>	<b>0</b>	<b>1,243</b>	<b>5,553</b>	<b>12,860</b>	<b>39,427</b>
<b>Total Income &amp; Grants</b>										
South Wales Police	(2,842)	(193)	(1,206)	(2,378)	(270)	0	(4)	0	(737)	<b>(7,630)</b>
Dyfed Powys Police	(1,113)	(75)	(472)	(931)	(102)	0	0	0	(509)	<b>(3,202)</b>
Gwent Police	(1,260)	(85)	(535)	(1,054)	(130)	0	(2)	0	(390)	<b>(3,456)</b>
North Wales Police	(1,501)	(102)	(2,428)	0	0	0	0	0	0	<b>(4,031)</b>
	<b>(6,716)</b>	<b>(455)</b>	<b>(4,641)</b>	<b>(4,363)</b>	<b>(502)</b>	<b>0</b>	<b>(6)</b>	<b>0</b>	<b>(1,636)</b>	<b>(18,319)</b>

As a result of the requirement of IFRS11, gross expenditure in the CIES has been increased by £2.005m and gross income has been increased by £2.101m. A net decrease in expenditure of £0.96m (2016/17: £0.212m decrease in expenditure). This net decrease has been reversed in the Movement in Reserves Statement with no impact on the Police Fund.

**2017/18**

COLLABORATIVE SERVICE AREA/ Service Classification in CIES	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit Intelligence / Investigation	Regional Task Force	Counter Terrorism Special Branch	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit (inc CTSFO) Specialist Operations	Total
	National Policing	National Policing	National Policing	Investigation	Intelligence	National Policing	Support Service	Investigative Support		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pay Expenditure	5,574	425	4,356	4,793	1,554	0	1,217	5,122	11,292	34,333
Non Pay Expenditure	1,142	30	285	1,201	411	0	26	431	1,568	5,094
<b>Gross Expenditure</b>	<b>6,716</b>	<b>455</b>	<b>4,641</b>	<b>5,994</b>	<b>1,965</b>	<b>0</b>	<b>1,243</b>	<b>5,553</b>	<b>12,860</b>	<b>39,427</b>
Specific Grant Income	(6,772)	(455)	(4,641)	(4,320)	(500)	0	0	0	(1,473)	(18,161)
Income	56	0	0	(43)	(2)	0	(6)	(0)	(163)	(158)
<b>Total Income &amp; Grants</b>	<b>(6,716)</b>	<b>(455)</b>	<b>(4,641)</b>	<b>(4,363)</b>	<b>(502)</b>	<b>0</b>	<b>(6)</b>	<b>0</b>	<b>(1,636)</b>	<b>(18,319)</b>
South Wales Police	0	0	0	(889)	(785)	0	(786)	(3,788)	(5,173)	(11,421)
Dyfed Powys Police	0	0	0	(348)	(298)	0	0	0	(3,457)	(4,103)
Gwent Police	0	0	0	(394)	(380)	0	(451)	(1,765)	(2,594)	(5,584)
North Wales Police	0	0	0	0	0	0	0	0	0	0
<b>Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,631)</b>	<b>(1,463)</b>	<b>0</b>	<b>(1,237)</b>	<b>(5,553)</b>	<b>(11,224)</b>	<b>(21,108)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>





## 2016/17

COLLABORATIVE SERVICE AREA	Counter Terrorism	Counter Terrorism	Counter Terrorism	Regional	Regional Task	Counter Terrorism	Scientific	Total	
	Intelligence Unit	Specialist Advisors	Port / Dedicated Security	Organised Crime Unit	Force	Special Branch	Investigation Unit		Joint Firearms Unit
Service Classification in CIES	National Policing	National Policing	National Policing	Intelligence/Investigation	Intelligence	National Policing	Investigative Support	Specialist Operations	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pay Expenditure	4,792	458	4,551	4,121	1,790	2,030	4,856	10,358	32,956
<b>Non Pay Expenditure</b>	<b>1,701</b>	<b>28</b>	<b>358</b>	<b>1,174</b>	<b>381</b>	<b>110</b>	<b>565</b>	<b>1,366</b>	<b>5,683</b>
Gross Expenditure	6,493	486	4,909	5,295	2,171	2,140	5,421	11,724	38,639
Specific Grant Income	(6,471)	(486)	(4,909)	(2,705)	(500)	0	0	0	(15,071)
Income	(22)	0	0	(56)	(54)	(161)	(12)	0	(305)
<b>Total Income &amp; Grants</b>	<b>(6,493)</b>	<b>(486)</b>	<b>(4,909)</b>	<b>(2,761)</b>	<b>(554)</b>	<b>(161)</b>	<b>(12)</b>	<b>0</b>	<b>(15,376)</b>
South Wales Police	0	0	0	(1,377)	(873)	(1,059)	(3,708)	(5,432)	(12,449)
Dyfed Powys Police	0	0	0	(544)	(340)	(494)	0	(3,475)	(4,853)
Gwent Police	0	0	0	(613)	(404)	(426)	(1,701)	(2,817)	(5,961)
<b>North Wales Police</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,534)</b>	<b>(1,617)</b>	<b>(1,979)</b>	<b>(5,409)</b>	<b>(11,724)</b>	<b>(23,263)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</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. The Police and Crime Commissioner and Chief Constable continued with this arrangement on their creation in 2012. In April 2017, Newport City Council (NCC) joined the collaborative working arrangement.

A memorandum of understanding is in place to provide robust governance arrangements. The arrangement is not a separate legal entity and ownership of the SRS premises reside with TCBC. In 2017/18 expenditure incurred was fully covered by the contributions from the partners.

### Note 38 - Defined Benefit Pension Scheme

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

The PCC Group participates in two post-employment schemes:

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

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

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

The format of the following notes relating to the defined benefit pension scheme differs from the 2016/17 audited financial statements due to the implementation of a new financial system during 2017/18. As a result, the comparative 2016/17 figures for the Local Government Pension scheme differ to the audited 2016/17 accounts. Administration costs are now reflected within the opening fair value of the scheme assets, rather than the opening balance of the scheme obligations (liabilities) as disclosed in previous years. 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:



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

£000	£000	£000	£000		£000	£000	£000	£000
				Re-measurement of the net defined benefit liability comprising:				
(13,819)	(1,135)	0	(14,954)	Return on plan assets (excluding the amount included in the net interest expense)	(1,150)	(43)	0	(1,193)
0	0	(300)	(300)	Actuarial gains and losses - experience	0	0	(84,909)	(84,909)
(4,208)	(166)	(24,420)	(28,794)	Actuarial gains and losses arising on changes in demographic assumptions	0	0	(44,808)	(44,808)
31,053	2,263	275,620	308,936	Actuarial gains and losses arising on changes in financial assumptions	(4,384)	(148)	43,980	39,448
45	(45)	0	0	Other movements in the liability / (asset)	0	0	0	0
<b>19,281</b>	<b>1,108</b>	<b>307,090</b>	<b>327,479</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,615</b>	<b>145</b>	<b>(25,123)</b>	<b>(21,363)</b>

2016/17				2017/18				
LGPS for CC	LGPS for PCC	Police Pensions	Total		LGPS for CC	LGPS for PCC	Police Pensions	Total
<b>Movement in Reserves Statement</b>								
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
(6,210)	(191)	(56,190)	(62,591)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(9,149)	(336)	(60,614)	(70,099)
				Actual amount charged against the general fund balance for pensions in the year:				
5,755	48	30,523	36,326	Employers' contributions payable to scheme	7,040	101	33,960	41,101
<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>								
2016/17				2017/18				
LGPS for CC	LGPS for PCC	Police Pensions	Total		LGPS for CC	LGPS for PCC	Police Pensions	Total
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
(174,843)	(6,390)	(1,420,240)	(1,601,473)	Present value of the defined obligation	(181,260)	(6,620)	(1,361,158)	(1,549,038)
111,535	3,933	0	115,468	Fair value of plan assets	121,377	4,119	0	125,496
<b>(63,308)</b>	<b>(2,457)</b>	<b>(1,420,240)</b>	<b>(1,486,005)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(59,883)</b>	<b>(2,501)</b>	<b>(1,361,158)</b>	<b>(1,423,542)</b>

2016/17				Movement in the Value of Scheme Assets	2017/18			
LGPS for CC	LGPS for PCC	Police Pensions	Total		LGPS for CC	LGPS for PCC	Police Pensions	Total
£000	£000	£000	£000		£000	£000	£000	£000
90,149	2,661	0	92,810	Opening fair value of scheme assets	111,535	3,933	0	115,468
3,320	96	0	3,416	Interest income	3,088	103	0	3,191
				Re-measurement gain / (loss):				
13,819	1,135	0	14,954	The return on plan assets, excluding the amount included in the net interest expense	1,150	43	0	1,193
0	0	0	0	Other gains / (losses)	0	0	0	0
5,755	48	30,523	36,326	Contributions from employer	7,040	101	33,960	41,101
1,147	93	6,160	7,400	Contributions from employees into the scheme	1,172	52	5,616	6,840
0	0	467	467	Transfers in	0	0	150	150
(2,584)	(98)	(37,150)	(39,832)	Benefits / transfers paid	(2,517)	(110)	(39,726)	(42,353)
(71)	(2)	0	(73)	Administration expenses	(91)	(3)	0	(94)
<b>111,535</b>	<b>3,933</b>	<b>0</b>	<b>115,468</b>	<b>Closing value of scheme assets</b>	<b>121,377</b>	<b>4,119</b>	<b>0</b>	<b>125,496</b>

2016/17				Movements in the Fair Value of Scheme Liabilities		2017/18			
LGPS for CC	LGPS for PCC	Police Pensions	Total		LGPS for CC	LGPS for PCC	Police Pensions	Total	
£000	£000	£000	£000		£000	£000	£000	£000	
(139,976)	(4,058)	(1,144,140)	(1,288,174)	Opening balance at 1 April	(174,843)	(6,390)	(1,420,240)	(1,601,473)	
(3,769)	(130)	(15,800)	(19,699)	Current service cost	(7,256)	(267)	(22,132)	(29,655)	
(5,089)	(148)	(40,350)	(45,587)	Interest cost	(4,801)	(169)	(37,494)	(42,464)	
(1,147)	(93)	(6,160)	(7,400)	Contributions from scheme participants	(1,172)	(52)	(5,616)	(6,840)	
				Re-measurement gains and losses:					
0	0	300	300	Actuarial gains / (losses) - experience	0	0	84,909	84,909	
4,208	166	24,420	28,794	Actuarial gains / (losses) from changes in demographic assumptions	0	0	44,808	44,808	
(31,053)	(2,263)	(275,620)	(308,936)	Actuarial gains / (losses) from changes in financial assumptions	4,384	148	(43,980)	(39,448)	
0	45	0	45	Other	0	0	0	0	
(601)	(7)	(40)	(648)	Past service cost	(89)	0	(988)	(1,077)	
0	0	0	0	Transfers in	0	0	(151)	(151)	
2,584	98	37,150	39,832	Benefits / transfers paid	2,517	110	39,726	42,353	
<b>(174,843)</b>	<b>(6,390)</b>	<b>(1,420,240)</b>	<b>(1,601,473)</b>	<b>Balance as at 31 March</b>	<b>(181,260)</b>	<b>(6,620)</b>	<b>(1,361,158)</b>	<b>(1,549,038)</b>	

The table above shows the amount included in the Balance Sheet arising from the PCC Group's obligation in respect of its defined benefit plans.

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits. The total liability of £1.424bn (2016/17 £1.486bn) 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 £1.341bn (2016/17 1.408bn).

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

1) 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

2) The Commissioner is only required to be raised to cover Police pensions when the pensions are actually paid.



## Basis for Estimating Assets and Liabilities

The expected return on assets are no longer required for IAS19 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)					
	2016/17			2017/18		
	£000	2016/17	%	£000	2017/18	%
<b>Asset Allocations</b>						
Equity Securities	21,823		18.9%	23,511		18.7%
Investment Funds and Unit Trusts	90,210		78.1%	98,092		78.1%
Real Estate	2,936		2.5%	3,034		2.4%
Cash and Cash Equivalents	572		0.5%	1,026		0.8%
<b>Total</b>	<b>115,541</b>		<b>100%</b>	<b>125,663</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.

	Police Pension		Local Government (Group)	
	2016/17 Years	2017/18 Years	2016/17 Years	2016/17 Years
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
Men	23.20	22.60	21.50	21.50
Women	25.20	24.20	23.90	23.90
<b>Longevity at 65 for future pensioners:</b>				
Men	25.20	24.50	23.60	23.60
Women	27.30	26.10	26.10	26.10

	Police Pension		Local Government (Group)		
	2016/17	%	2016/17	%	2017/18
	p.a.		p.a.	p.a.	p.a.
Rate of increase in salaries (Long term)	4.35%		4.30%	2.80%	2.70%
Rate of increase in salaries (Short term)	1.00%		1.00%	-	-
Rate of increase in pensions	2.35%		2.30%	2.40%	2.30%
Rate for discounting scheme liabilities	2.65%		2.55%	2.70%	2.70%
Rate of CARE revaluation	3.60%		3.55%	-	-

## The effect of changes in assumptions

	Police Pension		Local Government	
	Approximate increase/(decrease) in assumption		Approximate % increase to Employer Liability	Approximate monetary amount
	%	£000	Constable %	Chief Constable £000
0.5% increase in the Real Discount Rate	-9.5%	(130,000)		
0.5% decrease in the Real Discount Rate	-	-	13.0%	22,993
1 year increase in member life expectancy	2.5%	33,000	3-5%	
0.5% increase in the Salary Increase Rate	1.0%	17,000	3.0%	5,210
0.5% increase in the Pension Increase Rate	7.5%	10,100	10.0%	17,373
1 year decrease in member service			-	-

Additional £4m was paid in Local Government Pension Fund this year.

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

<u>Proposed Certified Rates for the Year Ending</u>	<u>% of Payroll</u>
31 March 2019	16.8%
31 March 2020	17.8%

## Note 39 - Contingent Assets and Liabilities

The PCC Group does not have any contingent assets.

The PCC Group has a contingent liability as follows:

The Chief Constable of Gwent, along with other Chief Constables and the Home Office, currently has 146 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. The Judiciary claims are being submitted to the Court of Appeal. The outcome of this appeal may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing as the outcome of the. 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 2017/18 Accounting Statements.

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

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

- (i) Credit risk: The possibility that other parties might fail to pay amounts due to the PCC Group;
- (ii) Liquidity risk: The possibility that the PCC Group might not have funds available to meet its commitments to make payments;
- (iii) Re-financing risk: The possibility that the PCC Group might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and

- (iv) Market risk - the possibility that financial loss might arise for the PCC Group as a result of changes in such measures as interest rate movements.

### **Overall Procedures for Managing Risk**

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

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

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

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

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers.

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

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

## Exposure to Credit Risk

	Amount at 31 March 2018 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2018 %	Estimated maximum exposure to default £000
Deposits with Banks and Financial Institutions	-	0.940%	0.940%	-
Money Market Funds	7,003	0.000%	0.000%	-
Local Authorities	44,068	0.000%	0.000%	-
Debt Management Office	-	0.000%	0.000%	-
Trade Debtors	2,951	0.075%	0.075%	2
<b>Total</b>	<b>54,022</b>			<b>2</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, however aged debtors has increased due to the implementation of a new finance system. The recoverability of this debt is not considered a risk as the majority of the trade debt is with other public sector counter parties. As at 31st march 2018 £2.036m of the £2.951m balance is past its due date for payment. The amounts can be analysed by age as follows:

	31 March 2017 £000	31 March 2018 £000
> 12 Months	30	464
9 to 12 Months	28	-
6 to 9 Months	151	843
3 to 6 Months	225	571
2 to 3 Months	27	158
1 Month	558	915
<b>Total</b>	<b>1,019</b>	<b>2,951</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.

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

## **Refinancing and Maturity Risk**

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

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

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

The PCC group has £nil (2017:£nil) financial liabilities with a maturity of greater than one year except for finance leases which are disclosed in Note 16.

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

## **Market Risk**

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

### **Interest Rate Risk**

The PCC Group has minimal exposure to risk in terms of its exposure to interest rate movements on its borrowings and investments.

Investments of £44m 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 £7m is deposited in Money Market Funds which are subject to variable interest rates or yields however the size, diversification and structure of the fund's assets mitigate risk.

### **Price Risk**

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

### **Foreign Exchange Risk**

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

## Note 41 - Intra Group Adjustments

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

### CIES Intra-group adjustments

PCC	Chief Constable	PCC Group		PCC	Chief Constable	PCC Group
2016/17	2016/17	2016/17		2017/18	2017/18	2017/18
£'000	£'000	£'000		£'000	£'000	£'000
(7,925)	123,855	115,930	Net Cost of Services	(8,063)	133,728	125,666
1,426	42,119	43,545	Financing, Investment Income and Expenditure	275	39,207	39,481
			Other Operating Expenditure	(20,207)	1,318	(18,889)
165,974	(165,974)	0	Intra-group Adjustment	174,253	(174,253)	0
<b>159,475</b>	<b>0</b>	<b>159,475</b>	<b>Total</b>	<b>146,258</b>	<b>0</b>	<b>146,258</b>
962	263,926	264,888	Actuarial (gains)/ losses on pension assets/ liabilities	(192)	(91,271)	(91,463)
263,926	(263,926)	0	Intra-group Adjustment	(91,271)	91,271	0
<b>264,888</b>	<b>0</b>	<b>264,888</b>	<b>Total</b>	<b>(91,463)</b>	<b>0</b>	<b>(91,463)</b>

### Balance Sheet Adjustments

PCC	Chief Constable	PCC Group		PCC	Chief Constable	PCC Group
2016/17	2016/17	2016/17		2017/18	2017/18	2017/18
£'000	£'000	£'000		£'000	£'000	£'000
0	399	399	Inventories	0	399	399
(6,791)	(11,781)	(18,572)	Creditors	(4,099)	(10,400)	(14,499)
(11,382)	11,382	0	Intra-group Adjustment	(10,001)	10,001	0
<b>(18,173)</b>	<b>0</b>	<b>(18,173)</b>	<b>Total</b>	<b>(14,100)</b>	<b>0</b>	<b>(14,100)</b>

## Note 42 - Gwent Independent Film Trust (GIFT)

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

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

At 31st March 2018 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 31st July 2017 disclosed net current assets of £25,790 and retained a loss for the year of £1,467.

## Glossary of Terms

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>2017/18</b>	This refers to the prior year financial period for comparative purposes – 1 <sup>st</sup> April 2017 to 31 <sup>st</sup> March 2018.
<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>Term</b>	<b>Definition</b>
<b>Current Liabilities</b>	Current liabilities are items that are due immediately or in the short – term.
<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>Term</b>	<b>Definition</b>
<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.
<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 Load 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.

Term	Definition
<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.
<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.