

**CHIEF CONSTABLE FOR GWENT**

**STATEMENT OF ACCOUNTS**

**2015/2016 DRAFT**

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# Explanatory Foreword and Financial Review

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## 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 Chief Constable for Gwent 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.

## Police Reform and Social Responsibility Act 2011

Financial year 2012/13 saw the biggest change in police governance for a number of years with the introduction of Police and Crime Commissioners.

The Police Reform and Social Responsibility Act 2011 (PRSRA) abolished Gwent Police Authority at midnight on the 21st November 2012 and replaced it with a directly elected Police and Crime Commissioner (referred to as the Commissioner or abbreviated to PCC throughout this document).

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 will hold office for four years and his responsibilities include:

- Securing the maintenance of an efficient and effective local Police Force;
- Holding the Chief Constable to account for the exercise of his functions and those of persons under his direction and control;
- Appointing or dismissing the Chief Constable;
- Producing the five year Police and Crime Plan which includes police and crime objectives;
- Setting the annual council tax precept and budget;

The Police and Crime Panel scrutinises the Commissioner to promote openness in the transaction of police business and also support the Commissioner in the effective exercise of his functions. The Panel comprises of 10 elected members and two independent members.

The Chief Constable is responsible for maintaining the Queen's Peace and the enforcement of the law, and has 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, management of resources and expenditure by the Police 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 a separate legal entity and 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.

There are legislative requirements upon the Commissioner and Chief Constable to appoint certain officers. The Commissioner must appoint a Chief Executive Officer (CEO) and both the Commissioner and Chief Constable must appoint a suitably qualified Chief Finance Officer (CFO).

## Statement of Accounts

These are the fourth set of Statutory Accounts for the Chief Constable prepared under the new governance arrangements. Each corporation sole is required to produce their own single entity Statement of Accounts with the Commissioner producing a Statement of Accounts for the Group (PCC Group).

The transfer of assets, staff and liabilities from Gwent Police Authority to the Commissioner occurred at midnight on the 21<sup>st</sup> November 2012 by way of a statutory transfer, known as the Stage 1 transfer.

All police staff remained employed by the Commissioner during Stage 1 as the Police Authority's successor. During Stage 1 the Commissioner has assigned authority and responsibility to staff under the direction and control of the Chief Constable to carry out specific activities via delegated authority in the same way as he would delegate functions to his CEO and CFO. Under delegated authority, the Commissioner remains accountable for the outcome of the delegated work.

The Commissioner therefore owns and funds all assets regardless of whether they are used by the Commissioner, force or both entities. The Commissioner is the recipient of all funding, including government grant and precept and other sources of income, relating to policing and crime reduction and all funding for the force must come via the Commissioner. How this money is allocated is a matter for the Commissioner in

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consultation with the Chief Constable, or in accordance with any grant terms. The PRSRA prohibits the Chief Constable from borrowing money.

### Stage 2 Transfer

The PRSRA 2011 gave the Home Secretary power to direct each PCC to submit a transfer scheme to formally move police staff from the Commissioner's employment to that of the Chief Constable. On 27<sup>th</sup> March 2013 the Home Secretary exercised that power and directed that PCC's submit a transfer scheme to her by 16<sup>th</sup> September 2013.

The political intent of this element of the legislation is to give greater clarity of role and the division of responsibilities between PCC and Chief Constables (Police Forces). A letter from Damian Green MP, Policing Minister confirmed the Government's ambition and highlighted that one of the drivers to this ambition was the findings of the HMIC on the governance of policing. The T/Chief Constable and Chief Executive were asked to establish a board to take forward scoping work with a view to presenting to the PCC principles for transfer and possible options in relation to future staffing arrangements.

The Stage 2 Transfer Group was established and as well as ensuring the process of division of responsibilities and staff, it also reviewed the Manual of Corporate Governance (MoCG) to ensure that it was suitable for use when the Office of the Police and Crime Commissioner and Chief Constable of Gwent Police became two corporations sole. During discussions, the Commissioner and the Chief Constable agreed that all staff other than those directly working for the Commissioner would transfer to the employment of the Chief Constable.

The Home Secretary approved the Stage 2 Transfer Scheme on the 28<sup>th</sup> March 2014. On the 1<sup>st</sup> April 2014 all staff other than those directly working for the Commissioner transferred to the employment of the Chief Constable. The reviewed MoCG has been in use since the 1<sup>st</sup> April 2014.

### Statutory Framework for the Statement of Accounts

The Accounts and Audit (Wales) Regulations 2015, require Local Government bodies to prepare a Statement of Accounts in accordance with proper practices. The Code is identified as representing proper practices.

The Accounts and Audit (Wales) (Amendment) Regulations 2013 ensure that all the requirements contained in the 2005 Regulations apply to Commissioners and Chief Constables in Wales for the 2015/16 financial year and beyond.

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 Chief Constable's Statement of Accounts for the financial year ended 31<sup>st</sup> March 2016, which are in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and consist of:

- **Explanatory Forward** – which provides a guide to the most 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 Chief Constable;
- **Statement of Responsibilities** – which sets out the respective responsibilities of the Chief Constable and the Assistant Chief Officer – Resources, for the Statement of Accounts;
- **Annual Governance Statement** – which is a statement by the Chief Constable, describing how the system of internal control, has ensured that its functions, have been exercised with a combination of economy, efficiency and effectiveness during the year.
- **Financial Statements:**
  - **Comprehensive Income and Expenditure Statement (CIES)** - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount funded from taxation.

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- **Balance Sheet** – which shows the value of the assets and liabilities (net worth) of the Chief Constable as at 31<sup>st</sup> March 2016;
- The Financial Statements do not contain a **Movement in Reserves Statement** as all reserves belong to the PCC. Similarly the Chief Constable does not hold any cash and therefore there is no **Cash Flow Statement** within the Chief Constable's Statement of Accounts.
- **Notes to the Financial Accounts** - which provide further analysis and explanations to the entries in the 'core' Financial Statements.

### Financial Performance of the Chief Constable

The budget for the Police and Crime Commissioner for Gwent, was set by the Commissioner, on the 9<sup>th</sup> February 2015 and was funded as follows:-

2014/15 £000		2015/16 £000
(42,675)	Council Tax Precept	(44,857)
(13,519)	National Non-Domestic Rates	(12,418)
(46,169)	Home Office Police Grant	(43,220)
(17,156)	Welsh Government Revenue Support Grant	(17,278)
(119,519)	<b>Total</b>	(117,773)

Adding other items of budgeted income such as specific grants and use of Reserves for 2015/16 gives a Gross Revenue Budget of £122.723m for 2015/16.

The majority of this gross budget is attributable to Policing Services under the direction and control of the Chief Constable and is equal to that of the Police and Crime Commissioner Group less the cost of administering the Office of the Police and Crime Commissioner. It should be noted that no income budgets are attributable to the Chief Constable since all income is recorded in the Police and Crime Commissioner's Statement of Accounts and the Police and Crime Commissioner's Group Statement of Accounts.

The table on the following page provides a breakdown of performance against the budgeted cost of commissioned Police Services for 2015/16 which resulted in an under-spend of £6.057m. This underspend has been transferred to Earmarked Reserves which are owned by the Police and Crime Commissioner and disclosed in the Statement of Accounts for the Police and Crime Commissioner and Police and Crime Commissioner Group Accounts.

The amounts disclosed in the following Performance Report exclude corporate costs, charges as a result of changes in future pension liabilities (IAS 19) and other appropriations including depreciation of non-current assets which by are included in the CIES of the Chief Constable as a result of a statutory requirement.

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Police and Crime Commissioner Group					Chief Constable		
Approved Annual Budget	Revised Annual Budget	Actual Outturn	Variance (Over)/Under		Revised Annual Budget	Actual Outturn	Variance (Over)/Under
£000	£000	£000	£000		£000	£000	£000
65,285	65,110	63,527	1,583	Police Officer Salaries and Allowances	65,110	63,527	1,583
22,422	22,842	22,865	(24)	Police Staff Salaries and Allowances	21,825	21,620	205
5,514	5,514	5,016	498	PCSO Salaries and Allowances	5,514	5,016	498
2,026	2,207	2,383	(175)	Police Officer Overtime and Enhancements	2,206	2,382	(175)
1,008	1,037	1,001	35	Police Staff Overtime and Enhancements	1,037	1,001	35
522	522	591	(69)	PCSO Overtime and Enhancements	522	591	(69)
2,205	2,195	2,997	(802)	Other Employee Related Costs	2,179	2,983	(804)
6,024	5,804	5,109	696	Premises Costs	5,797	5,104	693
3,615	3,258	2,600	658	Transport Costs	3,229	2,571	658
19,267	19,834	17,608	2,226	Supplies and Services	16,666	14,569	2,097
366	366	147	219	Major Incident Schemes	366	147	219
245	220	90	130	Proactive Operational Initiatives	220	90	130
883	883	887	(4)	Contribution to Police Computer Co.	883	887	(4)
500	1,687	1,616	71	Capital Charges	1,687	1,616	71
(273)	1,433	-	1,433	Other Approved Revenue Requirements	1,433	-	1,433
<b>129,608</b>	<b>132,910</b>	<b>126,435</b>	<b>6,475</b>	<b>Cost of Services</b>	<b>128,673</b>	<b>122,103</b>	<b>6,569</b>
(176)	(176)	(223)	47	Investment Income	(176)	(223)	47
(11,159)	(12,615)	(12,821)	207	Other Income	(11,117)	(11,300)	183
<b>118,274</b>	<b>120,119</b>	<b>113,391</b>	<b>6,729</b>	<b>Net Expenditure before Transfers</b>	<b>117,380</b>	<b>110,581</b>	<b>6,799</b>
2,207	2,154	1,947	207	Previously Approved Transfers to Reserves	2,154	1,947	207
<b>120,481</b>	<b>122,273</b>	<b>115,338</b>	<b>6,935</b>	<b>Net Expenditure after Transfers</b>	<b>119,534</b>	<b>112,528</b>	<b>7,006</b>
(120,481)	(122,273)	(121,324)	(949)	Funding and Specific Grant Income	(122,273)	(121,324)	(949)
-	-	(5,986)	5,986	(Over)/Underspend	(2,740)	(8,797)	6,057

### Looking Ahead

The Government's Comprehensive Spending Review (CSR) 2007 announced significant real-term cuts in grant funding for the police service between 2008/09 to 2010/11. Up until then, Gwent Police had a good record of delivering efficiency savings, but the Chief Constable at the time and the Police Authority realised that the scale of cuts being imposed needed to be addressed by a radical comprehensive review of all aspects of policing in Gwent. The new initiative, called 'Staying Ahead', introduced changes in policing in Gwent which produced the savings whilst also improving service delivery. However, the CSR 2010 (covering 2011/12 to 2014/15) announced even greater cuts in grant over the period to 31<sup>st</sup> March 2015, prompting the continuation of Staying Ahead reviews. CSR 2013 (covering the 2015/16 financial year) continued the theme of significantly reducing funding into policing and crime, and CSR 2015, announced on the 25<sup>th</sup> November 2015 in the Chancellor's Autumn Statement, continues with real-term cuts in budgets between 2016/17 and 2019/20. Both CSR 2013 and CSR 2015 have therefore necessitated the continuation of the Staying Ahead Programme (into phase 8) which again, will be addressed by a radical comprehensive review of all aspects of policing in Gwent and a major restructuring.

For context, between 2008/09 to 2020/21, Gwent Police (incorporating both the Commissioner and Chief Constable's budgets) will have faced a £64.0m recurrent financial deficit, however, by the end of 2015/16, the Staying Ahead Programme has delivered nearly £37.7m of efficiency schemes to combat this deficit, leaving £26.3m of savings remaining to be delivered, of which plans exist for £11.5m.

Whilst early indications of the CSR 2015 suggested that significant reductions should be expected for Commissioners' funding (up to a further 40% real-term cuts in Commissioner's budgets by 2019/20); in his 2015 Autumn Statement, the Chancellor stated that "now is not the time for further police cuts, now is the time to back our police and give them the tools to do the job". In essence however, overall national funding for Commissioners to deliver policing, including funding for Counter Terrorism, has been cut by 1.3% in real terms over the four years, with this cut based on the assumption that local council tax precepts are increased by at least 2% annually and that the council tax base nationally increases by 0.5% per annum.

The Chancellor was able to lessen the cuts falling on policing in the CSR 2015 as a result of a £27bn 'windfall' arising from a revised forecast by the Government's fiscal 'watchdog', the Office for Budget Responsibility (OBR). The improved forecast took account of changes to the way it measures VAT and national insurance receipts, coupled with lower borrowing costs and stronger tax receipts linked to economic growth. However, the Institute of Fiscal Studies (IFS), have stated that the Chancellor "needs his luck to hold out" for this windfall to be sustainable. When considered with the current risks to economic wellbeing arising from the EU Referendum, continuing turmoil in the Middle East and the slowing of the global economy (particularly evident in China and their recent suspension of trading on their stock markets), the Chancellor's ability to lessen the cuts falling upon Commissioners' budgets may well be questioned. If the windfall is not sustainable, a further CSR will be forthcoming in the short-term that may well reverse this decision.

Moving from the overall national funding available for policing to what is actually allocated to individual Commissioners, takes account of 'reallocations' (previously known as topslices), from Commissioner's budgets into other parts of policing within the Home Office (HO). In 2016/17, a number of reallocations are earmarked to fund additional schemes notably, counter terrorism, transformational funding to support efficiency and reform; increased capability for firearms, cyber-crime and child exploitation; and the Emergency Services Mobile Communications Programme. Each has an impact upon the amount of funding awarded to the Commissioner through the Police Funding Settlement and will impact over the medium term.

A risk identified in the Commissioner's future funding levels materialised in July 2015, with the Home Office announcing a fundamental review of the Police Funding Formula (the mechanism by which individual Commissioners are allocated Central Government police grant from the overall national 'pot'). It has been well publicised that the current formula is out-dated, overly complex, opaque and therefore in need of review. However following criticism on the consultation process, its timescales and the discovery of an error in the Home Office's exemplifications, a halt on proceedings was announced in November 2015. However, the effect of the Commissioner losing £6.0m of central government funding remains in his Medium Term Financial Plan (MTFP); although this position will be closely monitored throughout this Parliament.

In response to on-going austerity, Commissioners and Chief Constables nationally have taken resolute action to manage the required changes, while maintaining the balance between demands and resources. Resources have been utilised in innovative ways, and the seeds of transformation have been sown, but it will take time and a shared commitment across Government, public services and the wider private and charitable sectors. The focus will remain on cost reduction, efficiencies and service protection, although in some areas the consequences may be uncomfortable.

Commissioners inherited responsibilities (particularly in policing) already in transition, and there are many examples since 2012 of how they have applied their unique role to help establish crucial processes and relationships for the future. The remit of Commissioners is entirely pertinent to today's circumstances. They

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provide the community with a recognisable contact, independent of their Force and the Government. The 'and Crime' part of their title is acknowledgement that many of the current influences on law and order - and the consequences for victims - are beyond the control of the police service acting alone. Commissioners have the powers and the streamlined decision making processes to make things happen, not only through their Force but also in close collaboration with a wide range of partners in communities and other sectors.

As the impact of mental health, child sexual exploitation (CSE), cyber-crime, modern day slavery, serious organised crime groups, drug trafficking, human trafficking and terrorism have so vividly shown, demands are constantly changing. Over the next ten years, the world within which Police and Crime services operate will continue to be more globally and internet driven, which will bring further new risks. Public services such as the police must not fall behind. Anti-social behaviour, crime and community safety is the responsibility of everyone, from Government to individual members of society. Over the next five years, the nation must get to the real core of issues, investing in prevention and ensuring that the necessary skills are available. Many of today's problems have their origins in family life, early education and religious beliefs.

Timescales must be realistic. Massive improvements in productivity have been achieved, but it is not simply a case of running faster; productivity also means providing the services which users need. While further savings in running costs, procurement and ICT can be delivered over the next two years, the more fundamental reconfiguration of roles across sectors which is now required, will take at least five to ten years.

**Signed:**

**Nigel Stephens CPFA**  
**Assistant Chief Officer – Resources**  
**Date: 31<sup>st</sup> May 2016**

**Audit report of the Auditor General for Wales to the Chief Constable for Gwent**

This report will be included after the completion of the audit.

### Statement of Responsibilities

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

#### The Chief Constable's Responsibility

The Chief Constable 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. This officer is the Assistant Chief Officer – Resources; and
- (ii) Manage his affairs to secure economic, efficient and effective use of resources and to safeguard his assets; and
- (iii) Approve the Statement of Accounts.

I approve the draft Statement of Accounts for the financial year 2015/16.

**Signed:**

**Jeff Farrar QPM**  
**Chief Constable for Gwent**  
**Date: 31<sup>st</sup> May 2016**

#### The Assistant Chief Officer (Resources) - Responsibilities

The Assistant Chief Officer – Resources, is responsible for the preparation of the Chief Constable's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ("The Code of Practice"), is required to present a true and fair financial position of the Chief Constable at the accounting date and his income and expenditure for the year ended 31<sup>st</sup> March 2016.

In preparing the statement of accounts, the Assistant Chief Officer – Resources, 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 Assistant Chief Officer – Resources, 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 Chief Constable at 31<sup>st</sup> March 2016 and his income and expenditure for the period then ended.

**Signed:**

**Nigel Stephens CPFA**  
**Assistant Chief Officer - Resources**  
**Date: 31<sup>st</sup> May 2016**

### Chief Constable's Annual Governance Statement

#### INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The Chief Constable of Gwent is responsible for ensuring that the business of the force is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this responsibility, the Chief Constable is responsible for assuring proper arrangements for the governance of affairs and facilitating the exercise of functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. The financial management arrangements conform principally with the governance requirements of the 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*.

The Chief Constable has approved and adopted a Code of Corporate Governance (The Code). The Code gives clarity to the way the Chief Constable governs and sets out the frameworks that are in place to support the overall arrangements for fulfilling the Chief Constables functions. The Code forms part of the Chief Constables Manual of Corporate Governance (MOCG). The MOCG also comprises a Scheme of Consent and Delegation, financial regulations and standing orders relating to contracts.

This Annual Governance Statement (AGS) explains how the Chief Constable has complied with The Code. It also meets the requirements the Accounts and Audit (Wales) Regulations 2010 in relation to the publication of an AGS which must accompany the Statement of Accounts.

#### PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

The governance framework comprises the systems, processes, culture and values by which the Chief Constable is directed, controlled and monitored and the activities through which the Chief Constable accounts to and engages with the Police and Crime Commissioner for Gwent. The framework enables the Chief Constable to monitor the achievement of his Delivery 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 therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going review process designed to identify and prioritise the risks to the achievement of the Chief Constables policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage and mitigate them effectively, efficiently and economically. The findings of the review of the system of internal control are reviewed by the Chief Constable and independently reviewed by the Joint Audit Committee.

The key elements of the system and processes that comprise the Chief Constables governance arrangements are detailed in this AGS. The elements are based on the six core principles of Corporate Governance<sup>1</sup> from the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Governance Framework; the standard, against which all local government bodies, including the Chief Constable, should assess themselves. In addition, the Policing Protocol Order 2011 (PPO) requires the Chief Constable to adopt and abide by the seven Nolan Principles for conduct in public life. In addition, the Code of Ethics published by the College of Policing promote the principles of fairness and respect. The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of his governance framework, including the system of internal control. As part of the review process, the AGS is prepared, setting out how the Chief Constable has complied with The Code over the previous financial year and to the date that the statement of accounts are published. The review of the effectiveness of the system of internal governance and its operation is also informed by the work of the internal auditors (for 2015/16 this was TIAA), the external auditors (the Wales Audit Office (WAO)), other review agencies and inspectors, and senior managers within the Office of the Police and Crime Commissioner for Gwent (OPCC) and the Force who have responsibility for the development and maintenance of the internal control environment. The roles of the various bodies are detailed below:

#### a) Joint Audit Committee

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

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<sup>1</sup> These six core principles are taken from The Good Governance Standard for Public Services [2004] developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA (as adapted for local government purposes). *To assist in developing the approach to good governance CIPFA/SOLACE issued Delivering Good Governance in Local Government: Framework in 2007. The CIPFA/SOLACE Joint Working Group reviewed the Framework and issued a revised edition in 2012, which incorporates a new Addendum, The Addendum reflects Regulation 4(3) of the Accounts and Audit Regulations which requires all relevant bodies to prepare an AGS rather than a statement on internal control*

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Commissioner and the Chief Constable. The JAC plays an important role in the independent oversight of the Chief Constables governance arrangements.

This is consistent with the Financial Management Code of Practice, which states that such a combined body should consider the internal and external audit reports of both the Commissioner and the Chief Constable. The JAC advises the Commissioner and the Chief Constable according to good governance principles and provides:

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

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

The JAC is composed of five people who are independent of the OPCC and the Force. They report directly to the Commissioner and the Chief Constable. Four formal committee meetings are scheduled each year (additional formal meetings may be required). The agenda, reports and minutes of formal meetings are made available on the Commissioner's website. The JAC met 5 times during 2014/15.

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

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

The JAC has specific responsibility for providing an independent assurance function in respect of the arrangements for governance including risk management and the internal control environment. The work of the JAC over the period of the AGS contributes to the review process by providing evidence in support of the effectiveness of arrangements. A report of the work of the JAC is produced annually and submitted to the Strategy and Performance Board<sup>2</sup> (SPB) and the Police and Crime Panel<sup>3</sup> (PCP). The report assesses the effectiveness of the JAC against CIPFA guidance, and as a contribution to the effectiveness of overall governance arrangements. During the 2015/16 financial year two of the five JAC members resigned and have subsequently been replaced with new members that attended their first meeting in April 2016.

### **b) Ethics Committee**

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

The Scope of the Code of Ethics, however, extends beyond its statutory basis as a code of practice. The expectation of the professional body and the public is that every person working in policing will adopt the Code of Ethics. In order to embed this in Gwent, an Ethics Committee was established in April 2015 and met 4 times during 2015/16. The Terms of Reference and operating principles of the Ethics Committee are as follows:

- i. The overarching role for Committee members is to provide assurance, advice and comment upon other ethical issues, including governance and operational issues or any other issue surrounding ethics on which the Chief Constable would like their consideration.
- ii. The Committee will seek to provide assurance, advice and guidance, and make recommendation to the Chief Constable around decisions, policies and processes. The panel will operate with openness, honesty and integrity, adhering to the Nolan Principles and good governance principles.
- iii. The Committee will be appropriately observed by officers of both the OPCC and the Force, depending on the business to be conducted at each meeting.
- iv. Membership of the committee will be made up of existing Independent Advisory Group (IAG) members who have been working specifically in this area.
- v. The committee will meet quarterly or ad-hoc should the requirement arise.
- vi. All formal meeting agendas and papers will be posted on the OPCC and force website.

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<sup>2</sup> The SPB is the primary governance meeting at which the Commissioner scrutinises the performance of the Force.

<sup>3</sup> The PCP is the primary governance meeting at which the PCP Members scrutinise the performance of the Commissioner.

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- vii. There will be no limit to the number of Committee members, however when a recommendation is made, a quorum of at least three members will be required in order to maintain a representative view on ethics issues. There will normally be at least four committee members present whenever the committee formally meets.

Each committee member will serve for a period of 3 years, although membership will be reviewed at the end of every 12 month period by the Deputy Chief Constable and the Chief of Staff of the OPCC. At this stage the committee member can have their tenure extended for a further 12 months or be de-selected. Members will be suitably trained to fulfil their role and fully supported by on-going development.

### **c) Internal Audit**

Regulation 6 of the Accounts and Audit (Wales) Regulations 2005 makes provision in respect of the internal audit system that should be maintained in accordance with proper internal audit practices. The responsibility for the maintenance of an efficient internal audit function rests with the Commissioner and Chief Constable. The role and standards of Internal Audit are defined in the Public Sector Internal Audit Standards (PSIAS) and the Application Note on the PSIAS issued by CIPFA for local government bodies. The PSIAS require Internal Audit to provide essential assurance on the adequacy and effectiveness of systems of internal control. They also provide assurance in relation to the management of financial and operational business risks, corporate governance and the entire control framework. The effectiveness of Internal Audit is assessed annually against Public Sector Internal Audit Standards and the Internal Audit Charter, to support a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control. The effectiveness of the internal auditors is assessed by the Assistant Chief Officer – Resources as part of the contract management arrangements.

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

For 2015/16 new internal auditors were appointed following a tender exercise and this is TIAA. The audit work for the year is founded on a risk based approach and focuses on significant financial and operational risks. The annual Internal Audit plan is agreed by the Chief Finance Officers of both corporations' sole and is presented to the JAC for approval. Reports on the adequacy of controls in the systems audited are presented to the JAC.

Internal Audit provide regular update reports to the JAC on the progressing of their annual Internal Audit plan, including setting out any areas of concern.

Internal Audit will deliver an annual opinion on the effectiveness of the controls reviewed by the Internal Audit team. This annual opinion, set out in the annual report of the Internal Auditor, provides one of the key sources of evidence in support of this AGS.

The review of both the corporate governance and risk management arrangements periodically feature in the annual Internal Audit plan. Corporate governance and risk management issues may 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 annual Internal 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 Internal Audit annual report for 2015/16 concludes that adequate and effective management, control and governance processes exist to manage the achievement of the objectives.

There were 19 internal audits completed in 2015/16 with the following assurance assessments

#### Substantial Assurance - 4

Treasury Management;  
Payroll;  
Capital Programme; and  
Commissioning Strategy and Connect Gwent Implementation.

#### Reasonable Assurance - 12

Governance - Collaborations;  
People Services – Training and Development;  
Risk Management – Mitigating Controls;  
Collaborative Projects;  
Risk Management – Business Continuity;  
Counter Fraud – Procurement;  
Budgetary Control;  
Contract Management;  
Duty Resource Management;

## Annual Governance Statement

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General Ledger;  
Creditors; and  
Debtors.

### Limited Assurance - 3

ICT Network Security;  
Local Policing East; and  
Local Policing West.

### No Assurance - 0

#### **d) External Audit**

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

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

Such external audit plans and reports, including the Annual Audit Letter, are considered by the JAC at appropriate times in its annual cycle of meetings.

Both the Commissioner and the Chief Constable have a duty to respond to reports by the External Auditor.

#### **e) Annual Governance Statement**

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

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

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

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

The role of HMIC is to promote the economy, efficiency and effectiveness of policing in England, Wales and Northern Ireland through inspection of police organisations and functions; to ensure agreed standards are achieved and maintained, good practice is spread and performance is improved. It also provides advice and support to the tripartite partners (Home Secretary, Commissioners and Chief Constables).

Gwent Police is inspected periodically by HMIC. HMIC is independent of the Commissioner, the Force and the UK and Welsh Governments, with a remit to assess the work of police forces in different areas of business, including neighbourhood policing, serious and organised crime, anti-social behaviour and tackling major threats such as terrorism. The Inspectorate also actively monitors the performance of the Force in relation to their plans for ensuring the sustainability of an efficient and effective police service in light of the significant grant reductions announced in the Comprehensive Spending Reviews. HMIC reports are published on the following website:

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

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

Commissioners have a duty in law to comment on any HMIC report which includes information on their force and to publish these along with any comments submitted by the Chief Constable. Commissioners must also send a copy of their published comments to the Home Secretary. Further details on the work carried out in the year by HMIC are set out below.

## Annual Governance Statement

Title	Publication Date	Rating
PEEL Efficiency Report	October 2015	Good
Witness for the prosecution: Identifying victim and witness vulnerability in criminal case files	November 2015	No Rating Reported
PEEL Police Effectiveness 2015 (Vulnerability)	December 2015	Good
PEEL Legitimacy Report	February 2016	Good
PEEL Effectiveness Report	February 2015	No Rating Reported

### CORE PRINCIPLES AND THEIR APPLICATION

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

CORE PRINCIPLES OF CORPORATE GOVERNANCE		
<u>Standard:</u>	<u>What we did:</u>	<u>Plan for 2015/16 :</u>
<p>1. Focusing upon the purpose of the Commissioner and the Chief Constable, and on outcomes for local people, and creating a vision for the local area.</p>	<p>The Commissioner has issued a Police and Crime Plan (The Plan) for one year beyond his term of office, and this outlines the police and crime priorities:</p> <ul style="list-style-type: none"> <li>▪ Deliver the best quality of service to the public;</li> <li>▪ Prevent and reduce crime;</li> <li>▪ Take more effective action to reduce anti-social behaviour;</li> <li>▪ Protect people from serious harm; and</li> <li>▪ To make the best use of resources and provide value for money.</li> </ul> <p>The Commissioner and the Chief Constable both have regard to The Plan.</p> <p>Upon taking his oath of office, the Commissioner pledged to:</p> <ul style="list-style-type: none"> <li>▪ Be the voice of the people of Gwent;</li> <li>▪ Work with elected politicians but for the people of Gwent; and</li> <li>▪ Ensure Gwent Police is a professional organisation that the communities of Gwent respect and take pride in.</li> </ul> <p>As the Police and Crime Commissioner for Gwent, his vision is to “To reduce crime, support victims and make Gwent a safer place.”</p> <p>His mission statement confirms that he “will communicate openly with the community, especially victims of crime and Anti-Social Behaviour (ASB) and use the findings to provide a police service which is efficient and effective and which meets the needs of the people of Gwent.”</p> <p>It is recognised that policing plays a key role in the lives of people who live, work and visit our area. The Chief Constable’s complementary mission is to “protect and reassure” the people who live and work in Gwent. He has enabled his employees to do this to the best of their ability by ensuring that they meet The Plan priorities.</p> <p>During the course of 2015/16, the SPB received reports from the Chief Constable covering a range of areas of performance including crime levels,</p>	<p>The Commissioner will publish an Annual Report that sets out progress on The Plan and this will be presented for consultation to the PCP. Any subsequent recommendations will be taken into account in the Plan.</p> <p>The Plan is developed to incorporate the work of the force in delivering the outcomes.</p>

<b>CORE PRINCIPLES OF CORPORATE GOVERNANCE</b>		
	<p>public complaints, finance, victims' satisfaction and public confidence. These reports enabled the Commissioner to hold the Chief Constable to account for the delivery of the priorities set out in The Plan and Force performance in general. They also helped inform the amendment of those priorities in The Plan to reflect changing local requirements and other emerging trends.</p> <p>The Commissioner and the Chief Constable have considered the views and priorities of the communities and The Plan's priorities have been revised using an outcome-based approach to ensure they meet local, regional and national needs.</p> <p>In 2015/16, community engagement activities included:</p> <ul style="list-style-type: none"> <li>▪ Improving local delivery of services to victims</li> <li>▪ Raising emerging crime trends with local businesses;</li> <li>▪ Police and crime priorities survey;</li> <li>▪ Precept survey;</li> <li>▪ Strategic Equality Plan;</li> <li>▪ Public surgeries and walkabouts;</li> <li>▪ Public meetings;</li> <li>▪ Youth Forum activity;</li> <li>▪ Partnership planning and engagement meetings</li> <li>▪ Local and Community Council seminar;</li> <li>▪ Local AMs and MP meetings;</li> <li>▪ Social and other media; and</li> <li>▪ Project specific consultation e.g. Stop and Search</li> </ul> <p>The Chief Constable prepared his annual Force Delivery Plan which supported the delivery of The Plan.</p> <p>A Medium Term Financial Plan (MTFP) was jointly developed and thereafter reviewed quarterly by the JAC, SPB and PCP to support delivery of these plans.</p> <p>Collaboration agreements are in place to govern those areas of business undertaken jointly with other Forces, Commissioners and other partners.</p> <p>The All Wales Policing Group (represented by the four Welsh Commissioners and Chief Constables) had oversight of the work of the Southern Wales Collaboration Board (represented by the three Southern Wales forces). This Collaboration Board, (as well as developing and implementing strategic policing capabilities with North Wales in support of the Strategic Policing Requirement and the Wales Extremist Counter Terrorism Unit), also aims to increase efficiency and effectiveness through collaboration, whilst also ensuring that suitable administrative, management and governance arrangements are in place to support the same.</p>	<p>Engagement Programme outline activity report for 2016/17 has been provided to the OPCC Executive Board in May 2015, in line with The Plan's production programme agreed via the Strategic Planning Group.</p> <p>Monitoring will continue locally with quarterly reports to the SPB, and quarterly to the All Wales Policing Group in accordance with the Memorandum of Agreement.</p>
2. Working together to achieve a	The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011	Undertake the annual review of the MOCG so it remains fit for purpose post-election.

<b>CORE PRINCIPLES OF CORPORATE GOVERNANCE</b>		
<p>common purpose with clearly defined functions and roles.</p>	<p>(PRSRA) and the PPO. The PRSRA and the PPO also set out the function and roles of statutory officers, namely the Monitoring Officer and the Chief Finance Officer.</p> <p>The functions and roles set out in legislation and guidance are codified in the Commissioner's Scheme of Consent and Delegation (which both form part of the MOCG). The MOCG was initially approved in November 2012; revised during 2014/15 to primarily take into account the impact of the stage 2 staff transfer scheme and also revised during 2015/16 to reflect:</p> <ul style="list-style-type: none"> <li>▪ The disestablishment of the Chief Executive and Head of Corporate Governance posts within the OPCC and the creation of the Chief of Staff post; and</li> <li>▪ The Public Contracts Regulations 2015 which implemented the 2014 EU Public Sector Procurement Directive.</li> </ul> <p>The MOCG has been developed in accordance with The Code to enable effective accountability and to govern the relationship between the Commissioner and the Chief Constable.</p> <p>There is a decision making framework incorporated within the MoCG which ensures that, where possible, all the Commissioner's decisions are published and available for public scrutiny.</p> <p>The Principles of Relationships agreed by the Commissioner and the Chief Constable emphasise that the relationship between the two corporations sole will be built on trust, confidence and transparency.</p> <p>The SPB chaired by the Commissioner, (and attended by his Deputy Commissioner, Chief of Staff, Chief Finance Officer and Senior Management Team) holds the Chief Constable to account in securing the maintenance of an efficient and effective police service for Gwent. The terms of reference for SPB are incorporated within the MOCG. SPB met 6 times during the financial year. The Commissioner held the Chief Constable to account on delivering the Commissioner's priorities effectively and efficiently, through scrutiny of quarterly financial and performance reports from the Chief Constable and subject matter reports on specific areas of interest or concern. The work of SPB, and the role of the Commissioner in holding the Chief Constable to account, was supported and informed by on-going work undertaken by officers of the Commissioner (both with colleagues from the Force and external stakeholders such as the Home Office and the Welsh Government).</p> <p>SPB is supplemented by regular one to one meetings and reflects the commitment from both the Commissioner and the Chief Constable to the principles of openness, transparency and accountability in decision-making.</p> <p>The SPB meetings continue to facilitate a</p>	<p>Continuing review of the effectiveness of SPB.</p>

<b>CORE PRINCIPLES OF CORPORATE GOVERNANCE</b>		
	<p>successful and constructive working relationship between the Commissioner and the Chief Constable at a strategic level, leading to the effective delivery of The Plan. The meetings have also provided the Commissioner with a means of continuously monitoring and scrutinising whether the force is efficient and effective. SPB compliments a host of other meetings comprising officers of the OPCC and Force, to ensure a comprehensive monitoring regime.</p> <p>The Chief Constable, in turn, holds his Chief Officers to account for their performance in the formal monthly Chief Officer Team (COT) meetings.</p> <p>During 2015/16 the Commissioner continued secondment agreements in partnership with the Community Rehabilitation Company and Newport City Council to facilitate joint work on a Gwent-wide strategy and policy on commissioning, with particular emphasis on victim services and community safety.</p>	
<p>3. Promoting the values for the Police and Crime Commissioner and Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</p>	<p>The Commissioner and Chief Constable strive to treat each other fairly, with dignity and with respect, and this is reflected in their agreed Decision Making and Accountability Framework within the MoCG.</p> <p>Furthermore, the values of being 'Trusted, Fair, Professional, Responsive and Caring' are guiding principles for all staff and officers in discharging their duties to the public.</p> <p>The Commissioner is responsible for handling any complaints and conduct matters in relation to the Chief Constable, monitoring complaints against his staff, and monitoring the way in which Gwent Police complies with the requirements of the Independent Police Complaints Commission. The Chief Constable manages all complaints against the Force, its officers and staff and ensures that the Commissioner is kept informed.</p> <p>Serious complaints and matters to do with conduct are referred to the Independent Police Complaints Commission in line with the requirements of legislation.</p> <p>The Police Staff Council has adopted standards of professional behaviour that reflect relevant principles enshrined in the European Convention on Human Rights and the Council of Europe Code of Police Ethics. During 2015/16, the OPCC and Force continued to embed the College of Policing's Code of Ethics and in April 2015 the Force's Ethics Committee was established.</p> <p>As set out above, the PPO requires both the Commissioner and the Chief Constable to abide by the seven Nolan Principles, which are now extended to include Fairness and Respect. It also highlights the expectation that the relationship between all parties will be based upon the principles of goodwill, professionalism, openness</p>	<p>Undertake the annual review of the MOCG so it remains fit for purpose.</p> <p>Implementing a 'Public Service Bureau' to deal with low level complaints regarding standards of service to the public.</p>

<b>CORE PRINCIPLES OF CORPORATE GOVERNANCE</b>		
	<p>and trust and this is reflected in the Principles of Relationship document agreed by the Commissioner and the Chief Constable which forms part of the MoCG.</p>	
<p>4. Taking informed and transparent decisions, which are subject to scrutiny and managing risk.</p>	<p>All decision making operates within the specific legislative and regulatory frameworks that confer on the Commissioner duties, powers and responsibility. The regulatory framework is implemented through the Commissioner's decision-making policy and process that adheres to the Good Governance Standards for Public Services.</p> <p>The JAC has conducted 5 meetings during the course of the year. The Committee has undertaken a significant amount of work to review and make recommendations in respect of the arrangements for governance and management of risk, including a number of 'deep dive' sessions in addition to their formal meetings on such things as:</p> <ul style="list-style-type: none"> <li>▪ Budget Setting Process;</li> <li>▪ Reserve Strategy;</li> <li>▪ Annual Accounts;</li> <li>▪ Commissioning Strategy; and</li> <li>▪ Collaboration.</li> </ul> <p>The work of the Committee is summarised in its annual report, which has been approved by the Committee at its meeting on 10<sup>th</sup> June 2015.</p> <p>The Commissioner holds the Chief Constable to account for the maintenance of an efficient and effective force. The Commissioner ensures that information relating to decisions is made readily available to local people via his website.</p> <p>Risk is a standing agenda item on all strategic meetings within the Force and all decision making meetings of the Commissioner. The Joint Risk Management Strategy of the Commissioner and the Chief Constable establishes how risk is embedded throughout the various elements of corporate governance of the corporation(s) sole.</p> <p>The Chief Finance Officer for the Commissioner also advises the Commissioner, in consultation with the Chief Executive, on the safeguarding of assets, risk management and insurance. He will ensure that in relation to any strategic business decisions of the Commissioner, consideration is given to the immediate and longer term implications, opportunities and risks<sup>4</sup></p> <p>The Assistant Chief Officer – Resources advises the Chief Constable on financial governance, the Deputy Chief Constable on Corporate governance and the Assistant Chief Constable on Operational governance.</p> <p>Strategic risks are identified and recorded on a</p>	

<sup>4</sup> This is set out in paragraph 4.1 of the 2012 Financial Management Code of Practice for the Police Service of England and Wales.

<b>CORE PRINCIPLES OF CORPORATE GOVERNANCE</b>		
	<p>Joint Strategic Risk Register. These are then scored for likelihood and impact and allocated both a strategic and operational risk owner for mitigation and monitoring. Mitigation and monitoring of strategic risk is assured through the Force's Business Tasking and Co-ordination Group (BTCG). Various projects also hold individual risk registers.</p> <p>Part of the approach to risk management involves the purchasing of insurance cover to protect assets and liabilities where it is either required or cost effective to do so. The OPCC and Force are proactive in self-insuring some elements of the overall insurance package. The Commissioner maintains an insurance provision which is reviewed annually to help meet claims.</p> <p>The Internal Audit plan for 2015/16 was approved by the JAC on the 10<sup>th</sup> June 2015.</p> <p>During 2015/16 Deloitte carried out a total of xx audits, covering core financial systems, business and operational systems and governance processes. The internal audit annual report for 2016/17 concluded that the Commissioner's frameworks for governance, risk and internal control are reasonable and that audit testing has confirmed that controls of the core systems are generally working effectively in practice.</p> <p>As specified above, Gwent Police is inspected periodically by HMIC. Their reports during 2015/16 supported the monitoring and development of many Force priorities.</p> <p>Improvement plans have been developed to address areas that require strengthening and these are reviewed by Chief Officers on a monthly basis.</p> <p>HMIC also produced a suite of Value for Money indicators to challenge areas of exceptional spend in comparison with the most similar forces. The results of the benchmarks are incorporated within the Force's change programme (Staying Ahead).</p> <p>The Welsh Government, Home Office and a number of other bodies require financial returns to monitor expenditure on revenue and capital. Strict terms and conditions are in place to govern additional external funding received from these bodies.</p>	<p>Informed the Internal Audit Plan.</p>
<p>5. Developing the capacity and capability of all to be effective in their roles.</p>	<p>During 2015/16 the Chief Constable has received National Police Council (NPCC) briefings, in addition to a number of investigative and review reports and updated guidance from a range of national bodies and organisations. These include HMIC inspection reports and WAO reviews.</p> <p>The Assistant Chief Officer - Resources continues to receive support from and attends bi-monthly meetings of the National Finance Directors meetings.</p> <p>The Force operates a Personal Development</p>	<p>Development of the PDR process, to</p>

## Annual Governance Statement

<b>CORE PRINCIPLES OF CORPORATE GOVERNANCE</b>		
	<p>Review (PDR) process for staff. The PDR system provides a robust, evidential process for the active management of staff performance. The system also identifies where individuals may need role specific training to enable them to carry out their duties and/or where general personal development is required. Following the receipt of training or a development activity, the relevant staff member completes a Training Assessment Form to establish the direct benefit of the training/development.</p>	<p>ensure staff, are suitably equipped to support any continuing or new governance arrangements.</p>
<p>6. Engaging with local people and other stakeholders to ensure robust public accountability.</p>	<p>The force engages through the following engagement events:</p> <ul style="list-style-type: none"> <li>▪ Public meetings;</li> <li>▪ Youth Forum activity;</li> <li>▪ Partnership planning and engagement meetings;</li> <li>▪ Local and Community Council seminar;</li> <li>▪ Local AMs and MP meetings;</li> <li>▪ Social and other media; and</li> </ul> <p>The Chief Constable operates CARES which addresses how officer and staff should deal with the public and liaise with victims of crime.</p> <p>In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 &amp; 2012 (2011 Order) and the guidance provided by the Information Commissioner, a range of information has been made publically available through the Force website over the course of the year. This has included agenda and reports for the SPB meetings and the JAC, Freedom of Information disclosure logs, financial information and strategies. The Commissioner's SPB meetings have also been opened to attendance by the press and public and promoted via social media, resulting in the decision making process becoming more open and transparent.</p>	

<b>NOLAN PRINCIPLES</b>		
<b>Principle:</b>	<b>What we do:</b>	<b>Plan for 2016/17 :</b>
<p>1. Selflessness:</p> <p>Decisions will be taken solely in terms of the public interest, and not for personal financial or other gain, whether for such person, their family or friends.</p>	<p>Compliance with the 2011 (Amended) Order which requires the publication of information in relation to various matters including:</p> <ul style="list-style-type: none"> <li>▪ The names of the Chief Officer Team;</li> <li>▪ Correspondence address for each;</li> <li>▪ Salaries, expenses, register of interests;</li> <li>▪ The number of complaints about them which are dealt with by the PCP; and</li> <li>▪ Specific reference to notifiable interests,</li> </ul> <p>▪ Publication of key decisions on website</p> <p>Senior officers' salaries and expenses are disclosed in Statement of Accounts.</p>	<p>Monitoring any changes to the 2011 and 2012 Orders and continuously seeking to ensure all relevant information is captured and disclosed as required. On-going through 2016/17.</p>
<p>2. Integrity:</p> <p>The Chief Constable and staff will not place themselves under any financial or other obligation to outside individuals or</p>	<p>Compliance with the MoCG.</p> <p>Ensuring that the register of gifts and hospitality is updated as and when offers are received.</p> <p>Ensuring related party's disclosure in the Statement of Accounts.</p>	<p>Continuously reinforce the procedures set out in the MoCG to ensure understanding and compliance. On-going to 31<sup>st</sup> March, 2017.</p>

## Annual Governance Statement

<b>NOLAN PRINCIPLES</b>		
organisations that may seek to influence them in the performance of their official duties.	The Chief Officers and all staff of the OPCC have agreed to abide by the College of Policing's Code of Ethics.  Disclosure of business interests.	
3. Objectivity:  In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Chief Constable and staff will make choices on merit.	Appointments made during the year were made on merit in compliance with section 7 of the Local Government and Housing Act 1989.  The MoCG (including the Financial Regulations and the Standing Orders Relating to Contracts) expressly provide for the competitive processes to be applied in relation to contracts. Such processes are transparent and auditable with full use being made of the 'etenderwales' and 'SelltoWales' systems. Contract documentation is also published on the Blue Light Police Database, which is a national system accessible by the public. Contracts are also published in accordance with the requirements of the 2011 Order (as amended).	Further appointments are anticipated and these will be made in compliance with the relevant statutory provisions.
4. Accountability:  The Chief Constable and staff will be accountable for their decisions and actions to the public and will submit themselves to whatever scrutiny is appropriate to their office.	The Commissioner provides decision logs on public website in compliance with the 2011 Order and with the requirements of Section 11 of the PRSRA.  The Chief Constable is held to account and scrutinised by the Commissioner.  Statement of Accounts produced annually and subject to audit by WAO. <ul style="list-style-type: none"> <li>▪ WAO report by exception on the AGS; and</li> <li>▪ WAO assess the arrangements for securing economy, efficiency and effectiveness in the use of resources.</li> </ul> The Commissioner and Chief Constable jointly commission an Internal Audit service and have agreed the audit plan.  A JAC has been appointed by the Commissioner and the Chief Constable which meets quarterly and this operates in line with guidance from CIPFA and the Financial Management Code of Practice.	Maintain good practice.
5. Openness:  The Chief Constable and staff will be as open as possible about all decisions and action they take. Reasons will be made available and information only restricted when so required by the wider public interest.	The Chiefs decisions are recorded on an internal register and are subject to the Publication Scheme.	Maintain good practice.
6. Honesty:  The Chief Constable and staff will have a duty to declare any private interests relating to public	Register is maintained of the Chief Constable and staff disclosable interests in accordance with Schedule 1 of the 2011 Order.  All staff comply with the Business Interest Policy and as such disclose all business interests.	Annual reminders will be sent out in case personal circumstances have changed in respect of the disclosable interests.

## Annual Governance Statement

<b>NOLAN PRINCIPLES</b>		
duties and to take steps to resolve any conflicts arising in a way that protects the public interest.		
<p>7. Leadership:</p> <p>The Chief Constable and staff will promote and support these principles through leadership and by example.</p>	<p>Adoption of Nolan Principles in The Code.</p> <p>Adherence to the College of Policing's Code of Ethics which has been publically adopted including the principles of Fairness and Respect.</p> <p>Monthly meetings of the Chief Officer Team.</p> <p>Regular PDR Reviews.</p> <p>Weekly meetings between the Commissioner and Chief Constable.</p> <p>Regular meetings between the Chief Constable and the Chief Officers.</p>	<p>Annual review of the MOCG.</p>

### **SIGNIFICANT GOVERNANCE ISSUES**

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

- **Funding:** The challenge presented by continued austerity on our ability to maintain and improve services unless we can realise the benefits of improved productivity through better use of technology, smarter ways of working and collaboration with partners. FIRMS remain a key improvement project. There are also governance challenges presented as a consequence of the work of Staying Ahead 8 in 2015/16 (and the consequential re-structuring of key functions within the force).
- **Funding Formula Review.**
- **Ensuring we meet the governance requirements of significant external grants, such as the Innovation Fund and Ministry of Justice Victims' Grant.**
- **Partners:** The challenges presented by the changes in the future of Welsh local government which 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.
- **Collaboration:** 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) and nationally (e.g. National Police Air Service and the ICT Company).
- **The management of any implications for the police service that may arise from the A19 legal process (for which the judgement is due in 2016/17) and in respect of the current pension challenges.**
- **Political:** Management of any changes required as a result of the election of a new Commissioner for Gwent in May 2016.
- **Introduction of the new Welsh Language Standards in 2016.**

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

**Signed:**

**Jeff Farrar QPM**  
**Chief Constable for Gwent**  
**Date: 31<sup>st</sup> May 2016**

**Nigel Stephens CPFA**  
**Assistant Chief Officer - Resources**  
**Date: 31<sup>st</sup> May 2016**

## Comprehensive Income and Expenditure Statement (CIES) for the Chief Constable for 2015/16

This statement reflects the resources of the PCC that were consumed by the Chief Constable during 2015/16. In practice all respective costs are paid for by the PCC and the CIES includes an Intra Group adjustment to reflect this. This results in an overall nil cost for the CIES on Police Services.

2014/15			Note	2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
59,789	-	59,789	Local Policing	66,083	-	66,083
10,700	-	10,700	Dealing with the Public	10,864	-	10,864
10,483	-	10,483	Criminal Justice Arrangements	9,771	-	9,771
5,720	-	5,720	Roads Policing	792	-	792
10,215	-	10,215	Operations Support	7,934	-	7,934
9,008	-	9,008	Intelligence	3,052	-	3,052
23,108	-	23,108	Investigation	24,158	-	24,158
4,946	-	4,946	Investigative Support	4,162	-	4,162
29,486	-	29,486	National Policing	3,300	-	3,300
-	-	-	- National Police Services undertaken locally	-	-	-
-	-	-	- Exceptional costs of Legal Settlements	-	-	-
-	-	-	- Corporate and Democratic Core	-	-	-
-	-	-	- Non-Distributed Costs	-	-	-
-	-	-	- Intra Group Transfers	-	-	-
<b>163,455</b>	<b>-</b>	<b>163,455</b>	<b>Cost of Services</b>	<b>130,116</b>	<b>-</b>	<b>130,116</b>
-	-	-	- Other Operating Expenditure	-	-	-
48,408	-	48,408	Financing, Investment Income & Expenditure	42,368	-	42,368
-	-	-	- (Surplus)/Deficit on discontinued operations	-	-	-
-	-	-	- Taxation and non-specific grant income	-	-	-
(211,863)	-	(211,863)	Intra group transfers	(172,484)	-	(172,484)
-	-	-	(Surplus)/Deficit on Provision of Services	-	-	-
-	-	-	(Surplus)/Deficit on the revaluation of non-current assets	-	-	-
-	-	-	(Surplus)/Deficit on the revaluation of Available for Sale financial assets	-	-	-
-	-	138,499	Actuarial (gains) / losses on pension assets / liabilities	-	-	(127,777)
-	-	(138,499)	Intra group transfers	-	-	127,777
-	-	-	- Other Comprehensive Income and Expenditure	-	-	-
-	-	-	- Total Comprehensive Income and Expenditure	-	-	-

## Balance Sheet of the Chief Constable

The balance sheet of the Chief Constable has a net worth of nil. This is because all reserves are owned by the PCC. Therefore any assets and liabilities within the Chief Constable's balance sheet are offset by an Intra Group adjustment into the Statement of Accounts of the PCC. The Net Pensions liability is offset by a corresponding debtor, which reflects that pension liabilities are funded by the PCC.

31 March 2015 £000		Note	31 March 2016 £000
Restated			
	- Property, Plant & Equipment		-
	- Intangible Assets		-
	- Assets Held For Sale		-
1,285,726	Long Term Debtors	11, 17	<b>1,193,967</b>
<b>1,285,726</b>	<b>Total Long Term Assets</b>		<b>1,193,967</b>
	- Short Term Investments		-
507	Inventories	9	<b>408</b>
	- Short Term Debtors		-
	- Cash & Cash Equivalents		-
12,801	Intra Group Adjustment	8	<b>12,687</b>
<b>13,308</b>	<b>Total Current Assets</b>		<b>13,095</b>
	- Short Term Borrowing		-
<b>(13,308)</b>	Short Term Creditors	10	<b>(13,095)</b>
	- Short Term Provisions		-
	- Receipts in Advance		-
<b>(13,308)</b>	<b>Total Current Liabilities</b>		<b>(13,095)</b>
	- Long Term Creditors		-
	- Long Term Borrowing		-
<b>(1,285,726)</b>	Net Pension Liability	11, 17	<b>(1,193,967)</b>
	- Finance Lease Liability		-
<b>(1,285,726)</b>	<b>Total Long Term Liabilities</b>		<b>(1,193,967)</b>
	- <b>Net Assets/Liabilities</b>		<b>-</b>
	Financed by:		
	- Useable Reserves		-
	- Unusable Reserves		-
	- <b>Total Reserves</b>		<b>-</b>

## Police Pensions Account

The Police Pension Fund Account at the 31<sup>st</sup> March 2016 is detailed below.

2014/15 £000		2015/16 £000
	<b>Contributions Receivable:</b>	
(11,460)	Employer Contributions	(10,528)
(1,352)	Injury Pensions including Gratuities Paid	(1,463)
(771)	Early Retirements (Capital Equivalent Charges)	(1,149)
(82)	Transfers in from other Schemes	(62)
(6,575)	Members Contributions	(6,007)
<b>(20,240)</b>	<b>Net Income</b>	<b>(19,209)</b>
	<b>Benefits Payable:</b>	
25,394	Pensions Paid	27,069
13,075	Lump Sum Benefits	8,021
148	Lump Sum Death Benefits	-
778	Transfers out to other Schemes	245
<b>39,395</b>	<b>Net Expenditure</b>	<b>35,335</b>
<b>19,155</b>	<b>Net Amount Payable for the Year</b>	<b>16,126</b>
(19,155)	Additional Contribution from the Police & Crime Commissioner	(16,126)
-	<b>(Surplus)/Deficit on Fund</b>	-

The Police Pension Fund Account Net Assets at the 31<sup>st</sup> March 2016 are:

31 March 2015 £000		31 March 2016 £000
	<b>Current Assets:</b>	
1,901	Prepaid Pension Benefits	1,999
10,319	Funding to meet deficit due from Police & Crime Commissioner/Home Office	7,626
-	Recovery of Pension Benefits	-
	<b>Current Liabilities:</b>	
(3,480)	Provision for Backdated Lump Sums	-
(8,403)	Overdrawn Pension Cash Position	(9,625)
(337)	Unpaid Pension Benefits	-
-	<b>Total</b>	-

### Notes to the Police Pension Fund Account

1. The accounting policies followed and assumptions made regarding the Police Pensions Account are in line with those set out in Note 1, Accounting Policies.
2. The Police Pension Scheme is administered by Capita Plc. under contract.
3. There are no investment assets of 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).
4. The Pension Fund's financial statements do not take account of future pension obligations after the 31<sup>st</sup> March 2016. However these are presented on the Balance Sheet under Net Pension Liability with detailed disclosures in Note 40, Defined Benefit Pension Schemes.

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

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### Notes to the Financial Statements of the Chief Constable

This set of notes represents the consolidated notes for the Statement of Accounts for 2015/16.

#### 1. Accounting Policies

##### 1.1 General Principles

The Statement of Accounts summarises the Chief Constables transactions for the 2015/16 financial year and its position at the year-end of 31<sup>st</sup> March 2016. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the UK 2015/16 and the CIPFA Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

##### 1.2 Accruals of Income and Expenditure

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

- (i) Revenue from the sale of goods is recognised when the Chief Constable 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 Chief Constable.
- (ii) Revenue from the provision of services is recognised when the Chief Constable 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 Chief Constable.
- (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.

##### 1.3 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 Chief Constable. An accrual is made for the cost of holiday entitlements (or any form of leave, rest day carry over 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 Cost of Services and the liability is recorded in the Police and Crime Commissioner's and Police and Crime Commissioner Group's balance sheet.

###### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Chief Constable 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 Chief Constable is demonstrably committed to the termination of the employment of an employee or group of employee's, or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective service line in the CIES.

###### **Post-employment Benefits**

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

The Chief Constable 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 Council, or for related parties.

## Notes to the Financial Statements

---

Statute dictates that the Chief Constable's Statement of Accounts cannot contain Reserves. The pension liability and Pension Reserve is therefore shown in the Statement of Accounts for the Police and Crime Commissioner and the Police and Crime Commissioner Group.

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

### **Discretionary Benefits**

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

### **Injury Benefits**

The Chief Constable 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 the Comprehensive Income and Expenditure Account and are a charge against the Police Fund balance

### **1.4 Inventories and Long Term Contracts**

The Chief Constable maintains stocks of uniforms, protective clothing, body armour, diesel, vehicle parts, printing consumables, custody items, stationery, computer equipment, promotional goods and firearms ammunition. The value of these stocks 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.

### **1.5 Service Expenditure Analysis and Overheads**

In line with Service Reporting Code of Practice (SerCOP) the Net Cost of Police Services including support services are fully allocated to CIPFA's mandatory categories of policing activities. The divisions of services and the activities which fall within these headings are listed below:

#### **The SerCOP divisions of service**

##### **Local Policing**

- Incident (response) Management
- Community Liaison
- Local Command Team

##### **Intelligence**

- Central Intelligence Command Team
- Intelligence/Threat Assessment
- Covert Policing

##### **Dealing with the Public**

- Local Call Centres/Front Desk
- Central Communications Unit
- Contact Management Units

##### **Investigation**

- Crime Support Command Team
- Major Investigation Unit
- Economic Crime
- Specialist Investigation
- Public Protection
- Local Investigation/Prisoner Handling

##### **Criminal Justice Arrangements**

- Custody
- Criminal Justice Arrangements
- Police National Computer (PNC)
- Civil Disclosure/Data Barring Service
- Coroner Assistance
- Fixed Penalty Scheme (Central Ticket Office)
- Property Officer/Stores

##### **Investigative Support**

- Scenes of Crime Officers
- External Forensic Costs
- Fingerprint/Internal Forensic Costs
- Photographic Image Recovery
- Other Forensic Services

##### **Roads Policing**

- Traffic Units
- Casualty Reduction Partnership
- Vehicle Recovery

##### **National Policing**

- Secondments (out of Force)
- Counter-terrorism/Special Branch
- ACPO Projects/Initiatives
- Hosting National Services

### **Operations Support**

- Central Operations Command Team
- Air Operations
- Mounted Police
- Underwater/Search/Marine Support
- Dogs Section
- Level 1 Advanced Public Order
- Airport and Ports Policing Unit
- Firearms Unit
- Civil Contingencies

- Other National Policing Requirements

Support service costs identified as Corporate and Democratic Core costs (costs of delivering public accountability and representation in policy-making and meeting the Commissioner's statutory reporting obligations) and Non Distributable Costs (the cost of discretionary benefits awarded to employee's retiring early) are not charged to services but are shown separately in the CIES.

The cost of Policing Services is contained within the Intra-Group transfer within the CIES. The analysis of costs against the above functions is shown in the CIES of the Chief Constable.

### **1.6 Leases**

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

### **1.7 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 Chief Constable'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.

### **1.8 Value Added Tax (VAT)**

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

### **1.9 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;
- (ii) Those that are indicative of conditions that arose after the end of the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Chief Constable 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.

Currently there are no accounting changes not yet adopted that will impact the accounts. There are a number of minor amendments to International Financial Reporting Standards including amendments to IAS 19 – Presentation of Financial Statements (disclosure initiative) and IAS 16 and 18 – Property, Plant and Equipment and Intangible Assets, but these are all disclosure changes and will not have any material impact on the accounts.

### 3. Critical judgments in applying accounting policies

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

### 4. Assumptions made about the future and other sources of estimation uncertainty

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 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 £13m 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 £24.7m.</p> <p>However, the assumptions interact in complex and sensitive ways. During 2015/16, GAD advised that the net pensions' liability had decreased by £136.1m due to changes in financial assumptions used. In the previous financial year the net pension liability increased as a result of losses of £144.8m attributable to changes in financial assumptions.</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 £21k increase in the estimated liability.

### 5. Material items of Income & Expenditure

There were no material items of income and expenditure in 2015/16.

In the 2014/15 Statement of Accounts the Chief Constable reported the costs associated with hosting the NATO Summit at the Celtic Manor Resort near Newport. The security operation was the largest ever organised in the United Kingdom with most Forces from the United Kingdom offering mutual aid assistance. The costs incurred amounted to £23.813m which was covered by grant income of £22.978m received from the Foreign and Commonwealth Office. The balance of £0.835m was funded by the PCC.

### 6. Events after the Balance Sheet date

The Statement of Accounts were authorised by the Chief Constable on the 31<sup>st</sup> May 2016. Events taking place after this date are not reflected in the Statement of Accounts or related notes. Where events taking place before this date provide information about conditions that exist at the balance sheet date the figures in the Statement of Accounts and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. Financing and Investment Income and Expenditure

Financing investment, income and expenditure (shown net), arising from pension interest charges and expected returns in the period on the net defined benefit liability (asset).

2014/15 £000		2015/16 £000
-	Interest payable and similar charges	-
48,408	Pension interest cost and expected return on pension assets	42,368
-	Interest receivable and similar income	-
<b>48,408</b>	<b>Total</b>	<b>42,368</b>

## 8. Intra Group Adjustments

The table on the following page 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
2014/15 £000	2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000	2015/16 £000
(31,599)	163,455	131,856	Net Cost of Services	(4,892)	130,116	125,224
509	48,408	48,917		601	42,368	42,969
			Financing, Investment Income & Expenditure			
211,863	(211,863)	-	Intra-group Adjustment	172,484	(172,484)	-
<b>180,773</b>	<b>-</b>	<b>180,773</b>	<b>Total</b>	<b>168,193</b>	<b>-</b>	<b>168,193</b>
564	138,499	139,063	Actuarial (gains) / losses on pension assets / liabilities	18	(127,777)	(127,759)
138,499	(138,499)	-	Intra-group adjustment	(127,777)	127,777	-
<b>139,063</b>	<b>-</b>	<b>139,063</b>	<b>Total</b>	<b>(127,759)</b>	<b>-</b>	<b>(127,759)</b>

**Balance Sheet Intra Group Adjustments**

PCC	Chief Constable	PCC Group		PCC	Chief Constable	PCC Group
2014/15 £000 Restated	2014/15 £000 Restated	2014/15 £000 Restated		2015/16 £000	2015/16 £000	2015/16 £000
-	507	507	Inventories	-	408	408
(10,459)	(13,308)	(23,767)	Creditors	(8,467)	(13,095)	(21,562)
(12,801)	12,801	-	Intra-Group Adjustment	(12,687)	12,687	-
<b>(23,260)</b>	<b>-</b>	<b>(23,260)</b>	<b>Total</b>	<b>(21,154)</b>	<b>-</b>	<b>(21,154)</b>

## 9. Inventories

The opening value of inventories for the Chief Constable is listed below:

	Balance at 1 April 2015 £000	Purchases £000	Issues £000	Other adjustments £000	Balance at 31 March 2016 £000
Consumable Stores	418	101	(140)	(39)	340
Maintenance Materials	89	144	(148)	(17)	68
<b>Total</b>	<b>507</b>	<b>245</b>	<b>(288)</b>	<b>(56)</b>	<b>408</b>

## 10. Short-Term Creditors

Short- Term Creditor balances held by the Chief Constable at the 31<sup>st</sup> March 2016 are:

31 March 2015 £000 Restated		31 March 2016 £000
(1,723)	Central Government Bodies	(1,651)
(6,391)	Other Police Forces and Local Authorities	(5,372)
(1)	NHS Bodies	-
	- Public Corporations and Trading Funds	(216)
(5,193)	Other Entities and Individuals	(5,856)
<b>(13,308)</b>	<b>Total</b>	<b>(13,095)</b>

## 11. Net Pension Liability

The Net Pensions Liability 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 Chief Constable accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement (CIES) as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed, as the Police and Crime Commissioner makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

Any Statutory Reserves relating to Pension Liabilities are also required to be accounted for in the Statement of Accounts for the Police and Crime Commissioner and the Police and Crime Commissioner Group. Therefore a Long Term Debtor has been set up between the Statement of Accounts of the Chief Constable and the Statement of Accounts of the Police and Crime Commissioner ( where the corresponding Long Term Creditor Entry is accounted for) so as to recognise that the Police and Crime Commissioner ultimately funds any pension liabilities.

### 11. Net Pension Liability (cont.)

2014/15 £000 Restated		2015/16 £000
(1,103,221)	Balance as at 1 April	(1,285,726)
(138,499)	Actuarial gains or losses on assets and liabilities	127,777
(76,244)	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	(68,720)
32,238	Employer's pension contributions and direct payments to pensioners payable in the year	32,702
<b>(1,285,726)</b>	<b>Balance as at 31 March</b>	<b>(1,193,967)</b>

### 12. Members Allowances

The Chief Constable paid the following amounts to Joint Audit Committee Members during the year ended 31<sup>st</sup> March 2016. Amounts are split 50:50 with the PCC.

2014/15 £000		2015/16 £000
	- Salaries	-
	2 Allowances	2
	- Expenses	-
<b>2</b>	<b>Total</b>	<b>2</b>

### 13. Police Officer and Police Staff Remuneration

#### Police and Police Staff Numbers

Actual full-time equivalent Police Officers and Police Staff numbers are categorised as follows:

	2015/16	2014/15
<b>Police Officers:</b>		
Above the rank of Constable	246	285
Constable	898	965
<b>Total</b>	<b>1,144</b>	<b>1,250</b>
<b>Police Staff:</b>		
Full Time	630	672
Part Time	183	211
<b>Total</b>	<b>813</b>	<b>883</b>

### 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 in the following table. 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.

2014/15	Remuneration Band	2015/16
5	£60,000 - £64,999	16
7	£65,000 - £69,999	9
2	£70,000 - £74,999	7
2	£75,000 - £79,999	11
2	£80,000 - £84,999	5
4	£85,000 - £89,999	5
-	£90,000 - £94,999	-
1	£95,000 - £99,999	3
1	£100,000 - £104,999	3
-	£105,000 - £109,999	-
2	£110,000 - £114,999	-
-	£115,000 - £119,999	1
-	£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.

	2014/15	2015/16
Chief Constables Pay	145,941	141,179
Median Pay of the Chief Constable's Staff	33,360	34,779
Median Pay Ratio	4.37	4.06

### Remuneration Disclosure

The following table on page 36 sets out the remuneration disclosure, for relevant Police Officers (Chief Officer rank) and Senior Staff (Chief Officer equivalent rank), 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 2014/15 on page 37.

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

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

2015/16									
Post Holder Information (Post Title)	Note	Salary £000	Bonus £000	Expenses £000	Benefits in Kind £000	Other Payments £000	Total Remuneration excluding Pension Contributions £000	Employers Pension Contributions £000	Total Remuneration including Pension Contributions £000
Chief Constable		136,567	-	-	-	4,046	140,613	2,738	143,351
Deputy Chief Constable	1	112,643	-	-	-	4,046	116,689	27,260	143,949
Assistant Chief Constable (1)	2	24,682	-	-	-	6,304	30,986	5,973	36,959
Assistant Chief Constable (2)	3	91,585	-	-	-	3,643	95,228	22,230	117,458
Assistant Chief Officer Resources		103,175	-	-	-	-	103,175	16,302	119,477

**Notes:**

- 1) Deputy Chief Constable was appointed and took office on the 22<sup>nd</sup> April 2014 with an annualised salary of £110,880.
- 2) Assistant Chief Constable (1) left office on the 30<sup>th</sup> June 2015.
- 3) Assistant Chief Constable (2) was appointed and took office on the 7<sup>th</sup> May 2015. Annualised salary £108,822 (effective from 1<sup>st</sup> September 2015).
- 4) The employer's pension contributions in respect to ACPO ranked Police Officers were paid at the rate of 24.2%. All other Senior Employers were paid at the rate of 15.8%.
- 5) Salaries disclosed exclude salary sacrifice deductions.
- 6) Benefit in Kind amounts, were not available at the time of the draft publication.

**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 2015.

2014/15									
Post Holder Information (Post Title)	Note	Salary £000	Bonus £000	Expenses £000	Benefits in Kind £000	Other Payments £000	Total Remuneration excluding Pension Contributions £000	Employers Pension Contributions £000	Total Remuneration including Pension Contributions £000
Chief Constable		135,202	-	-	6,121	4,046	145,369	32,719	178,088
Deputy Chief Constable	1	105,060	-	-	3,397	3,810	112,267	25,424	137,691
Assistant Chief Constable (1)	2	99,085	-	-	4,615	6,387	110,087	23,979	134,066
Assistant Chief Constable (2)	3	-	-	-	-	-	-	-	-
Assistant Chief Officer Resources		102,154	-	-	-	-	102,154	16,140	118,294

**Notes:**

- 1) Deputy Chief Constable was appointed and took office on the 22<sup>nd</sup> April 2014 with an annualised salary of £110,880.
- 2) Assistant Chief Constable (1) left office on the 30<sup>th</sup> June 2015.
- 3) Assistant Chief Constable (2) was appointed and took office on the 7<sup>th</sup> May 2015 with an annualised salary of £101,805.
- 4) The employer's pension contributions in respect to ACPO ranked Police Officers were paid at the rate of 24.2%. All other Senior Employers were paid at the rate of 15.8%.
- 5) Salaries disclosed exclude salary sacrifice deductions.

## Notes to the Financial Statements

### 14. Termination Benefits

A Schedule of exit packages at 31<sup>st</sup> March 2016 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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	-	18	7	24	7	42	72,249	522,635
£20,001 - £40,000	-	10	1	43	1	53	34,285	1,698,083
£40,001 - £60,000	-	2	1	17	1	19	47,629	923,737
£60,001 - £80,000	-	-	-	9	-	9	-	610,680
£80,001 - £100,000	-	-	1	-	1	-	83,140	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £250,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>30</b>	<b>10</b>	<b>93</b>	<b>10</b>	<b>123</b>	<b>237,303</b>	<b>3,755,135</b>

\*Exit packages include 25 departures agreed prior to the 31<sup>st</sup> March 2016 although payments were not made until the 30<sup>th</sup> April 2016 (2016/17).

### 15. External Audit Costs

The PCC and the Chief Constable jointly incurred external audit fees with the Wales Audit Office.

In 2015/16 the costs are split equally between the PCC Group Statement of Accounts and the Chief Constable's Statement of Accounts.

2014/15 £000	2015/16 £000
43	43
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	
<b>43 Total</b>	<b>43</b>

### 16. Related Parties

IAS 24 requires the Chief Constable to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Chief Constable or to be controlled and influenced by the Chief Constable. Disclosure of these transactions allows the reader to access the extent to which the Chief Constable might have been constrained in his ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable. This disclosure note has been prepared on the basis of specific declarations obtained between April 2015 and March 2016, in respect of related party transactions.

#### Central Government

Central Government has effective control over the general operations of the Chief Constable and PCC Group and it is responsible for providing the statutory framework within which the Chief Constable and PCC Group operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Chief Constable and PCC Group has with other parties (e.g. council tax bills).

#### Members

The total allowances and expenses paid to Members during the year are shown in Note 12. During the year none of the Police and Crime Panel members or parties related to them has undertaken any material transactions with the Chief Constable. However, the transactions with the Unitary Authorities that they represent with regards to Council Tax Precepts are detailed in Note 11 of the PCC Group Statement of Accounts – Taxation and Non Specific Grant Income.

#### Officers

Assistant Chief Officer Resources is the Company Secretary to Gwent Independent Film Trust (GIFT) Ltd. GIFT is a Company Ltd by guarantee that has received monies from the PCC in 2015/16 to produce a film related to Stalking and a Theatre Company production, total value £20,000. See Note 20 – Gwent Independent Film Trust (GIFT) for additional information.

### 17. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

As part of the terms and conditions of employment of its Police Officers and Police Staff, the Chief Constable 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 Chief Constable participates in two post-employment schemes:

- (i) The Police Pension Scheme for Police Officers – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual pension payments in the year they eventually fall due.
- (ii) Pensions and benefits for Police Staff are provided under the Local Government Pension Scheme from the Greater Gwent (Torfaen) Pension Fund. This is a funded scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

### **Revisions to IAS19**

The 2013/14 CIPFA Local Government Code adopted the amendments made to IAS19 Employee Benefits. The amendments mean that there are a number of changes in terminology but also a difference in the method used to calculate the expected rate of return on assets. This is now calculated using the discount rate set by the Actuary. The Government Actuary's Department (GAD) for the Police Pension Scheme and Hymans Robertson LLP for the Local Government Pension Scheme.

The change in this calculation means that there are a number of changes to classification of costs. Interest costs and the expected rate of return are no longer shown separately, instead the interest is now calculated as one figure and the difference between actual and expected return is now included as an actuarial movement. The changes increase the IAS19 pension costs charged to expenditure.

There is no net impact on the total CIES or the deficit in the Balance Sheet. There is also no impact on the General Fund as IAS19 charges to expenditure continue to be reversed through the Statement of Movement in Reserves and replaced with the actual cost to the Chief Constable and the Police and Crime Commissioner of providing pension benefits.

### **Transactions relating to Post-employment Benefits**

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

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

## Transactions relating to Post-employment Benefits (cont.)

	Police Pension		Local Government	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Cost of Services:</b>				
Current service cost	24,090	21,610	3,520	4,430
Past service cost (including curtailments)	80	80	62	152
Administration expenses	-	-	84	80
<b>Financing and Investment Income and Expenditure:</b>				
Net interest expense	47,320	40,770	1,088	1,598
<b>Total post employment benefits charged to the surplus or deficit on the provision of services</b>	<b>71,490</b>	<b>62,460</b>	<b>4,754</b>	<b>6,260</b>
<b>Other post employment benefits chargeable to the comprehensive income and expenditure statement:</b>				
Remeasurement of the net defined benefit liability comprising:				
Actuarial gains and losses arising on changes in demographic assumptions	(53,710)	(18,660)	-	-
Actuarial gains and losses arising on changes in financial assumptions	198,540	(117,440)	25,505	(5,033)
Remeasurement gain/(loss)	(25,960)	7,730	(5,876)	(5,626)
<b>Total post employment benefits charged to the comprehensive income &amp; expenditure statement</b>	<b>190,360</b>	<b>(65,910)</b>	<b>24,383</b>	<b>(4,399)</b>
<b>Movement in Reserves Statement:</b>				
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits	(71,490)	(62,460)	(4,754)	(6,260)
<b>Actual amount charged against the police fund balance for pensions in year:</b>				
Employer's contributions payable to the scheme	11,460	10,527	3,341	3,169
Retirement benefits payable to pensioners	2,120	2,608	91	223
	<b>13,580</b>	<b>13,135</b>	<b>3,432</b>	<b>3,392</b>

**Pension Assets and Liabilities in relation to post-employment benefits**

The amount included in the Balance Sheet arising from the Chief Constable's obligations in respect of defined benefit plans is as follows:

	Police Pension		Local Government	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Present value of the defined benefit obligation	1,239,330	1,144,140	137,328	139,976
Fair Value of plan assets	-	-	(90,932)	(90,149)
<b>Sub-total</b>	<b>1,239,330</b>	<b>1,144,140</b>	<b>46,396</b>	<b>49,827</b>
Other movements in the liability (asset)	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>1,239,330</b>	<b>1,144,140</b>	<b>46,396</b>	<b>49,827</b>

**Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets:**

	Local Government	
	2014/15 £000	2015/16 £000
<b>Opening fair value of scheme assets</b>	<b>79,566</b>	<b>90,932</b>
Interest income	3,703	3,121
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest	5,876	(5,626)
Contributions from employer	3,328	3,422
Contributions from employees into scheme	1,353	1,291
Benefits paid	(2,810)	(2,991)
Admin expenses	(84)	(80)
<b>Closing fair value of scheme assets</b>	<b>90,932</b>	<b>90,069</b>

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

	Police Pension		Local Government	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening fair value of scheme liabilities	1,077,880	1,239,330	104,907	137,328
Current service cost	24,090	21,610	3,520	4,430
Interest cost	47,320	40,770	4,791	4,719
Contributions from scheme participants	6,660	6,070	1,353	1,291
Remeasurement (gains) and losses:				
Actuarial (gains)/losses arising from changes in demographic assumptions	-	(18,660)	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	144,830	(117,440)	25,505	(5,033)
Experience (gain)/loss	(25,960)	7,730	-	-
Past service cost (including curtailments)	80	80	62	152
Benefits paid	(35,570)	(35,350)	(2,810)	(2,991)
<b>Closing fair value of scheme liabilities</b>	<b>1,239,330</b>	<b>1,144,140</b>	<b>137,328</b>	<b>139,896</b>

The liabilities show the underlying commitments that the Chief Constable has in the long run to pay retirement benefits. The total liability of £1,284m (2014/15: £1,377m) has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet, resulting in a negative overall balance of £1,194m (2014/15: £1,285m).

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

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

### Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary have been:

	Police Pension		Local Government	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
<b>Long term expected rate of return on assets in the scheme: *</b>				
Equity Investments	-	-	6.50%	-
Government Bonds	-	-	2.20%	-
Other Bonds	-	-	2.90%	-
Property	-	-	5.90%	-
Cash/Liquidity	-	-	0.50%	-
Other	-	-	-	-

\*The expected return on assets are no longer required for IAS19 and FRS102 as the discount rate (3.6%) 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			
	2014/15 £000	2014/15 %	2015/16 £000	2015/16 %
<b>Asset Allocations</b>				
Equity Securities	17,641	19.4%	17,395	19.3%
Investment Funds and Unit Trusts	70,336	77.4%	69,437	77.0%
Real Estate	2,455	2.7%	2,657	2.9%
Cash and Cash Equivalents	500	0.5%	660	0.7%
<b>Total</b>	<b>90,932</b>	<b>100%</b>	<b>90,149</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	
	2014/15 Years	2015/16 Years	2014/15 Years	2015/16 Years
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
Men	23.30	23.10	23.00	23.00
Women	25.70	25.10	25.50	25.40
<b>Longevity at 65 for future pensioners:</b>				
Men	25.40	25.10	25.30	25.20
Women	27.90	27.20	27.90	27.80

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

	Police Pension		Local Government	
	2014/15	2015/16	2014/15	2015/16
	% p.a.	% p.a.	% p.a.	% p.a.
Rate of increase in salaries	4.20%	4.20%	3.60%	3.70%
Rate of increase in pensions	2.20%	2.20%	2.10%	2.20%
Rate for discounting scheme liabilities	3.30%	3.55%	3.40%	3.60%
Rate of CARE revaluation	-	3.45%	-	-

**The effect of changes in assumptions**

	Police Pension		Local Government	
	Approximate increase/(decrease) in assumption		Approximate % increase to Employer Liability and monetary amount	
	%	£000	%	£000
0.5% decrease in the Real Discount Rate	11.3%	124,600	15.0%	21,197
1 year increase in member life expectancy	2.2%	24,700	3.0%	4,199
0.5% increase in the Salary Increase Rate	1.2%	13,000	7.0%	10,179
0.5% increase in the Pension Increase Rate	8.8%	97,300	7.0%	10,475
1 year decrease in member service	0.2%	2,600	-	-

**18. Contingent Assets and Contingent Liabilities**

The Chief Constable/PCC Group does not have any contingent assets.

The Chief Constable/PCC Group has three contingent liabilities as follows:

- (i) The Chief Constable/PCC Group, along with a number of other Forces, currently have on-going cases at an employment tribunal regarding the use of Police Pension Regulation A19. The outcome of the tribunal in February 2014 was to find in favour of the complaint and to support the test cases. On-going legal advice suggests that there is a strong possibility that the appeal against the decision on the test cases would be upheld. In the event that it is not upheld, the Chief Constable/PCC Group would be liable for costs. The determination of the level of financial exposure cannot be evaluated with any certainty as it would depend on the individual circumstances of the Officer's involved.
- (ii) The Government has introduced Employment and Support Allowance (ESA) in replacement of Incapacity Benefit. This may impact upon the calculation of Police Injury Award payments depending on whether ESA is deemed a relevant benefit for calculation purposes. The Chief Constable/PCC Group currently deducts ESA from some pension payments and individual cases have been brought to the attention of the Pension Ombudsman. The Home Office have acknowledged that there has been an inconsistent approach adopted by Forces regarding the deduction and have confirmed that the Police (Injury Benefit) Regulations 2006 will be amended to express on the face of the legislation that ESA payments are to be deducted. However no implementation date has been agreed but it has been made clear that the change will have not have a retrospective effect. This remains a contingent liability for the Chief Constable/PCC Group since deductions are being made and the Chief Constable/PCC Group may be liable to for deductions taken up to the implementation date.
- (iii) On the 1<sup>st</sup> April 2015 the Police Pension Scheme 2015 came into effect. For new Police Officers joining the service on or after this date they would be automatically enrolled into this new scheme. However for existing Officers who were currently active members of the 1987 or 2006 Police Pension Schemes there were three possible outcomes which were dependent on the Police Officer's age and length of service. They were that Officers would continue active membership of the 1987 or 2006 Police Pension Schemes until normal retirement age; transfer to the new scheme with tapered protection between the 24<sup>th</sup> May 2015 and 31<sup>st</sup> March 2022; or transfer to the new scheme with immediate effect (no protection) on the 1<sup>st</sup> April 2015.

A legal challenge citing discrimination on the grounds of age, sex and ethnicity has been made by a firm of solicitors acting nationally on behalf of Police Officers who are new members of the Police Pension Scheme 2015. The National Police Chief's Council has set up a Police Pension Challenge Steering Group, to

coordinate a national response to the claims. If the legal challenge is upheld there may be cost implications for the Chief Constable/PCC Group however the value of which is unknown and therefore is disclosed as a contingent liability.

### **19. Collaboration**

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

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

19. Collaboration (cont.)

2015/16	Counter Terrorism Intelligence Unit	Dedicated Security Posts / Ports Policing	Counter Terrorism Specialist Advisors	Special Branch	Organised Crime Unit and Asset Recovery Unit	Regional Task Force	Joint Firearms Unit	Scientific Investigation Unit	Total
<i>Basis of Cost Allocation</i>	<i>Population %</i>	<i>Population %</i>	<i>Own Cost</i>	<i>Own Cost</i>	<i>Various</i>	<i>Financial Contribution %</i>	<i>Financial Contribution %</i>	<i>Financial Contribution %</i>	
	<b>£000</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>
Police Officer Pay	-	-	-	-	-	-	-	-	-
Police Staff Pay	-	-	-	-	-	-	-	-	-
Other Staff related non pay	-	-	-	-	-	-	-	-	-
Premises	-	-	-	-	-	-	-	-	-
Transport	-	-	-	-	-	-	-	-	-
Supplies and Services	-	-	-	-	-	-	-	-	-
Agency	-	-	-	-	-	-	-	-	-
Financing and Reserve Transfers	-	-	-	-	-	-	-	-	-
<b>Gross Expenditure</b>	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	-	-	-	-	-	-	-	-	-
<b>Net Expenditure</b>	-	-	-	-	-	-	-	-	-

\*2015/16 figures not available at time of Draft Statement of Accounts publication.

## Notes to the Financial Statements

2014/15 costs of the various collaborative services attributable to the Chief Constable and PCC Group.

2014/15	Counter Terrorism	Dedicated Security	Counter Terrorism	Special Branch	Regional Organised	Regional Task Force	Joint Firearms	Scientific Investigation	Total
<i>Basis of Cost Allocation</i>	<i>Population %</i>	<i>Population %</i>	<i>Own Cost</i>	<i>Own Cost</i>	<i>Various</i>	<i>Financial Contribution %</i>	<i>Financial Contribution %</i>	<i>Financial Contribution %</i>	
	<b>£000</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>
Police Officer Pay	524	931	52	391	461	431	2,464	251	5,505
Police Staff Pay	169	37	-	99	365	29	99	1,979	2,777
Other Staff related non pay	45	4	1	-	54	18	16	6	144
Premises	58	44	-	-	50	26	58	11	247
Transport	46	7	-	3	21	46	72	22	217
Supplies and Services	49	18	-	41	71	53	183	161	576
Agency	-	(1)	-	-	-	-	-	-	(1)
Financing and Reserve Transfers	-	-	-	-	68	71	-	-	139
<b>Gross Expenditure</b>	<b>891</b>	<b>1,040</b>	<b>53</b>	<b>534</b>	<b>1,090</b>	<b>674</b>	<b>2,892</b>	<b>2,430</b>	<b>9,604</b>
Grants	(872)	(1,041)	(53)	-	(735)	(125)	-	-	(2,826)
Income	(19)	-	-	(1)	(9)	(7)	-	(12)	(48)
<b>Total Income</b>	<b>(891)</b>	<b>(1,041)</b>	<b>(53)</b>	<b>(1)</b>	<b>(744)</b>	<b>(132)</b>	<b>-</b>	<b>(12)</b>	<b>(2,874)</b>
<b>Net Expenditure</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>533</b>	<b>346</b>	<b>542</b>	<b>2,892</b>	<b>2,418</b>	<b>6,730</b>

### **20. Gwent Independent Film Trust (GIFT)**

The Chief Constable and Office of the Police and Crime Commissioner 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 31<sup>st</sup> March 2016 GIFT (Gwent) had one Chief Constable member of staff acting as Director; Nigel Stephens, Assistant Chief Officer Resources. During the year David Young, Principal Financial Accountant and Shelley Bosson, Chief Executive to the Police and Crime Commissioner both tendered their resignation as Directors.

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 approve in writing in advance.

Therefore the Chief Constable/PCC Group has no interest in the assets or liabilities of GIFT (Gwent).

The annual report and the audited financial statements for the year ended 31<sup>st</sup> July 2015 disclosed net current assets of £26,110 and retained a profit for the year of £5,999.

As at 31<sup>st</sup> March 2016 GIFT fund balances held by the Chief Constable/PCC Group amounted to £0 (2014/15 £6,390).

## Glossary of Terms

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Term	Definition
2015/16	This refers to the period covered by these accounts - 1 April 2015 to 31 March 2016.
2014/15	This refers to the period following that covered for comparative purposes by these accounts – 1 April 2014 to 31 March 2015.
Accounting Policies	These are a set of rules and codes of practice the Chief Constable uses when preparing the accounts.
Accruals	The accounting treatment, where income and expenditure is recorded when it is earned or incurred not when the money is received or paid.
Actuarial Gains and Losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made in the last valuation; or</li> <li>• The actuarial assumptions have changed.</li> </ul>
Amortisation	This is the measure of the wearing out, consumption or other reduction in the useful life of Intangible assets.
Balance Sheet	This shows the value of the assets and liabilities recognised by the Chief Constable. The net assets of the Chief Constable (assets less liabilities) are matched by the reserves held by the Chief Constable.
Capital Adjustment Account	An account which accumulates (on the debit side) the write-down of the historic cost of fixed assets as they are consumed by depreciation and impairments, or written off on disposal, and (on the credit side) the resources that have been set aside to finance capital expenditure.
Capital Expenditure	Expenditure on the acquisition and construction of assets or expenditure which adds to the value of an existing asset, which have a long-term value to the Group, e.g. land and buildings.
Capital Receipts	Income from the sale of fixed assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets financed from loans.  Usable capital receipts are those capital receipts which are not set aside for specific purposes but are available to be used for any capital purchases.
Carrying Value	The carrying value of an asset or a liability recorded in the Balance Sheet.
CIPFA	The Chartered Institute of Public Finance and Accountancy, one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services.
Comprehensive Income and Expenditure Statement (CIES)	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
Consumer Price Index (CPI)	Official measure of the general level of inflation as reflected in the retail price of goods and services – excludes mortgage interest payments, council tax and other housing costs.
Contingent Liabilities or Assets	These are the amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which a provision has not been made in the Chief Constables accounts.
Creditors	Individuals or organisations to which the Chief Constable owes money at the end of the financial year split short-term (within 12 months) and long-term.
Current Assets	Current assets are items that can be readily converted into cash.  By convention the items are ordered by reference to the ease that such conversion into cash can be carried out.
Current Liabilities	Current liabilities are items that are due immediately or in the short – term.

## Glossary of Terms

Term	Definition
Current Service Cost (pensions)	An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.
Curtailment	Changes in liabilities relating respectively to actions that relieve the employer of primary responsibility for a pension obligation (e.g. a group of employees being transferred to another scheme) or events that reduce the expected years of future service of employees or reduce the accrual of defined benefits over their future service for some employees (e.g. closing a business unit).
Debtors	Individuals or organisations that owe the Chief Constable money at the end of the financial year split short-term (within 12 months) and long-term. Note all Trade Debtors are recorded in the PCC Group Balance Sheet.
Defined Benefit Scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The schemes may be funded or unfunded.
Defined Contribution Scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	This is the measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase of the asset.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
Financial Instrument	Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A derivative financial instrument is a financial contract that derives its value from changes in underlying assets or indices.
Fixed Assets	These are items such as land, buildings, vehicles and major items of equipment, which give benefit to the Chief Constable over more than one year. Note all Fixed Assets are held by the PCC.
FRS	Financial Reporting Standards, as agreed by the UK and International accountancy profession and the Accounting Standards Board. These include Statements of Standard Accounting Practice (SSAPs) and International Financial Reporting Standards (IFRS).
General Fund	This is the main revenue fund of the PCC Group and includes the net cost of all services financed by local taxpayers and Government grants. All Reserves including the General Fund are held by the PCC.
Group	The term refers to the merger of Office of the Police and Crime Commissioner and the Chief Constable.
Impairment	A reduction in the value of a fixed asset, below its carrying amount in the balance sheet. Factors include evidence of obsolescence or physical damage to the asset.
Intangible Assets	These are assets that do not have physical substance but are identifiable and controlled by the Chief Constable. Examples include software, licenses and patents. Note all Intangible Assets are held by the PCC.

## Glossary of Terms

<b>Term</b>	<b>Definition</b>
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Inventories	Amounts of unused or unconsumed stocks held in expectation of future use at the Balance Sheet date.
Leasing Costs	This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.
Materiality	An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.
Minimum Revenue Provision	The prudent amount that the Chief Constable is statutorily required to set aside from revenue funds to meet the repayment of borrowing undertaken to support capital investment. Note that this provision is made by the PCC.
Movement in Reserve Statement	This financial statement presents the movement in usable and unusable reserves.
Net Book Value (NBV)	The amount at which fixed assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
Net Realisable Value (NRV)	The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.
Operating Lease	An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership.
Past Service Cost	For a defined benefit scheme these arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.
PCC	The abbreviation for the Police and Crime Commissioner. The PCC is a separate corporation sole which was established on the 22 <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.
Private Finance Initiative (PFI)	A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
Precept	The amount levied and collected by the five Gwent Authorities (Newport, Caerphilly, Blaenau Gwent, Monmouthshire and Torfaen) and paid over to the PCC Group.
Provisions	The Chief Constable may set aside amounts as provisions to meet liabilities or losses that are likely to arise in the future. Any provisions made are recorded in the PCC Group Statement of Accounts.
Public Works Load Board (PWLb)	This is the Public Works Loan Board, which is an organisation financed by the Government. It lends money to police authorities on set terms so that they can buy capital items.
Related Parties	Central Government, Local Authorities (precepting), subsidiary and associated companies. Elected members, senior officers from Director and above and the Pension Funds. For individuals identified as related parties: members of the close family, or the same household; and partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.
Reserves	Balances that represent resources set aside for purposes such as general contingencies and cash flow management. Earmarked reserves are those set aside for specific policy purposes. The Movement in Reserve Statement shows the movement in the year on the reserves held by the Chief Constable. Note the Chief Constable does not hold Reserves. These come under the control of the PCC.

## Glossary of Terms

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Term	Definition
Revaluation Reserve	An amount representing the accumulated gains on the fixed assets held by the Chief Constable arising from increases in value, as a result of inflation and other factors, to the extent that these gains have not been consumed by subsequent downward movements in value. Note that all Reserves are owned by the PCC.
Retail Price Index (RPI)	Official measure of the general level of inflation as reflected in the retail price of a basket of goods and services, including mortgage costs, council tax and other household costs.
Revenue Budget	The estimate of annual income and expenditure requirements, which sets out the financial implications of the PCC Group policies and the basis of the annual precept to be levied on collection funds.
Revenue Support Grant (RSG)	A general government grant in support of local authority expenditure (including Police and Crime Commissioners) and fixed each year in relation to spending levels.
Senior Employee	An employee whose salary is more than £150,000 per year, or one whose salary is at least £60,000 per year (calculated pro rata for a part-time employee) and who is the designated head of paid service and a statutory chief officer. Typically the Commissioner's Chief Executive, Chief of Staff and statutory Chief Officers (ACPO).
Service Reporting Code of Practice (SerCOP)	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).
The Code	The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.