

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

2018/19



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

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# Narrative Report

## Introduction

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

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

## Statutory Framework for the Financial Statements

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

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

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

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

## Statement of Accounts

The Commissioner Group and single entity Commissioner Statement of Accounts for the financial year ended 31<sup>st</sup> March 2019, which is in accordance with the Code in the United Kingdom 2018/19, consist of:

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

- **Movement in Reserves Statement** – This shows the movement in the year on the different types of reserves and committed funds held by the Commissioner and provides a reconciliation between the funding and the cost of providing services reported in the CIES;
- **Balance Sheet** – This shows the value of the assets, liabilities and reserves (net worth) of the Commissioner as at 31<sup>st</sup> March 2019;
- **Cash Flow Statement** – This summarises, the changes in cash and cash equivalents during the financial year. Cash flows are categorised as operating, investing and financing activities;
  - o
- **Police Pensions Account** – This provides information about the financial transactions in respect of the Police Pension Schemes. Each individual Chief Constable is required by legislation (Police Pension Fund Regulations 2007) to operate a Pension Fund using monies provided by the Commissioner; and
- **Notes to the Financial Statements** – These provide further analysis and explanations on items of income, expenditure, assets, liabilities and reserves within the main accounting statements detailed above. Included within the Notes to the Financial Statements is the Expenditure and Funding Analysis. This shows how annual expenditure is used and funded from resources (government grants, council tax and business rates). It also shows how this expenditure is allocated for decision making purposes between the Commissioner group, Chief Constable and associated services/departments.

### Financial Performance of the Commissioner Group

The following summary provides an overview of the financial position and performance of Gwent Police for the year ending 31 March 2019.

#### Revenue Income and Expenditure

The revenue budget requirement for the year of £123.522m was approved by the Commissioner on 23<sup>rd</sup> March 2018. After the Home Office Formula Grant of £40.404m, Revenue Support Grant of £21.333m and National Non-Domestic Rates of £9.750m, the amount to be collected from Council Tax was £52.035m. The table below provides a breakdown of what this money was spent on and funded during the year.

	<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>%</b>	<b>£m</b>	<b>£m</b>
Police officer and staff costs including pensions	83	179.0	106.3
Non- Pay costs (premises, transport, supplies and services, agency and contracted services)	17	35.5	31.4
Other service costs (depreciation, non-enhancing capital expenditure)	0	0.5	0.4
<b>Gross Expenditure of Services</b>	<b>100</b>	<b>215.0</b>	<b>138.1</b>
Less: grants and income		(12.9)	(12.4)
<b>Net Cost of Policing Services</b>		<b>202.1</b>	<b>125.7</b>
Accounting adjustments (pensions, depreciation, movements on General Fund reserves)		(78.6)	(4.8)
<b>Budget Requirement</b>		<b>123.5</b>	<b>120.9</b>
Non- ring fenced government grants	50	61.7	61.7
Non-Domestic Rates Income	8	9.8	9.8
Council Tax	42	52.0	49.4
<b>Total Funding</b>	<b>100</b>	<b>123.5</b>	<b>120.9</b>

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

Savings arose through anticipated recurrent savings through the acceleration of efficiency schemes via the Force's 'Staying Ahead' Programme and reduced spend against demand led budgets. This was transferred to Usable Reserves. Usable Reserves at the end of the year after these transfers were £55.310m (2017/18 £57.712m). Usable Reserves are the General Fund and those other committed funds set aside from the General Fund to provide financing for future capital and revenue expenditure plans, for example the replacement of the current Police Headquarters. Note 9 to the Financial Statements provides more information on this.

### Capital Expenditure and Capital Financing

During 2018/19 capital expenditure was £6.9m against a revised capital budget of £22.2m. This represents money spent for the purpose of purchasing, upgrading and improving assets such as property, vehicles and computer, communications and equipment. Capital expenditure was financed by reserves, specific grant, capital receipts and revenue contributions, and is summarised below:

	2018/19 %	2018/19 £m	2017/18 £m
Land and buildings	7	0.5	0.1
Vehicles	75	1.3	1.4
Plant, furniture and equipment, assets under construction	15	4.9	0.0
Intangible assets	3	0.2	0.1
<b>Total</b>	<b>100</b>	<b>6.9</b>	<b>1.6</b>

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

### Balance sheet

The table below is a summary of the Commissioner Group's balance sheet as at 31<sup>st</sup> March 2019. It summarises the Group's assets, liabilities and reserves.

	2018/19 £m	2017/18 £m
Tangible asset (Property, vehicles, plant furniture and equipment)	32.2	28.6
Intangible assets (Computer software)	0.6	1.1
Assets held for sale and long term debtors	0.1	0.8
Stocks	0.6	0.4
Debtors (money owed to Gwent Police)	10.0	11.8
Creditors (money owed by Gwent Police)	(14.6)	(14.5)
Temporary investments and deposits	49.1	51.1
Cash and cash equivalents	10.4	8.7
Provisions	(1.5)	(1.5)
Other long term liabilities	(1,577.7)	(1,428.1)
Less: Unusable reserves	1546.1	1,399.3
<b>Total assets less liabilities</b>	<b>55.3</b>	<b>57.7</b>
<b>Financed by:</b>		
Usable reserves	(55.3)	(57.7)
	<b>(55.3)</b>	<b>(57.7)</b>

### Capital Borrowing and the Repayment of Debt

No new loans were taken up in respect of approved capital expenditure during the year, therefore there was no loan debt outstanding as at 31<sup>st</sup> March 2019.

### Pensions Liability

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

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

The estimated net liabilities for both schemes increased over the year from £1,423.5m to £1,573.2m, an increase of 10.52%, which was mainly due to changes in actuarial assumptions. The unrealised net losses or gains for the year on both schemes have no direct impact on the cost of services in the comprehensive income and expenditure statement and the notional liability is recognised in the balance sheet only.

Following a revaluation of public sector pensions, police forces are facing increased police officer pensions costs of around £330m from 2019/20 onwards. As part of the 2016 Pension Valuation, HMT have announced Public Sector Pension Valuation 'Directions', which serve to increase the Employer's Contribution rate from 2019/20 for Public Sector Pension Schemes (including the Police Pension Scheme). The main change is the reduction to the 'discount rate', which is used to convert future pension payments into present day value. This rate reflects the Office for Budget Responsibility's view on the current national economic outlook, which in turn reflects a particularly uncertain period prior to Brexit. There remains an overall shortfall of funding from Government of around £13m nationally. In relation to Gwent Police, this will leave a gap of £0.43m in 2019/20. This shortfall will be met from a contribution from reserves and committed funds and not from Council Tax Precept. We have assumed in future years' forecasts that the Specific Pension Grant will be recurrently provided to meet the recurrent pension costs, but this is not yet certain.

### **McCloud / Sargeant judgement**

The Chief Constable of Gwent Police, along with other Chief Constables and the Home Office, currently has many claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27<sup>th</sup> June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for the Force to be approximately 4.4% or £62.860m of pension scheme liabilities. This increase is reflected in the financial statements as a Past Service Cost. This can be seen in the IAS 19 disclosures at Note 38 to the financial statements as well as the Balance Sheet. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

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

It is envisaged that the Court decision will also impact on employees who were transferred to new schemes within the Local Government Pension Scheme (LGPS). This would lead to an increase in LGPS liabilities and based on actuarial information, using specific assumptions and applying these across the LGPS scheme as a whole the increase in scheme liabilities for the Force is estimated to be £0.849m. This increase is reflected in the financial statements as a Past Service Cost. This can be seen in the IAS 19 disclosures at Note 38 to the financial statements as well as the Balance Sheet. The estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth. The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.'

The Government Actuary's Department calculates the potential liability of the Police schemes based on Actuarial review, using Pension and Payroll data. This estimated liability increased over the year from £1,361m to £1,492m, an increase of 9.63%, this was mainly attributed to the McCloud ruling as well as other changes in actuarial assumptions. The Pension Scheme for Police Officers is an unfunded scheme.

In the case of Police Staff, Gwent Police is an admitted body to the Torfaen County Borough Council Local Government Pension Scheme. The Actuary's assessment of Gwent Police's share of the estimated deficit in this scheme increased over the year from £62m to £83m as at 31 March 2019, an increase of 33.87%. This is an increase arising from changes to actuarial assumptions and includes the impact of the McCloud ruling.

The unrealised net losses or gains for the year have no direct impact on the cost of services in the comprehensive income and expenditure statement and the notional liability is recognised in the balance sheet only.

### **Looking Ahead**

The worldwide economic crisis led to a UK annual budget deficit of £149 billion at the start of 2010 and the 2010, 2013 and 2015 Comprehensive Spending Review periods have sought to deliver a balanced budget by 2015. This had an unprecedented impact on policing as the Home Office was one of the government departments whose budgets were unprotected. The result was the largest single reduction in central government funding for policing in a generation.

The 2019/20 budget setting round is the fourth and final year of the 2015 CSR which, in common with the preceding 2010 and 2013 CSR periods, has required the delivery of significant financial efficiencies and budget reductions by Gwent Police. It is anticipated that this theme will continue for the life of this Parliament through subsequent CSRs (with the next, CSR 2019, expected in the summer of 2019).

The Chancellor of the Exchequer's 2018 Autumn Budget in October 2018, noted lower forecasts for UK economic growth and higher inflation, offset to some extent by higher tax growth, higher employment levels and lower borrowing requirements. The annual budget deficit would still be £32 billion at the end of 2018. This was the Chancellor's third Budget (second Autumn Budget) and was the last Budget before the UK's exit from the European Union (originally determined for the 29<sup>th</sup> March 2019). In the build up to the announcement, no additional police funding was expected.

In the two financial years 2016/17 and 2017/18, the Government 'maintained' broadly 'flat cash' Police and Crime Commissioner budgets by reducing Central Government Grant Funding as local Council Tax Precept increased to compensate. However, in recognition of the increasing demands on policing, the 2018/19 Provisional Settlement, announced by the Home Secretary in December 2017, 'protected' the Central Government Grant Funding which ultimately reached Police and Crime Commissioners. This meant that in 2018/19, each Police and Crime Commissioner received the same amount of Central Government Grant Funding as they did in 2017/18, as well as allowing additional funding from council tax increases. This 'protection' of Central Government Grant support was repeated for the 2019/20 financial year, following the receipt of both Provisional and Final Settlement announcements in December 2018 and January 2019 respectively. Despite this, the 2019/20 Settlement still results in reduced spending ability for Commissioners and forces through a combination of 'real terms' grants cuts, reallocations across other Home Office functions, pay inflation, contract price inflation and significantly increased contributions from employers to the unfunded police pension scheme. The 2019/20 Final Settlement is the last before the next 2019 Spending Review, which will set long term police budgets and look at how resources are allocated fairly across police forces.

The future financial challenge to 2023/24 is exacerbated by the Home Office's review of the Police Funding Formula. By way of background, once the overall size of the policing budget is determined by the Home Office (via the CSR), then the amount of funding provided to respective Police and Crime Commissioners is determined by the Police Funding Formula. It has been well publicised that the current formula is out-dated, overly complex, opaque and in need of review. Following a 'false start' to the review process during the latter half of 2015, the review was brought back on track with a hope to produce its findings by February/March 2017, with implementation for the 2018/19 financial year. However, it is believed that with the significant implications of the Brexit negotiations; the result of the 'snap' General Election in June 2017; and the significant increase in the threat of terrorism, the implementation has been delayed. It is expected that the review will be restarted in the Autumn of 2019 as part of 2019 CSR and that, following full consultation throughout 2020/21, any impact will not occur until the 2021/22 financial year.

Against this backdrop, Gwent Police has been proactive in responding to the Government's austerity programme through the Service Improvement Programme. This was initiated by the Force to address efficiency requirements and its underlying ethos is to deliver service improvement through transformational change, to meet current and future demand and deliver efficiency savings. To the end of 2018/19, it has delivered cumulative recurring savings of £49.498m. The 2018/19 savings target of a further £0.184m has been met this year through the continuing success of the Service Improvement Programme, which over recent years has become core Force business within its Service Development Department. In addition Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services' (HMICFRS) Value For Money (VFM) Profiles are a key tool in indicating potential areas for saving schemes' opportunities.

The 2019/20 Medium Term Financial Projections (MTFP) covers the five year period 2019/20 to 2023/24. The MTFP has identified the budget required and the funding available. Assuming a further £0.791m of savings are delivered in 2019/20, the MTFP presents a balanced budget for the 2019/20 financial year.

Over the five year period of the MTFP, there are additional local uncertainties including the expansion of the International Convention Centre for Wales at the Celtic Manor Resort, and the Police Education Qualifications Framework. After reflecting the 2019/20 Final Settlement, the estimated impact of CSR 2019, Brexit and the Police Funding Formula review; and further funding pressures, the recurring funding deficit for 2023/24 is forecast to be £4.181m. Further savings are being targeted as a result.

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

- Deliver the six strands of the Policing Vision 2025 which sets out the future for policing over the next ten years, and shapes decisions about how police forces use their resources to keep people safe. The six strands are to tailor local policing to community needs; enhance specialist capabilities; develop workforce skills and diversity; digital policing; enable business delivery; and ensure clear governance and accountability;
- Improve the quality of service whilst delivering efficiencies;
- Manage a changing landscape – crime is increasing and becoming more complex; increase in the pace of technological change; increase in terrorism threats; and reduced public services funding;
- Refocus and prioritise Threat, Risk and Harm;
- Tackle the increased demand within Serious Organised Crime and vulnerability, and providing innovation to identify and support vulnerable people;
- Develop collaborative work to meet demand, improve systems, and enhance efficiency and effectiveness; and
- Invest in people and in key areas of risk through implementing programmes of change.

It is clear that, in order to remain within the funding constraints, Gwent Police will need to manage continued reductions in real terms funding from the government throughout the coming five year period of the MTFP. The Commissioner and Chief Constable remain focused on delivering a new generation of savings schemes and maintaining a detailed schedule of planned work to review functions and departments, balanced against the operational policing needs of Gwent.

**Signed:**

**Darren Garwood-Pask FCCA**  
**Chief Finance Officer**  
**Date: 29<sup>th</sup> July 2019**

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

## Report on the audit of the financial statements

### Opinion

I have audited the financial statements of:

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

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent; the Gwent Police Pension Fund; and the Police and Crime Commissioner for Gwent Police Group as at 31 March 2019 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

#### **Report on other requirements**

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

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

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

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

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

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

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

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

##### **Responsibilities**

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

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

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

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

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

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

Anthony J Barrett

For and on behalf of the Auditor General for Wales  
31<sup>st</sup> July 2019

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

## Statement of Responsibilities

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

### The Commissioner's Responsibilities

The Commissioner is required to:

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

I approve the Statement of Accounts for the financial year 2018/19

**Signed:**

**Jeff Cuthbert**  
**Police and Crime Commissioner for Gwent**  
**Date: 29<sup>th</sup> July 2019**

### Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts, present a true and fair financial position of the Commissioner at 31<sup>st</sup> March 2019 and his income and expenditure for the period then ended.

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

**Date: 31<sup>st</sup> May 2019**  
**Darren Garwood-Pask FCCA**  
**Chief Finance Officer**

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

**Date: 29<sup>th</sup> July 2019**  
**Darren Garwood-Pask FCCA**  
**Chief Finance Officer**

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

## INTRODUCTION

The purpose of this Annual Governance Statement is to explain how the Police and Crime Commissioner (Commissioner) and the Chief Constable of Gwent have complied with their joint Manual of Corporate Governance (MoCG) during 2018/19 and in particular, the Code of Corporate Governance therein.

To this end, the Annual Governance Statement is written in two parts. Part one describes the governance arrangements in place during 2018/19. Part two reports on the review of the effectiveness and the outcomes of these arrangements.

## PART ONE

### SCOPE OF RESPONSIBILITIES

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

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

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

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

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

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

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

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

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

## PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

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

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

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

## PRINCIPLES OF GOOD GOVERNANCE

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

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

The MoCG is also consistent with the seven core principles of good governance set out in the International Framework for Good Governance in the Public Sector<sup>1</sup>: -

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

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

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

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

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

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

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

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

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

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

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

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

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

**The table at Appendix 1 illustrates how these Standards have been applied in the work of the Commissioner and the Chief Constable during the 2018/19 financial year, as well as identifying measures that will be undertaken in 2019/20.**

## GOVERNANCE ARRANGEMENTS

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

### Manual of Corporate Governance

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

### Principles of Relationships

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

The Principles also specify that the relationship between the Commissioner and Chief Constable will be built on trust, confidence and transparency. The governance arrangements adopted are consistent with the need to ensure accountability both between the parties and also accountability to the public. A transparent and auditable approach has been adopted which remained valid in 2018/19.

### Governance Framework

As reported in the 2017/18 Annual Governance Statement, a review was undertaken in 2018 and this concluded that the principles of collaboration (as set out in the Principles and in the MoCG) would be best reflected through the establishment of a new meeting and reporting structure for the Chief Constable, aligned to the delivery of the Police and Crime Plan, addressing both performance and delivery issues.

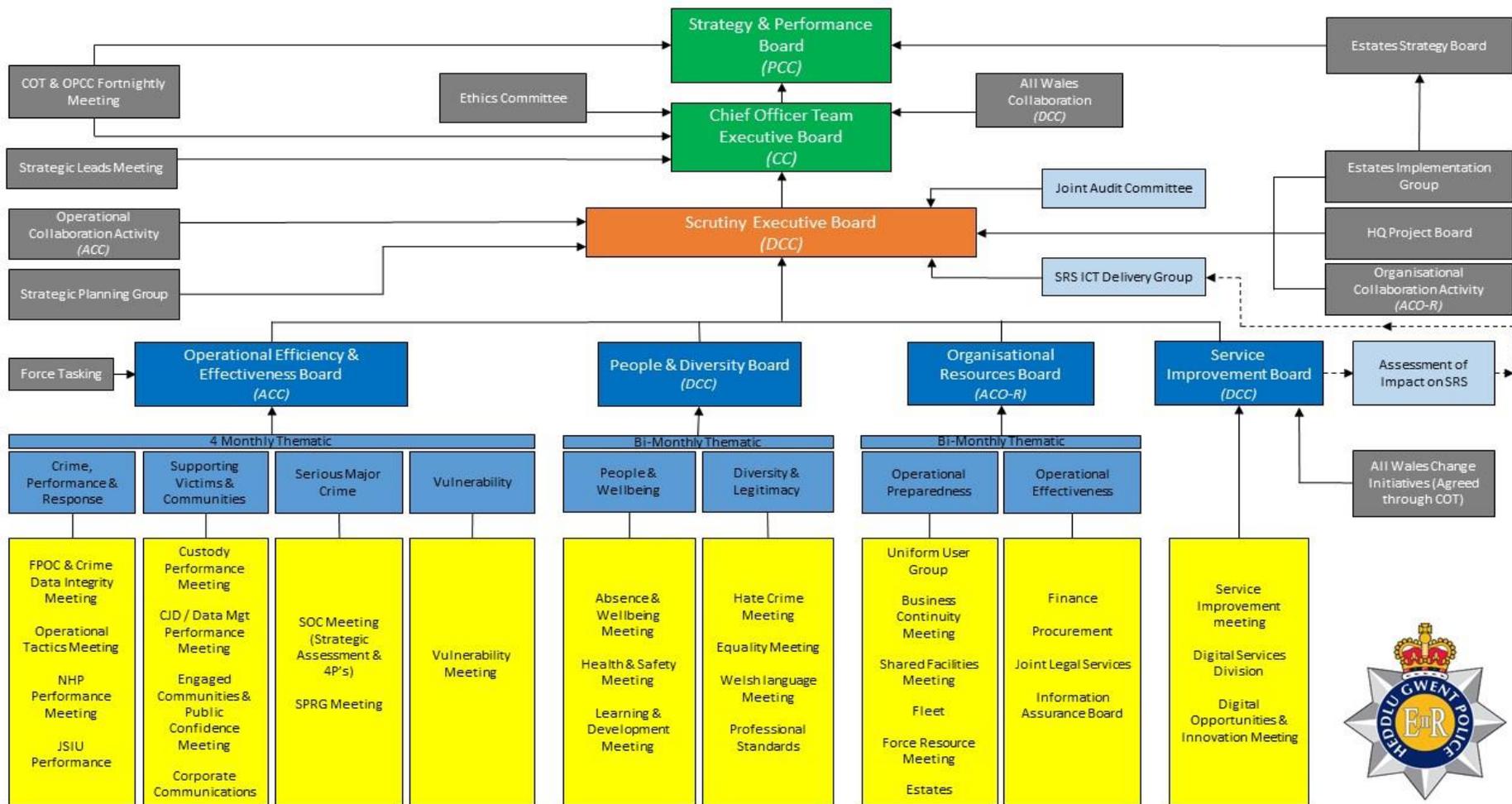
The Scrutiny and Performance Executive Board (chaired by the Deputy Chief Constable) feeds into the monthly Chief Officer Executive Board meeting and ultimately into the quarterly Strategy and Performance Board.

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

This governance meeting structure was further reviewed in 2018/19, to make some minor changes to the same and the diagram below sets out the revised meeting structure within the Force and between the Office of the Police and Crime Commissioner for Gwent (OPCC).

The colour key to the diagram is as follows:

Green	Executive Boards;
Orange	Scrutiny Meeting;
Dark Blue	Governance Boards;
Light Blue	Thematic of the Boards and their cycle;
Yellow	Departmental Meetings and sources of update that feed into Governance Boards; and
Grey	Boards/Meetings outside the Force's own Governance Structure, but impact upon it.



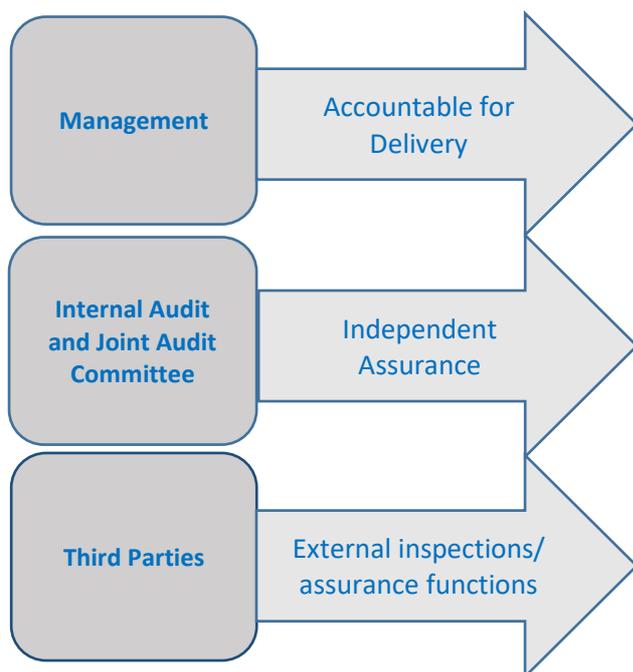
## PART TWO

### REVIEW OF EFFECTIVENESS

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

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

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



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

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

The roles of the various bodies are detailed below:

#### **Joint Audit Committee**

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

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

- (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 the CIPFA Audit Committees Practical Guidance for Local Authorities.

The Joint Audit Committee provides comments, advice and assurance on matters relating to the internal control environment of the Force and the OPCC. It also has oversight of general governance matters. The Joint Audit Committee has specific responsibility to provide independent assurance on the arrangements for governance, including risk management and the internal control environment. During 2018/19, the Joint Audit Committee was composed of five individuals appointed by the Commissioner and the Chief Constable to act as independent advisers.

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

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

**The Joint Audit Committee Annual Report for 2018/19 confirmed that the Joint Audit Committee remains satisfied that the Commissioner and the Chief Constable can be reasonably assured that the control, risk and governance position for 2018/19 was appropriate.**

#### **Independent Ethics Committee:**

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

#### **Internal audit**

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

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

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

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

#### **Internal Audit Work During 2018/19**

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

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

delivered by TIAA. Such assurance will be provided by TCBC internal audit function, for which the WAO will refer in considering the control framework for the ICT functions.

During 2018/19 TIAA undertook 23 audits of which 2 were assessed as providing substantial assurance, 15 with reasonable assurance, 5 with limited assurance and 1 was advisory with no assessment given.

Fixed Assets	Substantial
Expenses and Additional Payments	Substantial
Contract Management – Visit 1	Reasonable
GDPR Compliance – Visit 1	Reasonable
Vetting	Reasonable
Payroll	Reasonable
Debtors	Reasonable
General Ledger	Reasonable
Estate Management – Governance Arrangements	Reasonable
Business Continuity Planning	Reasonable
GDPR Compliance – Visit 2	Reasonable
Budgetary Control	Reasonable
Pensions	Reasonable
FIRMS System Implementation	Reasonable
Collaborative Project – ROCU	Reasonable
Staying Ahead 8 – Corporate Communications	Reasonable
Governance Assurance Framework	Reasonable
HR Management Training and Development	Limited
Fleet Management – Single System	Limited
Local Policing – Property and Cash	Limited
Creditors	Limited
Counter Fraud – Payments Health Check	Limited
Data Breach FOI Request	Advisory

These reports generated 109 recommendations, of which only 5 were urgent, 59 were considered important and 45 were categorised as routine.

Of the 5 Limited Assurance internal audits the actions either have been addressed or actions taken to mitigate the risk. The Limited Assurance audit reports for Creditors was as a direct result of the implementation during 2017/18, of a Fully Integrated Resource Management System (FIRMS) – a project under the collaborative Fusion Programme with South Wales Police. FIRMS brought together the core business systems (Human Resources (HR), Learning and Development, Payroll, Finance, Procurement and Rostering) into one system, on an integrated platform between the two Forces. Although Phase 1 successfully went live on the 31<sup>st</sup> July 2017, with the transition to a new integrated HR, Payroll, Finance and Procurement System, the implementation of such a significant change to systems, processes and user knowledge created challenges in the timely payment and issue of invoices.

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

One audit (Contract Management - Visit 2) from the original 2018/19 Internal Audit Plan was deferred into 2019/20 at the request of management.

**TIAA's Annual Opinion was that the Police and Crime Commissioner and the Chief Constable have adequate and effective management, control and governance processes in place to manage the achievement of their objectives. Management representation was provided that priority recommendations arising from the five reviews assessed as providing limited assurance have been addressed or are in progress.**

During 2018/19 TCBC undertook 8 audits of which the assessment is below.

Cyber Security	Moderate
Identity and Access Management	Moderate
Virtualisation	Moderate
Mobile Computing	Limited
Supplier Management	Limited
Performance Management	Limited
Application Support/Management – Follow up	Substantial
Information Technology Governance – Follow up	Substantial

These reports generated 98 recommendations, of which none were high, 86 were medium and 12 were categorised as low.

Of the 3 Limited Assurance internal audits the actions either have been addressed or actions taken to mitigate the risk.

A further three audits have been delayed into 2019/20, that were originally planned to be delivered in 2018/19. This has been a matter of concern and requires management to address this governance risk.

**TCBC's Annual Opinion was generally satisfactory, with some improvement required in relation to the adequacy and effectiveness of governance, risk management and control.**

This opinion is defined as:

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

#### **External Audit**

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

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

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

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

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

### **Other Bodies**

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

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

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

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

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

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

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

### **Inspection Work During 2018/19**

HMICFRS's reports during 2018/19 supported the monitoring and development of many Force priorities. They also produced a suite of value for money indicators to challenge areas of exceptional spend, demand and performance in comparison with Gwent Police's most similar forces. The results of the benchmarks inform the Force's change programme.

### **PEEL Assessment by HMICFRS**

During 2018/19, HMICFRS published its assessments of police forces which would allow members of the public to see how well its local force is performing. These are known as PEEL assessments (and examine **P**olice Effectiveness, **E**fficiency and **L**egitimacy):

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

Gwent Police last had a PEEL inspection during the 2017/18 financial year, its next PEEL inspection is scheduled for early on in the 2019/20 financial year.

### **HMICFRS also undertook the following national/thematic reviews in 2018/19:**

- **Hate Crime** – Not Graded<sup>2</sup>;
- **Crime Data Integrity** – Requires Improvement;
- **Counter Terrorism (Prevent)** – Not Graded<sup>3</sup>;
- **Child Protection** – Awaiting formal Inspection report
- **Joint Inspection of Domestic Abuse Evidence led prosecutions** – Awaiting formal Inspection Report

In relation to the Crime Data Integrity (CDI) assessment, HMICFRS acknowledged that Gwent Police had made significant progress since the previous CDI inspection completed in 2014, saying:

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<sup>2</sup> Certain randomised thematic inspections across a small number of forces are not graded, but are designed to identify and monitor best practice.

<sup>3</sup> As above.

*“the force has improved its crime-recording processes since our 2014 report.”*

Gwent Police has developed an action plan to address the areas for improvement identified within the report and this is overseen at Chief Officer level by the Assistant Chief Constable.

### **Police and Crime Panel**

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

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

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

The responsibilities and powers of the panel include:

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

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

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

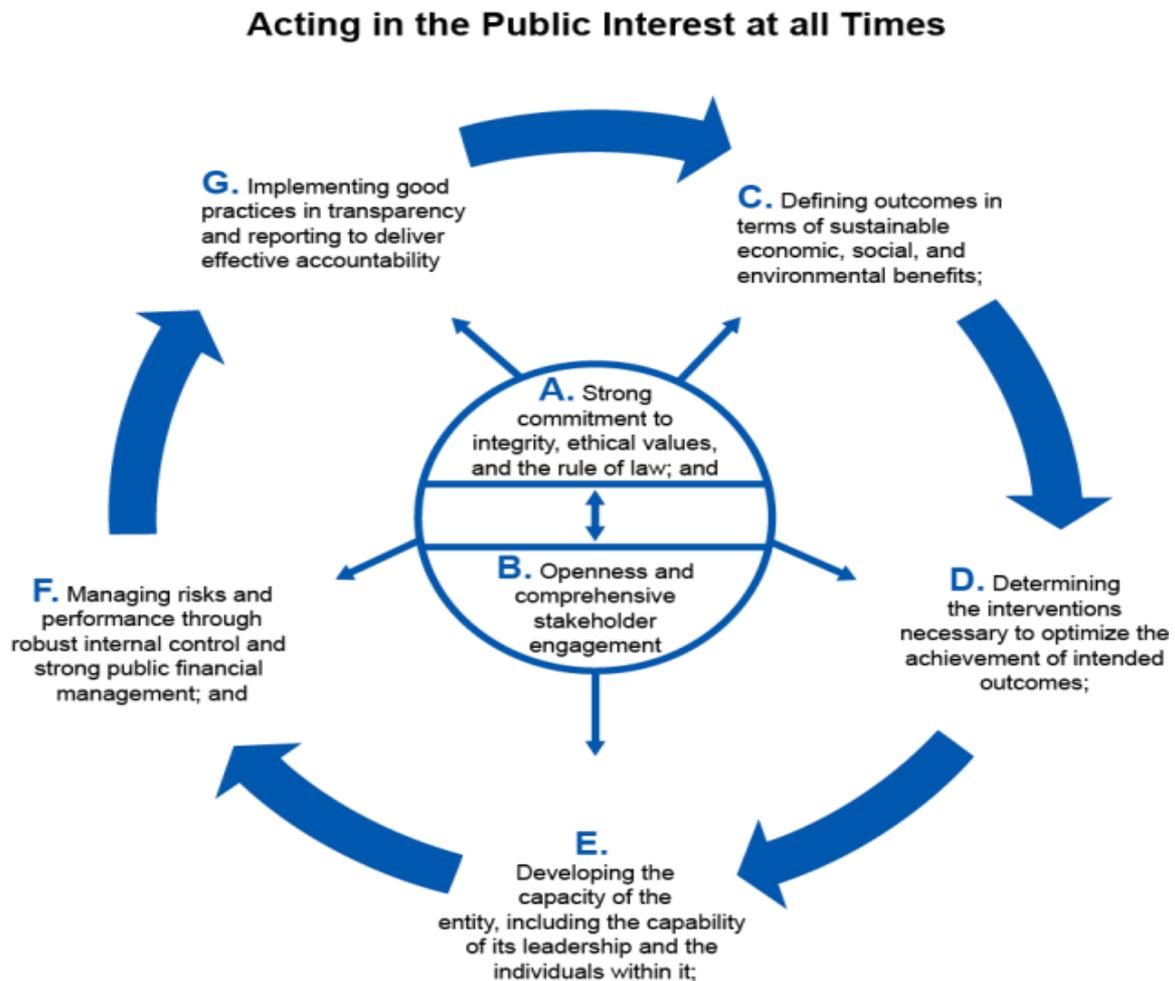
### ***During 2018/19 the work of the Panel included consideration of the following:***

- The Police and Crime Plan;
- Scrutiny of OPCC evidence for monitoring Force Performance;
- Medium Term Financial Projections;
- Precept proposal 2019/20;
- Strategic Equality Plan;
- Implementation of Welsh Language Standards across Gwent Police;
- Treasury Management Strategy;
- Joint Engagement and Communications Strategy;
- Modern Day Slavery and Human Trafficking; and
- OPCC Activity on delivering the Police and Crime Plan.

There were 5 meetings of the Police and Crime Panel in 2018/19

## ANNUAL ASSESSMENT AND ACTION PLANS

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



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

A summary of the 2018/19 assessment is shown below:

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

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

### 2018/19 Action Plan

No significant governance issues were identified for 2018/19; however, the following action plan addresses the issues identified:

Category	Risk Area/Weakness	Action to be Delivered in 2019/20 and Beyond
<b>Behaving with Integrity and Ethics; and Capacity and Leadership.</b>	Behaving with integrity and Ethics not formally built into induction programmes for staff. (OPCC)	Formal induction programme for OPCC to be established, including the standards of behaviour expected.
<b>Behaving with Integrity and Ethics; Sustainable Outcomes; and Capacity and Leadership.</b>	Staff Performance Framework to be established. (OPCC)	OPCC Business Plan to finalised and associated Staff Performance Framework to be created.
<b>Behaving with Integrity and Ethics; Openness and Engagement; and Determine Interventions.</b>	Clarity required over 'decision making' framework and procedures, including how evidence is collected that shared values guide decision making. (OPCC and Force)	Decision Making framework and procedures to be considered.
<b>Behaving with Integrity and Ethics; Openness and Engagement; and Determine Interventions.</b>	Protocols for Partnership working to be established; to include how values are embedded and evidenced. (OPCC and Force)	Partnership working protocols to be developed.
<b>Behaving with Integrity and Ethics.</b>	Job Description and Portfolios to be established for PCC, Deputy PCC and Chief Officers. (OPCC)	Job Description to be finalised for Deputy PCC and Portfolios confirmed across the entire Executive Team.
<b>Openness and Engagement; Risks and Performance; and Transparency and Accountability.</b>	Chief Officer Level Management Group Minutes are not published (OPCC and Force).	Review the degree of publication of Chief Officer Level Management Group minutes across policing.
<b>Determine Interventions; and Risks and Performance.</b>	Performance Management Framework and Measures for the Police and Crime Plan yet to be finalised. (OPCC and Force)	Performance Management Framework and Measures to be finalised for the Police and Crime Plan and evidence of corrective action (where necessary) provided.
<b>Determine Interventions.</b>	Business Plans do not demonstrate consideration of	Consideration should be given to embedding the concept of 'social

	'Social Value'. (OPCC and Force)	value' across the OPCC and Force.
<b>Risks and Performance</b>	In November 2018, a threshold within the 2018/19 Treasury Management Strategy was breached, by virtue of the monetary limit to be placed with one counterparty being exceeded. The investment overlap was discovered on the same day the investment was made and the Commissioner's Chief Finance Officer was contacted immediately for a decision on how to rectify. One option was to unwind the one investment early losing £2,000 of interest so there was no breach, or breaching the limit for six weeks until the planned repayment date. Due to the low risk of the counter party (a Local Authority) it was decided to breach the limit for 6 weeks. The Commissioner had no liquidity difficulties during this period.	Staff undertaking the Treasury Management Function have been reminded of the need to strictly adhere to the relevant Treasury Management Strategy.

#### Progress against 2017/18 Action Plan

The 2018/19 Annual Governance Statement is the first in this format of reporting an action plan to address weaknesses in the principles of good governance. Therefore, the 2019/20 Annual Governance Statement will be the first in reporting previous year's progress (2018/19), against its approved action plan.

#### CONCLUSION AND OPINION

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

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

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

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

Jeff Cuthbert

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Police and Crime Commissioner for Gwent

Darren Garwood- Pask

.....  
Chief Finance Officer (Commissioner)

Sian Curley

.....  
Chief Executive (Commissioner)

Pamela Kelly

.....  
Chief Constable of Gwent

Nigel Stephens

.....  
Chief Finance Officer (CC)

## APPENDIX 1

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

### Nolan Principles

<u>Principle:</u>	<u>What we do:</u>	<u>Specific action taken in 2018/19 and plan(s) for 2019/20:</u>
<p><b>Selflessness:</b></p> <p><b>Decisions will be taken solely in terms of the public interest, and not for personal financial or other gain, whether for such person, their family or their friends.</b></p>	<p><b>Commissioner:</b></p> <ul style="list-style-type: none"> <li>Compliance with the Elected Local Policing Bodies (Specified Information) Order 2011 and the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2012 which requires the publication of information in relation to various matters including, the names of the Commissioner and Deputy Commissioner, correspondence address for each, salaries, expenses, register of interests and the number of complaints about them which are brought by the Panel;</li> <li>Specific reference to interests on the decision form;</li> <li>The Commissioner's, Deputy Commissioner's and senior officers' salaries and expenses are disclosed in Statement of Accounts; and</li> <li>Details of key decisions taken by the Commissioner are published on the website.</li> </ul> <p><b>Chief Constable:</b></p> <ul style="list-style-type: none"> <li>The Force's external website contains details of declared business interests and of gifts and hospitality accepted and declined by Chief Officers; and</li> <li>Senior officers' salaries and expenses are disclosed in the Statement of Accounts.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring any changes to the 2011 and 2012 Orders and continuously seeking to ensure all relevant information is captured and disclosed as required;</li> <li>Updated details in relation to the 'Related Parties Disclosure' in the Force accounts to accord with the current guidance and the list of affected staff was extended to ensure transparency; and</li> <li>Ensure that decision logs are maintained and updated regularly and that these are accessible on external websites.</li> </ul>
<p><b>Integrity:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.</b></p>	<p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>Compliance with the MoCG and Principles of Relationships agreed between the Chief Constable and the Commissioner;</li> <li>Ensuring that the register of gifts and hospitality is updated as and when offers are received;</li> <li>Ensuring related parties' disclosure in the Statement of Accounts;</li> <li>The Chief Officer Team creates a climate of ethical behaviour and encourages others to challenge unprofessional behaviour, leading by example. Officers and staff are aware of the boundaries of professional behaviour, and more serious unprofessional behaviour is investigated by the Professional Standards Department;</li> <li>The Force has utilised a variety of media to raise awareness of integrity issues for staff, including extending the membership of the Ethics Committee to include representation from both officers and staff (in addition to independent members) thus providing further</li> </ul>	<ul style="list-style-type: none"> <li>Review and reinforce the procedures set out in the MoCG to ensure understanding and compliance;</li> <li>Durham University was contracted to undertake a corporate health/staff survey to support the wider wellbeing agenda in 2018 and this will be repeated to monitor progress made. The results were very positive in terms of staff integrity and public service ethos;</li> <li>In 2018/19 Chief Officers introduced a new register in which they disclosed any media contacts in accordance with the</li> </ul>

<p><i>IFGG Standard 1: Behave with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</i></p>	<p>emphasis on the importance of ethical behaviour and integrity. Arrangements are in place to ensure that staff understand and adhere to the Code of Ethics;</p> <ul style="list-style-type: none"> <li>• All requests for authorisation of a business interest are recorded in a central electronic register;</li> <li>• There are confidential mechanisms and a clear policy to support staff reporting wrongdoing; and</li> <li>• 2018/19 continued to see public Police Misconduct Hearings chaired by independent Legally Qualified Chairs.</li> </ul>	<p>recommendation (no 76) made by Leveson, and this will be maintained and monitored in 2019/20; and</p> <ul style="list-style-type: none"> <li>• The Ethics Committee will report to the Chief Constable and the Commissioner on any recommendations they have made in 2018/19.</li> </ul>
<p><b>Objectivity: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, the Chief Constable, their officers and staff will make choices on merit.</b></p>	<p><b>Commissioner:</b></p> <ul style="list-style-type: none"> <li>• All posts are made on merit in compliance with section 7 of the Local Government and Housing Act 1989;</li> <li>• All posts within the Commissioner's staff are politically restricted, with the exception of the Commissioner and Deputy Commissioner;</li> <li>• The Chief Executive/Monitoring Officer and Chief Finance Officer have specific legal responsibilities to advise on the lawfulness and budget implications of transactions; and</li> <li>• Where relevant, details of posts are included within the annual Statement of Accounts.</li> </ul> <p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• The MoCG (including the Financial Regulations and the Standing Orders Relating to Contracts) expressly provide for the processes to be applied in relation to contracts. Such processes are transparent and auditable with full use being made of the etenderwales and Sell2Wales systems;</li> <li>• Contract documentation is published on the Blue Light Police Database, which is a national system accessible by the public;</li> <li>• Contracts are also published in accordance with the requirements of the 2011 Order (as amended); and</li> <li>• All force appointments (both into operational and support roles) are made in accordance with force recruitment policies and in accordance with the requirements of current legislation.</li> </ul>	<ul style="list-style-type: none"> <li>• Any further appointments will be made in compliance with the requirements of the Act and Regulations; and</li> <li>• Adoption of new Southern Wales procurement strategy - which will continue to be monitored during 2019/20.</li> </ul>
<p><b>Accountability: The Commissioner, the Chief Constable, their officers and staff will be accountable for their decisions and actions to the public and will submit themselves to</b></p>	<p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• Informed and Transparent Decisions: All decision making operates within the specific legislative and regulatory frameworks that confer on both the Commissioner and the Chief Constable duties, powers and responsibility;</li> <li>• As set out above, the Commissioner holds the Chief Constable to account for the maintenance of an efficient and effective force. The Commissioner and the Chief Constable ensure that information relating to decisions is made readily available to local people;</li> <li>• Scrutiny: The independent Joint Audit Committee appointed jointly by the Commissioner and the Chief Constable has held 5 formal meetings during the course of the year. The</li> </ul>	<ul style="list-style-type: none"> <li>• The Joint Audit Committee has held 5 formal meetings during the course of the year. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the arrangements adopted by the Commissioner and the Chief Constable for governance and management of risk;</li> <li>• During 2018/19 the matters identified through the Joint Risk Register have been managed</li> </ul>

<p><b>whatever scrutiny is appropriate.</b></p> <p><i>IFGG Standard 6: Manage risks and performance through robust internal control and strong public financial management.</i></p> <p><i>IFGG Standard 4: Determine the interventions necessary to optimise the achievement of the intended outcomes.</i></p>	<p>Joint Audit Committee has attended a national training event with CIPFA. As an advisory body, the Joint Audit Committee has undertaken a significant amount of work to review and make recommendations in respect of the arrangements adopted by the Commissioner and the Chief Constable for governance and management of risk;</p> <ul style="list-style-type: none"> <li>• Risk remains a standing agenda item on all strategic meetings within the Force and all decision making meetings of the Commissioner. The joint risk management adopted by the Commissioner and the Chief Constable establishes how risk is embedded throughout the various elements of corporate governance of the corporation(s) sole;</li> <li>• The Chief Finance Officers for the Commissioner and for the Chief Constable advise their respective corporation sole on the safeguarding of assets, risk management and insurance. They ensure that in relation to any strategic business decisions of the Commissioner and the Chief Constable, that consideration is given to immediate and longer term implications, opportunities and risks. They will follow the new CIPFA Guidance for the role of the Chief Finance Officer and the new Financial Management Code of Practice issued in July 2018;</li> <li>• Part of the approach to risk management involves the purchasing of insurance cover to protect assets and liabilities where it is either required or cost effective to do so. The organisation is proactive in self-insuring some elements of the overall insurance package. The Commissioner and Chief Constable maintain an insurance provision which is reviewed annually to help meet claims. Gwent Police will re-tender for its insurance provision in 2019/2020;</li> <li>• Decision records are published on public website in compliance with the 2011 and 2012 Orders and with the requirements of section 11 of the Police Reform and Social Responsibility Act 2011;</li> <li>• The Commissioner provides the Panel with any information which it may reasonably require (in compliance with section 13 of the Police Reform and Social Responsibility Act 2011) and also seeks to keep them informed of significant developments. The Commissioner produces an annual report in accordance with section 12 of the Police Reform and Social Responsibility Act 2011. The Panel do not scrutinise the performance of the Chief Constable or those responsible to him as this is the responsibility of the Commissioner, but both the Commissioner and the Chief Constable seek to ensure that Panel Members are well informed on operational issues. The meetings of the Panel are held in public and it met 5 times during 2018/19;</li> <li>• Statements of Account are produced annually and subject to public inspection and audit by WAO. WAO report by exception on the Joint Annual Governance Statement. WAO assess the arrangements for securing economy, efficiency and effectiveness in the use of resources;</li> </ul>	<p>through the governance infrastructure set out in the MoCG. Boards within the structure continue to own and manage the issues relevant to their remit and the risks are updated in the Joint Risk Register and escalated as appropriate;</p> <ul style="list-style-type: none"> <li>• 2019 will see both corporations sole tender for its insurance provision as the current contract ends on 31<sup>st</sup> March 2019;</li> <li>• 2019 will see further engagement with the Panel to create a development and briefing programme of work to support them in undertaking their functions; and</li> <li>• Repeat of annual update training to the members of the Joint Audit Committee, with external providers such as CIPFA and the WAO.</li> </ul>
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	<ul style="list-style-type: none"> <li>• The Commissioner and Chief Constable jointly commission an Internal Audit service and have agreed the audit plan; and</li> <li>• The HMICFRS conducts its own comprehensive inspection of Force performance and the Commissioner comments on the findings. HMICFRS reports are published on their website and are publicly accessible.</li> </ul>	
<p><b>Openness:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will be as open as possible about all decisions and action they take. Reasons for decisions will be made available and information will be restricted only when so required by the wider public interest.</b></p> <p><i>IFGG Standard 2: Ensure openness and comprehensive stakeholder engagement</i></p> <p><i>IFGG Standard 3: Define outcomes in terms of sustainable economic social and environmental benefits.</i></p>	<p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>• The Commissioner and Chief Constable have adopted arrangements for effective engagement with key stakeholders, ensuring that where appropriate such stakeholders remain closely involved in decision making, accountability and the future direction of the service; and</li> <li>• In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 and 2012 (and the guidance provided by the Information Commissioner) a range of information has been made publically available through the force and Commissioner’s websites over the course of the last year. The Commissioner’s decisions, which are of significant public interest, are publicised on his website (unless there are specific reasons why a decision should be exempt).</li> </ul>	<ul style="list-style-type: none"> <li>• Public consultation and/or engagement will continue to be undertaken by way of a comprehensive strategy which includes: <ul style="list-style-type: none"> <li>○ Regular meetings with the local authorities in Gwent;</li> <li>○ Frequent meetings with other key partners, including the Welsh Government;</li> <li>○ Public consultation on the Police and Crime Plan and Precept;</li> <li>○ Widespread use of social media and the Commissioner’s website.</li> <li>○ Press, TV and radio articles and interviews;</li> <li>○ Responding to complaints; and</li> <li>○ Surveys.</li> </ul> </li> <li>• Alignment with Local Government wellbeing plans and continuing adoption of the principles of the Wellbeing of Future Generations (Wales) Act 2015; and</li> <li>• Gwent Police remain committed to sustainable environmental initiatives and this will be reflected in its proposals for the development of a new Gwent Police Headquarters and its wider Estate Strategy.</li> </ul>
<p><b>Honesty:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any</b></p>	<p><b>Commissioner:</b></p> <ul style="list-style-type: none"> <li>• A Register is maintained of the Commissioner’s disclosable interests in accordance with Schedule 1, Paragraph 1(e) of the Elected Local Policing Bodies (Specified Information) Order 2011 (as amended).</li> </ul> <p><b>Chief Constable:</b></p> <ul style="list-style-type: none"> <li>▪ Any business interests are disclosed and maintained in a Register (which is accessible to the public).</li> </ul>	<ul style="list-style-type: none"> <li>• The Professional Standards Department (Chief Constable) and the Chief Executive (Commissioner) will continue to monitor compliance by police officers and police staff with these requirements.</li> </ul>

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

<p><b>Respect:</b></p> <p><b>The Commissioner, the Chief Constable, their officers and staff will act with self-control and tolerance, treating members of the public and colleagues with respect and courtesy.</b></p>	<p><b>Commissioner:</b></p> <ul style="list-style-type: none"> <li>The Commissioner is responsible for handling any complaints and conduct matters in relation to the Chief Constable, monitoring complaints against his staff, and monitoring the way in which Gwent Police complies with the requirements of the Independent Office of Police Conduct.</li> </ul> <p><b>Chief Constable:</b></p> <ul style="list-style-type: none"> <li>The Chief Constable manages all complaints against the Force, its officers and staff and ensures that the Commissioner is kept informed;</li> <li>Serious complaints and matters to do with conduct are referred to the Independent Office of Police Conduct in line with the requirements of legislation;</li> <li>The Police Staff Council has adopted standards of professional behaviour that reflect relevant principles enshrined in the European Convention on Human Rights and the Council of Europe Code of Police Ethics. These apply to all police staff;</li> <li>The values of 'protecting and reassuring' are guiding principles for all staff and officers; and</li> <li>In support of this standard, the Chief Constable requires all officers to remain composed and respectful (even in the face of provocation) and this is reflected in the force training undertaken.</li> </ul> <p><b>Commissioner and Chief Constable:</b></p> <ul style="list-style-type: none"> <li>Authority is only exercised in a way which is proportionate, lawful, accountable, necessary and ethical;</li> <li>Implementation of the Code of Ethics and the oversight and recommendations provided by the Independent Ethics Committee; and</li> <li>A system of Performance Development Reviews is in place for Police Officers and police staff. This process allows for focused performance review, and for the cascading and targeting of key objectives which are directly linked to the Police and Crime Plan and the Force Delivery Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation and embedding of the changes to the complaints and discipline system introduced by the Policing and Crime Act 2017; and</li> <li>An amended performance development review process to be undertaken in 2019.</li> </ul>
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## Comprehensive Income and Expenditure Statement (CIES) for the PCC Group 2018/19

This statement shows the accounting cost in year to 31st March 2019, of providing services for the PCC Group, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement on Reserves Statement.

2017/18				2018/19		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
67,878	0	67,878		76,015	0	76,015
26,137	0	26,137		28,373	0	28,373
4,043	0	4,043		4,012	0	4,012
2,314	0	2,314		2,378	0	2,378
881	0	881		1,148	0	1,148
343	0	343		426	0	426
4,728	0	4,728		66,628	0	66,628
5,984	0	5,984		6,247	0	6,247
2,771	0	2,771		3,088	0	3,088
22,647	0	22,647		26,181	0	26,181
253	0	253		306	0	306
161	0	161		241	0	241
0	(12,474)	(12,474)		0	(12,935)	(12,935)
<b>138,140</b>	<b>(12,474)</b>	<b>125,666</b>	<b>7</b>	<b>215,043</b>	<b>(12,935)</b>	<b>202,108</b>
1,361	(20,251)	(18,890)	10	1,412	(17,587)	(16,175)
42,909	(3,427)	39,482	11	40,289	(3,864)	36,425
0	(121,391)	(121,391)	12	0	(124,451)	(124,451)
<b>182,410</b>	<b>(157,543)</b>	<b>24,867</b>		<b>256,744</b>	<b>(158,837)</b>	<b>97,907</b>
		(91,462)				51,337
		<b>(91,462)</b>				<b>51,337</b>
		<b>(66,595)</b>				<b>149,244</b>

## Comprehensive Income and Expenditure (CIES) for the Police and Crime Commissioner 2018/19

2017/18			2018/19		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
0	0	0	0	0	0
1,183	0	1,183	1,001	0	1,001
0	0	0	0	0	0
0	0	0	0	0	0
1	0	1	0	0	0
0	0	0	0	0	0
7	0	7	68	0	68
265	0	265	5	0	5
114	0	114	30	0	30
2,841	0	2,841	3,190	0	3,190
0	0	0	0	0	0
0	0	0	0	0	0
0	(12,474)	(12,474)	0	(12,935)	(12,935)
<b>4,411</b>	<b>(12,474)</b>	<b>(8,063)</b>	<b>4,294</b>	<b>(12,935)</b>	<b>(8,641)</b>
174,253	0	174,253	248,477	0	248,477
44	(20,251)	(20,207)	0	(17,587)	(17,587)
615	(340)	275	665	(556)	109
0	(121,391)	(121,391)	0	(124,451)	(124,451)
<b>179,323</b>	<b>(154,456)</b>	<b>24,867</b>	<b>253,436</b>	<b>(155,529)</b>	<b>97,907</b>
		(191) Remeasurement of the net defined benefit liability / asset			557
		(91,271) Intra-Group Transfer			50,780
		<b>(91,462) Other Comprehensive Income and Expenditure</b>			<b>51,337</b>
		<b>(66,595) Total Comprehensive Income and Expenditure</b>			<b>149,244</b>

## Balance Sheet for the PCC Group 2018/19

The Balance Sheet shows the value as at 31st March 2019 of the assets and liabilities recognised by the PCC Group. The net assets of the PCC Group (assets less liabilities) are matched by the reserves held by the PCC Group. The reserves are presented within two categories, usable reserves and unusable reserves. Usable reserves may be used to provide services subject to statutory limitations on their use and the need to maintain prudent level of reserves for financial stability. Unusable reserves cannot be used to fund PCC Group services.

31 March 2018				31 March 2019			
OPCC	Group			OPCC	Group		
£000	£000	Notes		£000	£000		£000
28,629	28,629	13	Property, Plant and Equipment	32,227	32,227		
1,099	1,099	14	Intangible Assets	579	579		
770	770	20	Assets Held for Sale	165	165		
20	20		Long-Term Debtors	22	22		
<b>30,518</b>	<b>30,518</b>		<b>Long Term Assets</b>	<b>32,993</b>	<b>32,993</b>		
51,071	51,071	16	Short-Term Investments	49,153	49,153		
0	399	17	Inventories	0	560		
11,845	11,845	18	Short-Term Debtors	9,966	9,966		
8,684	8,684	19	Cash and Cash Equivalents	10,377	10,377		
<b>71,600</b>	<b>71,999</b>		<b>Current Assets</b>	<b>69,496</b>	<b>70,056</b>		
(14,100)	(14,499)	21	Short-Term Creditors	(14,039)	(14,599)		
(1,542)	(1,542)	22	Provisions	(1,497)	(1,497)		
<b>(15,642)</b>	<b>(16,041)</b>		<b>Current Liabilities</b>	<b>(15,536)</b>	<b>(16,095)</b>		
(1,421,040)	0	21	Long-Term Creditors	(1,569,969)	0		
(7,012)	(1,428,052)		Other Long-Term Liabilities	(7,764)	(1,577,733)		
<b>(1,428,052)</b>	<b>(1,428,052)</b>		<b>Long Term Liabilities</b>	<b>(1,577,733)</b>	<b>(1,577,733)</b>		
<b>(1,341,576)</b>	<b>(1,341,576)</b>		<b>Net Assets</b>	<b>(1,490,780)</b>	<b>(1,490,780)</b>		
(57,712)	(57,712)	23	Usable Reserves	(55,310)	(55,310)		
1,399,288	1,399,288	24	Unusable Reserves	1,546,090	1,546,090		
<b>1,341,576</b>	<b>1,341,576</b>		<b>Total Reserves</b>	<b>1,490,780</b>	<b>1,490,780</b>		

The figure for the OPCC's short term creditors of £14,039k (2017/18 - £14,100k) includes £12,659k (2017/18 - £10,001k) in relation to intra-group adjustments. Due to the implementation of a new system to prepare the financial statements it is not possible to provide the same split within the balance sheet. Detail of the balances that make up shortterm creditors can be found in Note 21.

## Movement in Reserves Statement for the PCC Group 2018/19

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

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

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

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

## Cash Flow Statement for the PCC Group 2018/19

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

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

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

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

2017/18			2018/19
£000	Notes		£000
24,867		Net (surplus) or deficit on the provision of services	97,907
(27,031)	25	Adjustment to surplus or deficit on the provision of services for noncash movements	(105,139)
591	25	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,266
<b>(1,573)</b>		<b>Net cash flows from operating activities</b>	<b>(5,966)</b>
5,894	26	Net cash flows from investing activities	4,098
65	27	Net cash flows from financing activities	175
<b>4,386</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(1,693)</b>
13,070		Cash and cash equivalents at the beginning of the reporting period	8,684
<b>8,684</b>		<b>Cash and cash equivalents at the end of the reporting period</b>	<b>10,377</b>

## Police Pensions Account

The Police Pension Fund Account at the 31st March 2019 is detailed below.

2017-18 £000		2018/19 £000
	<b>Contributions Receivable:</b>	
(10,105)	Employer Contributions	(10,816)
(1,713)	Injury Pensions including Gratuities Paid	(1,628)
(679)	Early Retirements (Capital Equivalent Charges)	(313)
0	Un-authorized Backdated Lump Sum Tax Payments (Home Office funding)	0
(180)	Transfers in from other Schemes	(215)
(5,671)	Members Contributions	(5,986)
<b>(18,348)</b>	<b>Net Income</b>	<b>(18,958)</b>
	<b>Benefits Payable:</b>	
29,583	Pensions Paid	31,264
14	Refunded Contributions	18
8,944	Lump Sum Benefits	5,125
0	Un-authorized Backdated Lump Sum Tax Payments	0
49	Lump Sum Death Benefits	115
37	Transfers out to other Schemes	-
<b>38,627</b>	<b>Net Expenditure</b>	<b>36,522</b>
<b>20,279</b>	<b>Net Amount Payable for the Year</b>	<b>17,564</b>
(20,279)	Additional Contribution from the Police & Crime Commissioner	(17,564)
<b>0</b>	<b>(Surplus)/Deficit on Fund</b>	<b>0</b>

The Police Pension Fund Account Net Assets at the 31st March 2019 are:

31 March 2018 £000		31 March 2019 £000
	<b>Current Assets:</b>	
2,244	Prepaid Pension Benefits	2,312
3,732	Funding to meet deficit due from Police & Crime Commissioner/Home Office	2,791
0	Recovery of Pension Benefits	0
	<b>Current Liabilities:</b>	
0	Provision for Backdated Lump Sums	0
(5,918)	Overdraw n Pension Cash Position	(4,949)
(58)	Unpaid Pension Benefits	(154)
<b>0</b>	<b>Total</b>	<b>0</b>

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

- The accounting policies followed and assumptions made regarding the Police Pensions Account are in line with those set out in Note 1, Accounting Policies;
- The Police Pension Scheme is administered by Capita Plc. under contract;
- There are no investment assets in the fund. The payments in and out of the Pension fund are balanced to nil each year by receipt of additional contributions from the General Police Fund, which in turn is reimbursed by a specific Home Office grant (Top Up Grant); and
- The Pension Fund's financial statements do not take account of future pension obligations after the 31st March 2019. However these are presented on the Balance Sheet under Net Pension Liability with detailed disclosures in Note 17, Defined Benefit Pension Schemes.

# Notes to the Financial Statements for the PCC Group

This set of notes represents the consolidated notes for the Statement of Accounts for 2018/19

## Note 1 - Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the PCC Group's transactions for the 2018/19 financial year and its position at the year-end of 31<sup>st</sup> March 2019. The PCC Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice (The Code) on Local Authority Accounting in the UK 2018/19 and the CIPFA Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

### 1.3 Accruals of Income and Expenditure

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

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

### 1.4 Exceptional Items

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

## **1.5 Capital Receipts**

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

## **1.6 Cash and Cash Equivalents**

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

## **1.7 Employee Benefits**

### **Benefits Payable during Employment**

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

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the PCC Group to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. When the PCC Group is demonstrably committed to the termination of the employment of an employee or group of employees, or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective service line in the CIES.

### **Post-employment Benefits**

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

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

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

### **Discretionary Benefits**

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

## **Injury Benefits**

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

## **1.8 Financial Instruments**

### **Financial Liabilities**

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

### **Financial Assets**

Are classified into two types:

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

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

## **1.9 Fair Value**

IFRS 13 Fair Value Measurement has been adopted by the Code and applied accordingly in the 2017/18 Financial Statements. This IRFS seeks to increase the consistency and comparability in the fair value measurement and related disclosures.

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

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

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

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

## **1.10 Government Grants and Contributions**

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

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

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

## **1.11 Inventories and Long Term Contracts**

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

### 1.12 Service Expenditure Analysis and Overheads

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

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

### 1.13 Intangible Assets

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

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

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

Principal Asset Categories and their Useful Economic Lives	Years
Other Assets eg. Software Licences	3, 5

### 1.14 Property, Plant and Equipment

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

#### Recognition

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

#### Measurement

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

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

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

Separate valuations for land and buildings are undertaken as a minimum every five years; the last revaluation took place in 16/17. For other classes of assets annual reviews are undertaken by the asset owners, which includes a review of the carrying amount of the asset in the Balance Sheet. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Impairments

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

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

## Depreciation

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

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

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

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

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

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

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

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

### 1.16 Leases

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

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

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

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

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

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

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

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

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

### **Provisions**

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

### **Contingent Liabilities**

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

### **Contingent Assets**

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

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

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

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

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

- Fair value of the services received during the year;
- Finance costs;
- Contingent rent;
- Payment towards liability; and
- Lifecycle replacement costs.

The PFI contract for the provision of a Custody Unit and Police Station at Ystrad Mynach has been deemed to be on Balance Sheet in accordance with the International Financial Reporting Interpretations Committee's (IFRIC), interpretation number 12, and the Government's Financial Reporting Manual.

In order to 'smooth-out' profiling differences between the unitary charge payments to the contractor and specific grant income from the Welsh Government, a sinking fund has been set up to hold initial funding 'surpluses' and provide for future funding shortfalls.

## **1.21 Reserves**

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

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

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

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

### 1.23 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

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

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), the PCC Group is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

Paragraph 3.3.2.13 of the 2018/19 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

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

- IFRS 16 – Leases, issued in January 2019 and adopted in the 2019/20 Code.

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

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

## Note 3 - Critical judgments in applying accounting policies

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

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

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

The items in the PCC Group's Balance Sheet as at 31<sup>st</sup> March 2019 for which there is a significant risk, of material adjustments in the forthcoming financial year are as follows:

### To be updated:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant and equipment	Non-current assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred. The current economic climate makes it uncertain that the PCC Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives of the assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset decreases. It is estimated that the annual depreciation charge for property, plant and equipment would increase by approximately £1.373m every year the useful lives of the PCC Group's property, plant and equipment asset base were reduced.

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 Group with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the rate of increase in salaries would have a £18m 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 £36m.</p> <p>However, the assumptions interact in complex and sensitive ways. During 2018/19, GAD advised that the net pensions' liability had increased by £130m due to changes in financial assumptions used. In the previous financial year the net pension liability decreased by £59m attributable to changes in financial assumptions.</p> <p>In their IAS19 report on the Police Officer Pension Scheme the actuary has reported that the new scheme came into place in 2015 and that this may impact on retirement patterns. However there is no scheme experience data yet which would highlight this change. Any adjustment that could be made would be highly subjective therefore no adjustment has been made.</p>
Accumulated Absences	Estimation of the liability with respect to untaken annual leave, flexi balances, rest days for recovery and overtime on the card requires the use of sampling techniques to form a reliable estimate of the outstanding liability. Sample size and methodology can all impact on the final estimated liability.	The effect of a 1% increase in untaken accumulated absences results in a £13,371 increase in the estimated liability.
Arrears	At 31st March 2019, the PCC Group had a balance of Sundry Debtors of £0.929m. A review of historical levels of debt that have had to be written off in previous years suggested that a year-end provision for bad debts of £6k was required.	A 1% increase in the average amount of debts requiring write off would require no change to bad debt provision at 31 <sup>st</sup> March 2019.

## Note 5 - Material items of Income & Expenditure

During 2018/19 no material items of expenditure were reported.

## Note 6 - Events after the Balance Sheet date

The Draft Statement of Accounts was authorised for issue by the Chief Finance Officer on 31<sup>st</sup> May 2019. There are no adjusting or non-adjusting events.

## Note 7 -Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, income, council tax and business rates) by the PCC Group in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the PCC Group, Chief Constable and associated services/departments. Income and expenditure is presented more fully in the CIES on page 33. The 2017/18 General Fund Closing Balance has been restated to remove Capital Receipts.

Net Expenditure Chargeable to the General Fund Balance Restated	2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement	2018/19		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments		
£000	£000	£000	£000	£000	£000	£000
59,739	8,139	67,878	Police Officer Salaries and Allowances	65,571	10,444	76,015
25,736	401	26,137	Police Staff Salaries and Allowances	23,954	4,419	28,373
4,043	0	4,043	PCSO Salaries and Allowances	4,012	0	4,012
2,321	(7)	2,314	Police Officer Overtime and Enhancements	2,392	(14)	2,378
881	0	881	Police Staff Overtime and Enhancements	1,148	0	1,148
343	0	343	PCSO Overtime and Enhancements	426	0	426
4,728	0	4,728	Other Employee Related Costs	2,891	63,737	66,628
5,844	140	5,984	Premises Costs	6,050	197	6,247
2,497	274	2,771	Transport Costs	2,731	356	3,088
21,770	877	22,647	Supplies and Services	22,134	4,047	26,181
253	0	253	Major Incident Schemes	306	0	306
161	0	161	Proactive Operational Initiatives	241	0	241
(13,903)	1,429	(12,474)	Other Income	(12,042)	(893)	(12,935)
788	(788)	0	Contribution to Police Computer Co.	731	(731)	0
(6)	6	0	Capital Charges	0	0	0
3,859	(3,859)	0	Other Approved Revenue Requirements	9,159	(9,159)	0
<b>119,054</b>	<b>6,612</b>	<b>125,666</b>	<b>Net Cost of Services</b>	<b>129,704</b>	<b>72,404</b>	<b>202,108</b>
(123,956)	23,156	(100,800)	Other Income and Expenditure	(126,678)	22,476	(104,202)
<b>(4,902)</b>	<b>29,768</b>	<b>24,866</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>3,026</b>	<b>94,881</b>	<b>97,907</b>
(52,810)			Opening Combined General Fund Balance	(56,011)		
(3,201)			Plus / less Surplus or Deficit on the General Fund Balance for the Year	3,026		
<b>(56,011)</b>			<b>Closing Combined General Fund Balance</b>	<b>(52,985)</b>		

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

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

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

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

2017/18

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

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

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

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

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

## Note 9 - Transfers to/from Earmarked Reserves

This note shows the amounts set aside from the PCC Group's Police Fund balances in Earmarked Reserves, to provide financing for future expenditure plans and also those used to meet Police Fund expenditure in 2018/19.

	Balance at 1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund Reserves:</b>							
Speed Awareness	(64)	0	0	<b>(64)</b>	0	0	<b>(64)</b>
PFI - Investment	(11,920)	(2,001)	1,704	<b>(12,217)</b>	0	1,226	<b>(10,990)</b>
Future Budgetary Balance	(4,379)	0	0	<b>(4,379)</b>	0	0	<b>(4,379)</b>
Debt Repayment	0	0	0	<b>0</b>	0	0	<b>0</b>
Staying Ahead Team	(1,613)	0	0	<b>(1,613)</b>	0	1,613	<b>0</b>
PCC Commissioning Strategy	(1,345)	(140)	586	<b>(899)</b>	(125)	531	<b>(493)</b>
PCC Drug Intervention Programme	(167)	0	0	<b>(167)</b>	0	0	<b>(167)</b>
Workstream Specific	(1,986)	(2,066)	267	<b>(3,785)</b>	(1,484)	780	<b>(4,488)</b>
Pending Legal Cases	(149)	0	0	<b>(149)</b>	0	0	<b>(149)</b>
Proceeds of Crime Act	(344)	0	150	<b>(194)</b>	(150)	39	<b>(305)</b>
Third Party Funds	(317)	(37)	179	<b>(175)</b>	0	111	<b>(64)</b>
Victim Services Commissioning	(221)	(7)	0	<b>(228)</b>	0	0	<b>(228)</b>
Innovation Fund	(3)	0	3	<b>0</b>	0	0	<b>0</b>
Unspent Revenue Grants	(256)	(43)	12	<b>(287)</b>	(31)	24	<b>(294)</b>
Police HQ Replacement	(13,605)	0	547	<b>(13,058)</b>	(7,804)	2,802	<b>(18,060)</b>
Airwave	(2,171)	(210)	0	<b>(2,381)</b>	(210)	0	<b>(2,591)</b>
Earmarked Capital Reserve	(1,740)	0	17	<b>(1,723)</b>	0	0	<b>(1,723)</b>
<b>Total General Fund</b>	<b>(40,280)</b>	<b>(4,504)</b>	<b>3,465</b>	<b>(41,318)</b>	<b>(9,804)</b>	<b>7,126</b>	<b>(43,996)</b>

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

### Speed Awareness

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

### PFI Investment Reserve

This is used to fund future expenditure against the PCC Group's PFI Site at Ystrad Mynach.

### Future Budgetary Balance Reserve

This will be utilised to ensure that the PCC is able to set a balanced budget between 2018/19 and 2021/22 in accordance with the PCC's medium term financial plan.

### Debt Repayment

The PCC Group has not set aside amounts for the repayment of debt into the Capital Adjustment Account as the debt has been repaid in 2016/17.

### Staying Ahead Team

A dedicated organisational change team is in place to ensure that the PCC Group is able to meet the budgetary challenges that it is facing. This reserve will fund the costs of this team between 2016/17 and 2017/18.

### **PCC Commissioning Strategy**

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

### **PCC Drug Intervention Programme**

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

### **Work-stream Specific**

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

### **Pending Legal Cases**

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

### **Proceeds of Crime Act**

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

### **Third Party Funds**

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

### **The Victims Servicing Commissioning Reserve**

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

### **Innovation Fund**

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

### **Unspent Revenue Grants**

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

### **Police HQ and Capital Replacement Reserve**

This is required to fund the replacement of the current Police Headquarters at Croesyceiliog, Cwmbran. It is anticipated that this will be utilised between 2018/19 and 2021/22 to acquire new accommodation. This fund is also used to fund the other capital replacement requirements of the group.

### **Airwave Reserve**

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

### **Earmarked Capital Reserve**

This is to fund future capital schemes.

## Note 10 - Other Operating Expenditure

Other Operating Income and Expenditure reported includes all levies payable, (gains)/losses generated from in year disposals of non-current assets and Home Office Top Up Grant due to fund the Police Officer pension account deficit at 31st March 2019. These are all items which could not be allocated or apportioned to service areas.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
1,317	Levies	1,412
44	Gains/losses on the Disposal of Non-Current Assets	(24)
(20,251)	Other	(17,564)
<b>(18,890)</b>	<b>Total Other Operating Expenditure</b>	<b>(16,175)</b>

## Note 11 - Financing and Investment Income and Expenditure

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
445	Interest payable and similar charges	483
39,273	Net interest on the net defined benefit liability (asset)	36,385
(236)	Interest receivable and similar income	(443)
0	Income and expenditure in relation to investment properties and changes in their fair value	0
<b>39,482</b>	<b>Total</b>	<b>36,425</b>

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

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(49,455)	Council tax income	(52,035)
(9,835)	Non-domestic rates income and expenditure	(9,750)
(61,652)	Non-ringfenced government grants	(62,216)
(449)	Capital grants and contributions	(449)
<b>(121,391)</b>	<b>Total</b>	<b>(124,451)</b>

## Note 13 - Property, Plant and Equipment

Movement on Property, Plant and Equipment balances during 2018/19.

### Movements to 31 March 2019

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>at 1 April 2018</b>	26,140	16,988	250	0	<b>43,378</b>
Adjustments to cost/value & depreciation/impairment	0	0	0	0	<b>0</b>
Additions	469	5,222	0	1,008	<b>6,699</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	<b>0</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	<b>0</b>
Derecognition – disposals	0	(4,236)	0	0	<b>(4,236)</b>
Reclassifications and transfer	0	0	0	0	<b>0</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	<b>0</b>
<b>at 31 March 2019</b>	<b>26,609</b>	<b>17,974</b>	<b>250</b>	<b>1,008</b>	<b>45,841</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>at 1 April 2018</b>	(702)	(14,044)	(3)	0	<b>(14,749)</b>
Adjustments to cost/value & depreciation/impairment	0	0	0	0	<b>0</b>
Depreciation charge	(767)	(2,233)	(4)	0	<b>(3,004)</b>
Derecognition – disposals	0	4,138	0	0	<b>4,138</b>
Reclassifications and transfers	0	0	0	0	<b>0</b>
Eliminated on reclassification to Held for Sale	0	0	0	0	<b>0</b>
<b>at 31 March 2019</b>	<b>(1,469)</b>	<b>(12,138)</b>	<b>(7)</b>	<b>0</b>	<b>(13,615)</b>
<b>Net Book Value</b>					
<b>at 31 March 2019</b>	<b>25,140</b>	<b>5,836</b>	<b>243</b>	<b>1,008</b>	<b>32,227</b>
<b>at 31 March 2018</b>	<b>25,438</b>	<b>2,944</b>	<b>247</b>	<b>0</b>	<b>28,629</b>

## Movements to 31 March 2018

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

## Capital Commitments

The new Headquarters (HQ) development is progressing through the HQ Project Board which meets on a monthly basis. The planned date for completion of the new build and move in date is June 2021, with the subsequent demolition of the current Headquarters during the following 6 months. The Budget in the Medium Term Financial Projections 2019/20 to 2023/24 paper is £28m

## Note 14 - Intangible Assets

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

There were no changes in the accounting estimates for intangible assets during the year and no intangible assets are considered to have an indefinite life. During the year amortisation of £0.633m (2017/18: £0.871m) and impairment of £0 (2017/18: £0) was charged to the CIES during 2018/19. This charge reflects the expected pattern of consumption of economic benefits of the intangible assets during the period.

The movement on Intangible Asset balances during the year 2018/19 with comparatives for 2017/18 was:

<b>31st March 2018</b>			<b>31st March 2019</b>	
<b>Other Assets</b>	<b>Total</b>		<b>Other Assets</b>	<b>Total</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
Balance at start of year:				
6,414	6,414	Gross carrying amounts	4,027	4,027
(4,630)	(4,630)	Accumulated amortisation	(2,928)	(2,928)
<b>1,784</b>	<b>1,784</b>	<b>Net carrying amount at start of year</b>	<b>1,099</b>	<b>1,099</b>
Additions:				
186	186	Purchases	203	203
(2,573)	(2,573)	Other disposals	(571)	(571)
(871)	(871)	Amortisation for the period	(633)	(633)
2,573	2,573	Amortisation written off on disposal	482	482
<b>1,099</b>	<b>1,099</b>	<b>Net carrying amount at end of year</b>	<b>579</b>	<b>579</b>
Comprising:				
4,027	4,027	Gross carrying amounts	3,659	3,659
(2,928)	(2,928)	Accumulated amortisation	(3,080)	(3,080)
<b>1,099</b>	<b>1,099</b>	<b>Total</b>	<b>579</b>	<b>579</b>

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

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

## Note 16 - Financial Instruments

	Non-Current Financial Assets					
	Investments		Debtors		Total	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
<b>Pre IFRS 9 Categories</b>						
Loans and receivables	0	0	20	0	20	0
<b>IFRS 9 Categories</b>						
Amortised cost	0	0	0	22	0	22
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>22</b>	<b>20</b>	<b>22</b>
Non-financial assets	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>22</b>	<b>20</b>	<b>22</b>

	Current Financial Assets							
	Investments		Debtors		Cash		Total	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
<b>Pre IFRS 9 Categories</b>								
Loans and receivables	51,071	0	11,947	0	0	0	63,018	0
<b>IFRS 9 Categories</b>								
Fair value through profit and loss	0	0	0	0	0	10,377	0	10,377
Amortised cost	0	49,153	0	9,966	0	0	0	59,119
<b>Total financial assets</b>	<b>51,071</b>	<b>49,153</b>	<b>11,947</b>	<b>9,966</b>	<b>0</b>	<b>10,377</b>	<b>63,018</b>	<b>69,496</b>
Non-financial assets		0		0		0		0
<b>Total</b>	<b>51,071</b>	<b>49,153</b>	<b>11,947</b>	<b>9,966</b>	<b>0</b>	<b>10,377</b>	<b>63,018</b>	<b>69,496</b>

	Non-Current Financial Liabilities							
	Borrowings		Creditors		Other long-term liabilities		Total	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Fair value through profit and loss	0	0	0	0	0	0	0	0
Amortised cost	0	0	0	0	0	0	0	0
Other	0	0	0	0	(4,510)	(4,366)	(4,510)	(4,366)
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,510)</b>	<b>(4,366)</b>	<b>(4,510)</b>	<b>(4,366)</b>
Non-financial liabilities	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,510)</b>	<b>(4,366)</b>	<b>(4,510)</b>	<b>(4,366)</b>

	Current Financial Liabilities					
	Borrowings		Creditors		Total	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Fair value through profit and loss	0	0	0	0	0	0
Amortised cost	0	0	14,399	(14,559)	14,399	(14,559)
Other	0	0	0	(146)		(146)
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>14,399</b>	<b>(14,705)</b>	<b>14,399</b>	<b>(14,705)</b>
Non-financial liabilities	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>14,399</b>	<b>(14,705)</b>	<b>14,399</b>	<b>(14,705)</b>

### Unusual Movements

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

### Reclassification

No financial instruments were re-classified during the year.

### De-recognition of instruments

No financial instruments were de-recognised during the year.

### Collateral

No financial instruments were linked to any collateral agreements.

### Allowance for Credit Losses

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

### Defaults and Breaches

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

### Financial Instruments Gains and Losses

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

	2017/18			2018/19		
	Financial Liabilities at amortised cost £000	Financial Assets: loans and receivables £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: loans and receivables £000	Total £000
Interest expense	-6	0	-6	0	0	0
Interest income	0	224	224	0	443	443
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0
<b>Net gain/(loss) for the year</b>	<b>-6</b>	<b>224</b>	<b>218</b>	<b>0</b>	<b>443</b>	<b>443</b>

### Fair Values

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

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

The fair values calculated are as follows:

	31 March 2018		31 March 2019	
	Carrying	Fair Value	Carrying	Fair Value
	Amount	£000	Amount	£000
<b>Financial liabilities</b>				
PWLB debt	-	-	-	-
Newport CC debt	-	-	-	-
Finance lease liability	4,686	4,686	4,511	4,511
Short-term creditors	14,499	14,499	14,599	14,599
<b>Total Financial Liabilities</b>	<b>19,185</b>	<b>19,185</b>	<b>19,110</b>	<b>19,110</b>

	31 March 2018		31 March 2019	
	Carrying	Fair Value	Carrying	Fair Value
	Amount	£000	Amount	£000
<b>Financial Assets</b>				
Investments and money market loans	51,071	51,071	49,153	49,153
Short-term debtors	11,845	11,845	12,883	12,883
<b>Total Financial Assets</b>	<b>62,916</b>	<b>62,916</b>	<b>62,036</b>	<b>62,036</b>

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

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

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

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

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

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

### Fair Value Hierarchy 31 March 2019

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

Comparatives balances at 31st March 2018 are detailed in the table below

### Fair Value Hierarchy 31 March 2018

	Level 1 £000	Level 2 £000	Level 3 £000
<b>Financial liabilities</b>			
PWLB debt	0	0	0
Newport CC debt	0	0	0
Finance lease liability	0	4,686	0
<b>Total Financial Liabilities</b>	<b>0</b>	<b>4,686</b>	<b>0</b>
<b>Financial Assets</b>			
Investments and money market loans	0	51,071	0
<b>Total Financial Assets</b>	<b>0</b>	<b>51,071</b>	<b>0</b>

## Note 17 - Inventories

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

	Consumable Stores		Maintenance Materials		Total	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Balance outstanding at start of year	331	327	68	72	399	399
Purchases	408	384	349	241	757	625
Recognised as an expense in the year	(412)	(223)	(345)	(241)	(757)	(464)
<b>Balance Outstanding at Year End</b>	<b>327</b>	<b>488</b>	<b>72</b>	<b>72</b>	<b>399</b>	<b>560</b>

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

## Note 18 - Debtors

The Short-Term Debtor balances carried by the PCC Group at 31st March 19 are:

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
0	Trade Receivables	0
0	Prepayments	4,701
11,845	Other Receivable Amounts	5,265
<b>11,845</b>	<b>Total</b>	<b>9,966</b>

In the 2018-19 year the CIPFA Code of Practice has changed the presentation of this note. This results in the debtors being split between Prepayments and Other Receivable Amounts.

## Note 19 - Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash in hand and balances held with financial institutions. The Bank Current Account balance includes a cash equivalent adjustment of £4.950m to redeem funds used to pay Police Officer Pensions during the year, which will be funded retrospectively by a specific Home Office grant.

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
4,162	Cash and Bank balances	5,838
4,522	Short Term Deposits	4,539
<b>8,684</b>	<b>Total Cash and Cash Equivalents</b>	<b>10,377</b>

## Note 20 - Assets Held for Sale

These represent Non-current Assets Held for Sale as at the 31st March 2019. The carrying amount of assets held for sale at the balance sheet date, were re-valued at fair value.

<b>Non-current</b>		<b>Non-current</b>
<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
845	Balance outstanding at start of year	770
(75)	Assets sold	(605)
<b>770</b>	<b>Balance Outstanding year end</b>	<b>165</b>

At the beginning of the year, there were two properties classified as held for sale. The status of these properties as at 31st March 2019 is as follows:

- (i) Newbridge Police Station. Offer accepted of £0.165m which has been approved by the District Valuer. The sale was not completed as at 31st March 2019 and as a result the asset remains in the books of the PCC Group.
- (ii) Abergavenny Police Station. Offer accepted of £0.605m which has been approved by the District Valuer, but there is a legally binding agreement to occupy until Feb 19. The sale was completed as at 31st March 2019.

## Note 21 - Creditors

Short- Term Creditor balances held by the PCC Group at 31st March 19 are:

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(5,030)	Trade payables	(8,517)
(9,469)	Other payables	(6,082)
<b>(14,499)</b>	<b>Total Creditors</b>	<b>(14,599)</b>

In the 2018-19 year the CIPFA Code of Practice has changed the presentation of this note. This results in the creditors being split between Trade Payables and Other Payables.

### Long-Term Creditor

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

## Note 22 - Provisions

All provisions are short-term as it is expected that the liability will be settled within 12 months after the reporting period.

Provisions in relation to the PCC Group during 2018/19 are:

### Current Provisions

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

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

### Injury and Damage and Other Compensation Claims

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

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

## Note 23 - Usable Reserves

### General Fund

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

### General Fund Reserve

31 March 2018	31 March 2019
£000	£000
10,905 Opening Balance	4,000
0 Transfers in to General Fund Reserve	0
(6,905) Transfer Out to Forecasted Accelerated Efficiencies Reserve	0
0 Other Transfers Out of General Fund Reserve	0
<b>4,000 Closing Balance</b>	<b>4,000</b>

### Forecast Accelerated Efficiency Savings Reserve

31 March 2018	31 March 2019
£000	£000
0 Opening Balance	10,694
6,905 Transfers In From General Fund Reserve	0
3,789 Transfers In to Forecast Accelerated Efficiencies Reserve	106
0 Transfers Out of Forecast Accelerated Efficiencies Reserve	(5,813)
<b>10,694 Closing Balance</b>	<b>4,987</b>

### Earmarked Reserves

31 March 2018	31 March 2019
£000	£000
40,279 Opening Balance	41,318
4,503 Transfers In to Earmarked Reserves	9,804
(3,464) Transfers Out of Earmarked Reserves	(7,126)
<b>41,318 Closing Balance</b>	<b>43,996</b>

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

## Note 24 - Unusable Reserves

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(4,092)	Revaluation Reserve	(3,785)
(21,652)	Capital Adjustment Account	(24,683)
1,423,541	Pension Reserve	1,573,222
1,492	Accumulated Absences Account	1,336
<b>1,399,288</b>	<b>Total</b>	<b>1,546,090</b>

### Revaluation Reserve

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(4,288)	<b>Balance 1 April</b>	(4,092)
0	Upward revaluation of assets	0
0	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	0
<b>0</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>0</b>
196	Difference between fair value depreciation and historical cost depreciation	308
0	Accumulated gains on assets sold or scrapped	0
<b>196</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>308</b>
0	Other movements	0
0	Other movements to Other Comprehensive Income and Expenditure	0
<b>(4,092)</b>	<b>Balance 31 March</b>	<b>(3,785)</b>

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

The balance is reduced when assets with accumulated gains are:

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

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

## Capital Adjustment Account

31 March 2018 £000		31 March 2019 £000
(23,045)	<b>Balance 1 April</b>	(21,652)
2,264	Charges for depreciation and impairment of non-current assets	3,004
0	Revaluation losses on non-current assets	0
871	Amortisation of intangible assets	633
0	Revenue expenditure funded from capital under statute	0
186	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	793
3,321	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	4,430
(196)	Adjusting Amounts written out of the Revaluation Reserve	(308)
3,125	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	4,122
0	Use of Capital Receipts Reserve to finance new capital expenditure	0
0	Use of Major Repairs Reserve to finance new capital expenditure	0
(449)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(449)
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	0
(1,284)	Capital expenditure charged against the General Fund and HRA balances	(6,453)
(1,732)	<b>Capital financing applied in year:</b>	(6,902)
0	Borrowing or liabilities met from the HRA	0
0	Borrowing or liabilities met from the Major Repairs Reserve	0
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
0	Other movements	(251)
<b>(21,652)</b>	<b>Balance 31 March</b>	<b>(24,683)</b>

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

## Pension Reserve

31 March 2018 £000		31 March 2019 £000
1,486,005	Balance 1 April	1,423,542
(91,462)	Remeasurements of the net defined benefit (liability)/asset	51,337
70,099	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	132,737
(41,101)	Employer's pensions contributions and direct payments to pensioners payable in the year	(34,394)
0	Other movements	0
<b>1,423,542</b>	<b>Balance 31 March</b>	<b>1,573,222</b>

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

## Accumulated Absences Account

31 March 2018 £000		31 March 2019 £000
2,215	<b>Balance 1 April</b>	1,492
(2,215)	Settlement or cancellation of accrual made at the end of the preceding year	(1,492)
1,492	Amounts accrued at the end of the current year	1,336
(723)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(156)
<b>1,492</b>	<b>Balance 31 March</b>	<b>1,336</b>

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

## Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(199)	Interest received	(290)
445	Interest paid	483
0	Dividends received	0
<b>245</b>	<b>Total</b>	<b>193</b>

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

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(2,264)	Depreciation	(3,004)
0	Impairment and downward valuations	0
(871)	Amortisation	(633)
0	(Increase)/decrease in impairment for bad debts	0
4,503	(Increase)/decrease in creditors	(736)
862	Increase/(decrease) in debtors	(1,904)
0	Increase/(decrease) in inventories	161
0	Increase/(decrease) in contract assets and liabilities	0
(28,998)	Movement in pension liability	(98,343)
(186)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(793)
(77)	Other non-cash movements charged to the surplus or deficit on provision of services	113
<b>(27,031)</b>	<b>Total</b>	<b>(105,139)</b>

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

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
142	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	817
449	Any other items for which the cash effects are investing or financing cash flows	449
<b>591</b>	<b>Total</b>	<b>1,266</b>

## Note 26 - Cash Flow from Investing Activities

The cash flows from investing activities include the following items:

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
1,485	Purchase of property, plant and equipment, investment property and intangible assets	7,364
123,000	Purchase of short-term and long-term investments	143,500
(142)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(817)
(118,000)	Proceeds from short-term and long-term investments	(145,500)
(449)	Other receipts from investing activities	(449)
<b>5,894</b>	<b>Net cash flows from investing activities</b>	<b>4,098</b>

## Note 27 - Cash Flow from Financing Activities

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
65	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	175
0	Repayments of short-term and long-term borrowing	0
<b>65</b>	<b>Net cash flows from financing activities</b>	<b>175</b>

## Note 28 - Members' Allowances

The PCC Group paid the following amounts to Joint Audit Committee Members during the year ended 31st March 2019. Amounts are split evenly with the Chief Constable.

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£</b>		<b>£</b>
0	Salaries	0
2,755	Allowances	6,001
122	Expenses	247
<b>2,877</b>	<b>Total Members' Allowances</b>	<b>6,248</b>

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

### Police Officer and Staff Numbers

	31st March 2018	31st March 2019
<b>Police Officers:</b>		
Above the rank of Constable	250	281
Constable	1,037	1053
<b>Total</b>	<b>1,287</b>	<b>1,334</b>
<b>Police Staff:</b>		
Full Time	632	677
Part Time	146	145
<b>Total</b>	<b>778</b>	<b>822</b>

The above numbers are as at 31<sup>st</sup> March 2019

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

### Remuneration Received

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

PCC 2017/18	PCC Group 2017/18	Remuneration Band	PCC 2018/19	PCC Group 2018/19
-	7	£60,000 - £64,999	1	9
1	6	£65,000 - £69,999	1	6
-	1	£70,000 - £74,999	-	8
-	2	£75,000 - £79,999	-	1
-	4	£80,000 - £84,999	-	2
1	1	£85,000 - £89,999	1	4
-	1	£90,000 - £94,999	-	2
-	1	£95,000 - £99,999	-	-
-	1	£100,000 - £104,999	-	-
-	1	£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	-	-
-	-	£145,000 - £149,999	-	-
7 -	-	£150,000 - £155,000	-	1

The individual in the £150,000 - £154,999 bracket is the former Chief Constable Julian Williams.

### Remuneration Relationship

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

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

	2017/18	2018/19
Chief Constables Pay	151,095	153,335
Median Pay of the Chief Constable's Staff	29,600	29,289
Median Pay Ratio	5.10	5.24
Chief Finance Officer's Pay	85,291	86,997
Median Pay of the Police and Crime Commissioner's Staff	32,257	31,095
Median Pay Ratio	2.64	2.80

### Remuneration Disclosure

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

Expense allowances include "essential user" car lump sum allowance and benefit in kind includes the money value of benefits received otherwise than in cash e.g. private use of a Force asset. Other payments include those allowances only relevant to Police Officers such as rent allowance and compensatory grant. During the year no amounts were paid in respect of compensation for loss of employment. Equivalent disclosure is provided for the previous year 2017/18

## Relevant Senior Police Officers and Senior Police Staff Remuneration

Relevant Senior Police Officers and Police Staff Remuneration of the year ended 31<sup>st</sup> March 2019

2018/19

Post Holder Information (Post Title)	Note	£	Salary	£	Post Related Pay	£	Bonus	£	Expenses	Benefits in Kind	£	Other Payments	Total Remuneration excluding Pension Contributions	£	Employers Pension Contributions	Total Remuneration including Pension Contributions	£
Chief Constable	1	141,523	0	0	0	6,600	4,046	152,168	8,463	160,632							
Deputy Chief Constable		116,728	0	0	0	6,802	0	123,530	28,248	151,778							
Assistant Chief Constable	2	86,613	15,016	0	0	0	7,770	109,399	20,960	130,360							
Assistant Chief Officer Resources		106,921	0	0	0	0	0	106,921	17,963	124,883							
Police & Crime Commissioner		71,283	0	0	0	0	0	71,283	11,976	83,259							
Deputy Police & Crime Commissioner		53,462	0	0	0	0	0	53,462	8,982	62,444							
Chief Finance Officer to the Police & Crime Commissioner	3	86,635	0	0	0	0	843	87,478	14,696	102,175							
Chief Executive Officer to the Police & Crime Commissioner	4	67,383	0	0	0	0	639	68,022	11,428	79,450							

### Notes:

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

## 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 2018

2017/18

Post Holder Information (Post Title)	Note	Salary £	Post Related Pay £	Bonus £	Expenses £	Benefits in Kind £	Other Payments £	Total Remuneration excluding Pension Contributions £	Employers Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Constable (1)	1	34,626	-	-	-	1,542	1,011	37,179	-	37,179
Chief Constable (2)	2	104,687	-	-	-	5,369	3,034	113,090	25,334	138,424
Deputy Chief Constable (1)	3	28,560	-	-	-	1,790	1,011	31,361	6,912	38,273
Deputy Chief Constable (2)	4	36,600	-	-	-	2,059	0	38,659	8,857	47,516
Assistant Chief Constable (1)	5	60,753	-	-	-	1,756	2,034	64,543	11,947	76,490
Assistant Chief Constable (2)	6	41,058	-	-	-	-	3,444	44,502	8,633	53,135
Assistant Chief Officer Resources		105,251	-	-	-	-	-	105,251	16,630	121,881
Police & Crime Commissioner (1)		70,000	-	-	-	-	-	70,000	11,060	81,060
Deputy Police & Crime Commissioner (1)		52,500	-	-	-	-	-	52,500	8,295	60,795
Chief Finance Officer to the Police & Crime Commissioner		84,447	-	-	-	-	1,689	86,136	13,343	99,479
Police & Crime Commissioner Chief of Staff		63,993	-	-	-	-	1,280	65,273	10,111	75,384

### Notes:

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

## Note 30 - Termination Benefits

A Schedule of exit packages agreed as at 31st March 2019 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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	19	5	6	0	25	5	272,847	74,526
£20,001 - £40,000	3	1	1	1	4	2	101,857	75,669
£40,001 - £60,000	1	0	1	0	2	0	88,348	0
£60,001 - £80,000	0	0	1	0	1	0	64,535	0
<b>Total</b>	<b>23</b>	<b>6</b>	<b>9</b>	<b>1</b>	<b>32</b>	<b>7</b>	<b>527,587</b>	<b>150,196</b>

All exit packages were agreed and paid to 31<sup>st</sup> March 2019.

## Note 31 - External Audit Costs

The PCC Group has incurred the following costs in relation to the audit of the Statement of Accounts. The costs are jointly incurred by the PCC and the Chief Constable. Additional fees of £15,000 have been charged by the Wales Audit Office to complete the external audit of the 2017-18 accounts. This is in addition to the fees shown in the table below.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
83	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	83
<b>83</b>	<b>Total</b>	<b>83</b>

## Note 32 - Grant Income

The following grants were credited to the Cost of Services in the CIES in 2018/19.

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

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(20,748)	Revenue Support Grant	(21,333)
(40,904)	Police Grant	(40,883)
(449)	Capital Grant and Contributions	(449)
<b>(62,101)</b>	<b>Total</b>	<b>(62,665)</b>

## Credited to Services

31 March 2018		31 March 2019
£000		£000
(586)	All Wales Counter Terrorism Unit (CTIU)	(383)
(177)	All Wales Firearms CTSFO	(216)
(298)	All Wales Regional Intelligence Unit (RIU)	(151)
(21)	All Wales Regional Organised Crime Unit - Cyber	(53)
(98)	All Wales Regional Prison Intelligence	(111)
(118)	All Wales Witness Protection	(206)
(3)	Cadet Scheme Grant	0
(35)	Counter Terrorism Security Advisors (CTSA) - Ports Policing	(26)
(309)	Data Barring Service	(247)
0	Serious Organised Crime	(245)
(62)	Fire Crime Unit	(59)
(33)	IOM Cymru Women's Pathfinder (Diversion - IF)	(224)
(41)	Local Resilience Forum	2
(682)	Ministry of Justice - Victim Services	(680)
(71)	Mobile Data Funding	(65)
0	Adverse Childhood Experiences	(258)
0	All Wales Extremism & Counter Terrorism Unit	(8)
(11)	Other Miscellaneous Grants	0
(3,333)	Police Community Support Officers	(3,384)
(593)	Private Finance Initiative (PFI) - Ystrad Mynach	(566)
(414)	Safety Camera Enforcement	(469)
(50)	Trauma Resilience Training	(50)
0	Police Education Qualification Framework	(139)
(439)	Welsh Government (WG) - All Wales Schools Liaison (AWSL)	(428)
0	Welsh Government (WG) - Hate Crime Awareness	(9)
(29)	WISDOM Project	(62)
(109)	Youth Offending	(101)
<b>(7,512)</b>	<b>Total</b>	<b>(8,138)</b>

## Note 33 - Related Parties

IAS 24 requires the PCC Group to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the PCC Group or to be controlled and influenced by the PCC Group. Disclosure of these transactions allows the reader to access the extent to which the PCC Group might have been constrained in his ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the PCC Group. This disclosure note has been prepared on the basis of specific declarations obtained between April 2018 and March 2019, in respect of related party transactions.

### **Central Government**

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

### **Members**

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

A member of the Joint Audit Committee (JAC) is employed by the Police Mutual Assurance Ltd, which offers financial services products to serving and retired police officers and staff and families. During the 2018/19 financial year, the Police and Crime Commissioner for Gwent paid a total to Police Mutual Assurance Ltd of £691,348 of payroll deductions. No income was received.

Also, another member of the JAC is an Independent Lay Member of Council (and Court), Cardiff University as well as a Trustee, Cardiff University. During the 2018/19 financial year, the Police and Crime Commissioner for Gwent paid a total to Cardiff University of £166,460 for Forensic Services, this includes £30,704 of creditors that relate to 2018/19. No income was received and there were no debtors balances as at the year end..

### **Officers**

The Assistant Chief Officer- Resources is the Company Secretary to Gwent Independent Film Trust (GIFT) Ltd. See Note 20 – Gwent Independent Film Trust (GIFT) for additional information. In addition a family member is an Executive Director of Velindre NHS Trust for which the PCC Group had partnering arrangements; however this arrangement ended in 2017 and passed to Cardiff Council. No income was received from Velindre NHS Trust in 2018/19. (2017/18: £10,589) (Net of VAT)

The Chief Finance Officer for the Commissioner is the Chief Finance Officer of the Police ICT Company (the Company). The Company is a company limited by guarantee and is wholly owned by Police and Crime Commissioners in England and Wales. It was established to support policing to make the public safer through better ICT, through seeking to act as a bridge between the policing, technological and commercial worlds. During the 2018/19 financial year, the Police and Crime Commissioner for Gwent paid a total to the Company of £91,669 (2017/18: £90,896).

The Chief Finance Officer for the Commissioner was seconded to Police and Crime Commissioner for South Wales Police two days a week to cover the role of Chief Finance Officer for South Wales Police. No additional remuneration is received in relation to this secondment. During 2018 - 19, income of £3,258,085 was received by Gwent Police from South Wales Police. The debtor balance at the year-end was £930,683 (net of VAT). The creditor transactions for the year was £7,191,839, which includes £3,635,485 of accruals relating to financial year 2018/19. There are also commitments of £810,000 to South Wales Police relating to expenditure in future years. In addition, the PCC Group are a party to a number of collaborative operations with South Wales Police, details of which can be found in Note 37.

A family member of the Chief Finance Officer is a Senior Finance Business Partner for Newport City Council (NCC). The Police and Crime Commissioner for Gwent have contractual relationships with NCC, in relation to such things as the receipt of precept monies and also co-funded initiatives such as the Missing Children's Hub. During 2018/19, the Police and Crime Commissioner for Gwent received £13,963,903 (2017/18: £13,240,208) income from NCC and, made payments to them of £2,126,506, which includes £39,828 of creditors that relate to 2018/19 (2017/18: £1,630,428). At the year end there was a debtor balance of £300.

## Note 34 - Capital Expenditure and Capital Financing

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

### Capital Expenditure and Capital Financing

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
4,752	Opening Capital Financing Requirement	4,689
	Capital Investment:	
1,548	Property Plant and Equipment	6,699
186	Intangible Assets	203
(65)	Other Capital Expenditure	(175)
<b>1,699</b>	<b>Total Capital Spending</b>	<b>6,727</b>
	Sources of Finance:	
(449)	Government Grants and other contributions	(449)
	Sums set aside from revenue:	
(1,283)	- Direct revenue contributions	(6,453)
0	- Minimum revenue provision	0
<b>(1,732)</b>	<b>Total Sources of Finance</b>	<b>(6,902)</b>
<b>4,689</b>	<b>Closing Capital Financing Requirement</b>	<b>4,514</b>

### Explanation of movements in year

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(63)	Other movements	(175)
<b>(63)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(175)</b>

## Note 35 - Leases PCC

### PCC and PCC Group as Lessee Finance Leases

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

### Operating Leases

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

The expenditure charged to Premises costs line in the CIES during the year in relation to the property leases was £577,746.43 (2017/18: £579,520).

The PCC Group also utilises Multi-Functional Devices (combined photocopier, printer and scanners) through operating leases. The PCC Group entered into a new contract with Konica in 2017/18 replacing the previous supplier (Canada Copying). Expenditure on these leases (excluding copy charges) during the year was approximately £32,031 (2017/18: £7,551).

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

### Premises Leases

	2017/18	2018/19
	£'000	£'000
Not later than 1 year	424	259
Later than 1 year but not later than 5 years	292	33
Later than 5 years	0	0
<b>Total</b>	<b>716</b>	<b>292</b>

### MFD Leases

	2017/18	2018/19
	£'000	£'000
Not later than 1 year	37	37
Later than 1 year but not later than 5 years	90	52
Later than 5 years	0	0
<b>Total</b>	<b>127</b>	<b>89</b>

### PCC and PCC Group as Lessor

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

- (i) Bargoed Police Station - £2,000 (2017/18: £2000) from Blaenau Gwent CBC

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

The lease agreement with respect to Pontypool Police Station ended August 2018.

Rental income was also received from the Radio Mast sites of £17,133

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

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

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

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

<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
5,549 Non-current assets net book value (NBV)	5474
248 Lifecycle assets net book value (NBV)	170
(4,686) Finance Lease Liability	(4,511)
<b>1,111 Total</b>	<b>1,133</b>

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

<b>2017/18 £000</b>	<b>2018/19 £000</b>
301 Service element of unitary charge	308
154 Depreciation charge liability	158
388 Finance cost	382
57 Contingent rent	101
<b>900 Total</b>	<b>949</b>

The amount included against the Police Fund in respect of the Unitary Charge Payments on the PFI asset deemed to be on Balance Sheet was £970,595.52.

The PCC Group receives funding from the Welsh Government, via specific grant payments (2018/19 £565,920.00), to meet the costs of the unitary charge payments. However, the scheduling of the funding is such that it differs annually, during the period of the PFI contract, from that applying to the payments to the contractor. Whilst the unitary charge payments increase annually over the period of the contract, the Welsh Government funding reduces annually over the same period.

The result of the variance in these funding and expenditure profiles means that the funding received by the PCC Group in the early years of the contract will exceed that required to meet the unitary charge. Subsequently however, until the expiry of the contract term, the opposite will be true. As a result, the PCC Group has agreed that the initial funding 'surpluses' will be set aside, to provide for the subsequent funding shortfalls, and is holding such funds as an earmarked reserve to meet future PFI liabilities.

#### ***PFI Exit***

A tender process has been undertaken for the financial advice to progress the evaluation and conclusion of the PFI provision. An evaluation has determined that it is value for money to undertake a voluntary termination of the agreement and the financial adviser will manage the process to contract completion during the 2019/20 financial year. A voluntary termination proposal, which was approved by the Office of the PCC, has been sent to Welsh Government for approval at the end of June 2019. However, until Welsh Government approve the voluntary termination the PCC Group is committed to make the following future payments in respect of this contract:

<b>2017/18 £000</b>	<b>2018/19 £000</b>
979 Within 1 year	995
4,166 Years 2 to 5 inclusive	4,234
5,821 Years 6 to 10 inclusive	5,916
6,586 Years 11 to 15 inclusive	6,694
4,360 Years 16 to 20 inclusive	2,918
0 Year 21 onwards	0
<b>21,912 Total</b>	<b>20,757</b>

## Note 37 – Collaboration

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

The collaborative services and their funding continue under revised Commissioner and Force Governance arrangements. These are in effect considered as 'Pooled Budgets' with agreements for Funding Contributions, made and varied from time to time, and certain Specific Government Grants. The pooled budgets are effectively hosted by the Commissioner and Force for South Wales Police on behalf of the four police forces in Wales. The Digital Services Division is included in the 2018-19 table but not in the 2017-18 table. A summary of the cost of the various collaborative services attributable to the PCC Group is shown in the following table.

### 2018/19 2018/19

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

As a result of the requirement of IFRS11, gross expenditure in the CIES has been increased by £2.305m and gross income has been increased by £2.345m. A net decrease in expenditure of £0.040m (2017/18: £0.96m decrease in expenditure). This net decrease has been reversed in the Movement in Reserves Statement with no impact on the Police Fund.

In 2017/18 an All Wales Collaboration Team was established on a short term basis to coordinate existing activities and identify new opportunities for collaboration across the four Forces in Wales. The team is led by a Deputy Chief Constable and is funded based on agreed contributions from each Force in Wales. The total costs of the team in 2018/19 were £0.4m (2017/18 -£0.24m) and Gwent Police's contribution to these costs was £0.092m in 2018/19 (2017/18 -£0.050m).

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

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

#### **Collaborative Working - Shared Resource Service Centre - update**

The Gwent Police Authority entered into a public sector collaborative arrangement, known as the Shared Resource Service (SRS), with Torfaen County Borough Council (TCBC) and Monmouthshire County Council (MCC) in May 2011. The arrangement has resulted in a Shared Resources Centre being set up for the purpose of providing IT services to each member authority. The Police and Crime Commissioner and Chief Constable continued with this arrangement on their creation in 2012. During 2017-18, Newport City Council (NCC) and Blaenau Gwent County Council (BGCC) joined the collaborative working arrangement.

A memorandum of understanding is in place to provide robust governance arrangements. The arrangement is not a separate legal entity and ownership of the SRS premises reside with TCBC. In 2018/19 expenditure incurred was fully covered by the contributions from the partners.

## Note 38 - Defined Benefit Pension Scheme

### **McCloud / Sargeant Judgement**

The Chief Constable of Gwent, along with other Chief Constables and the Home Office, currently has 146 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for £62,860,000 to be approximately 4.4% of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

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

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure has been made for the McCloud judgment. This corresponds to a £0.842m increase in liabilities. The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

### **Participation in Pension Schemes**

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

The PCC Group participates in two post-employment schemes:

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

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

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



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

<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
				Re-measurement of the net defined benefit liability comprising:				
(1,150)	(43)	0	(1,193)	Return on plan assets (excluding the amount included in the net interest expense)	(2,955)	(102)	0	(3,057)
0	0	(84,909)	(84,909)	Actuarial gains and losses - experience	0	0	(3,490)	(3,490)
0	0	(44,808)	(44,808)	Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
(4,384)	(148)	43,980	39,448	Actuarial gains and losses arising on changes in financial assumptions	14,563	659	42,660	57,882
0	0	0	0	Other movements in the liability / (asset)	0	0	2	2
<b>(5,534)</b>	<b>(191)</b>	<b>(85,737)</b>	<b>(91,462)</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>11,608</b>	<b>557</b>	<b>39,172</b>	<b>51,337</b>
<b>3,615</b>	<b>145</b>	<b>(25,123)</b>	<b>(21,363)</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>22,083</b>	<b>959</b>	<b>161,032</b>	<b>184,074</b>



2017/18				Movement in the Value of Scheme Assets	2018/19			
LGPS for CC	LGPS for PCC	Police Pensions	Total		LGPS for CC	LGPS for PCC	Police Pensions	Total
£000	£000	£000	£000		£000	£000	£000	£000
<b>111,535</b>	<b>3,933</b>	<b>0</b>	<b>115,468</b>	<b>Opening fair value of scheme assets</b>	<b>121,377</b>	<b>4,119</b>	<b>0</b>	<b>125,496</b>
3,088	103	0	3,191	Interest income	3,308	113	0	3,421
				Re-measurement gain / (loss):				
1,150	43	0	1,193	- The return on plan assets, excluding the amount included in the net interest expense	2,955	102	0	3,057
0	0	0	0	Other gains / (losses)	0	0	0	0
7,040	101	33,960	41,101	Contributions from employer	3,507	207	30,680	34,394
1,172	52	5,616	6,840	Contributions from employees into the scheme	1,337	54	5,990	7,381
0	0	150	150	Transfers in	0	0	0	0
(2,517)	(110)	(39,726)	(42,353)	Benefits / transfers paid	(2,682)	(105)	(36,670)	(39,457)
(91)	(3)	0	(94)	Administration expenses	(102)	(4)	0	(106)
<b>121,377</b>	<b>4,119</b>	<b>0</b>	<b>125,496</b>	<b>Closing value of scheme assets</b>	<b>129,700</b>	<b>4,486</b>	<b>0</b>	<b>134,186</b>

2017/18				Movements in the Fair Value of Scheme Liabilities	2018/19			
LGPS for CC	LGPS for PCC	Police Pensions	Total		LGPS for CC	LGPS for PCC	Police Pensions	Total
£000	£000	£000	£000		£000	£000	£000	£000
<b>(174,843)</b>	<b>(6,390)</b>	<b>(1,420,240)</b>	<b>(1,601,473)</b>	<b>Opening balance at 1 April</b>	<b>(181,260)</b>	<b>(6,620)</b>	<b>(1,361,158)</b>	<b>(1,549,038)</b>
(7,256)	(267)	(22,132)	(29,655)	Current service cost	(7,869)	(280)	(24,190)	(32,339)
(4,801)	(169)	(37,494)	(42,464)	Interest cost	(4,984)	(182)	(34,640)	(39,806)
(1,172)	(52)	(5,616)	(6,840)	Contributions from scheme participants	(1,337)	(54)	(5,990)	(7,381)
				Re-measurement gains and losses:				
0	0	84,909	84,909	- Actuarial gains / (losses) - experience	0	0	3,490	3,490
0	0	44,808	44,808	- Actuarial gains / (losses) from changes in demographic assumptions	0	0	0	0
4,384	148	(43,980)	(39,448)	- Actuarial gains / (losses) from changes in financial assumptions	(14,563)	(659)	(42,660)	(57,882)
0	0	0	0	- Other	0	0	(2)	(2)
(89)	0	(988)	(1,077)	Past service cost	(828)	(49)	(62,860)	(63,737)
0	0	(151)	(151)	Transfers in	0	0	(170)	(170)
2,517	110	39,726	42,353	Benefits / transfers paid	2,682	105	36,670	39,457
<b>(181,260)</b>	<b>(6,620)</b>	<b>(1,361,158)</b>	<b>(1,549,038)</b>	<b>Balance as at 31 March</b>	<b>(208,159)</b>	<b>(7,739)</b>	<b>(1,491,510)</b>	<b>(1,707,408)</b>

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

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits. The total liability of £1,573m (2017/18 £1,424m) has a substantial impact on the net worth of the PCC Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,491m (2017/18 1,341m).

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

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

## Basis for Estimating Assets and Liabilities

The expected return on assets are no longer required for IAS19 as the discount rate (2.5% Local Gov and 2.45% Police) is now used by the Actuary to calculate the projected costs for next year and set the expected return on assets.

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

### Asset Allocations

#### Local Government (Group)

	2017/18	£000	2017/18	%	2018/19	£000	2018/19	%
<b>Asset Allocations</b>								
Equity Securities		23,511		18.1%		19,888		14.8%
Investment Funds and Unit Trusts		102,153		78.7%		110,005		81.8%
Real Estate		3,034		2.3%		3,384		2.5%
Cash and Cash Equivalents		1,026		0.8%		1,182		0.9%
<b>Total</b>		<b>129,724</b>		<b>100%</b>		<b>134,459</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.

### Assumptions

	Police Pension		Local Government (Group)			
	2017/18	Years 2018/19	Years	2017/18	Years 2018/19	Years
<b>Mortality assumptions:</b>						
<b>Longevity at 65 for current pensioners:</b>						
Men		22.60	22.70		21.50	21.50
Women		24.20	24.30		23.90	23.90
<b>Longevity at 65 for future pensioners:</b>						
Men		24.50	24.60		23.60	23.60
Women		26.10	26.20		26.10	26.10

### The Effect of Changes in Assumptions

	Police Pension		Local Government (Group)	
	2017/18	2018/19	2017/18	2018/19
	% p.a.	% p.a.	% p.a.	% p.a.
Rate of increase in salaries (Long term)	4.30%	4.35%	2.70%	2.80%
Rate of increase in salaries (Short term)	1.00%	1.00%	-	-
Rate of increase in pensions	2.30%	2.35%	2.30%	2.40%
Rate for discounting scheme liabilities	2.65%	2.45%	2.70%	2.50%
Rate of CARE revaluation	3.55%	3.60%	-	-

### Change in Assumptions

	Police Pension		Local Government	
	Approximate increase/(decrease) in assumption		Approximate % increase to Employer Liability	Approximate monetary amount
	%	£000	Chief Constable %	Chief Constable £000
0.5% increase in the Real Discount Rate	-10.0%	(145,000)	-	-
0.5% decrease in the Real Discount Rate	-	-	13.0%	26,915
1 year increase in member life expectancy	2.5%	36,000	-	-
0.5% increase in the Salary Increase Rate	1.5%	18,000	3.0%	5,716
0.5% increase in the Pension Increase Rate	8.0%	116,000	10.0%	20,667
1 year decrease in member service				

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

#### Proposed Certified Rates for the Year Ending

31 March 2020	17.8%
31 March 2021	18.8%
31 March 2022	18.8%

## Note 39 - Contingent Assets and Liabilities

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

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

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

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

### Overall Procedures for Managing Risk

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

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

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

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

### Credit risk

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

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

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

### Exposure to Credit Risk

	Amount at 31 March 2019 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2019 %	Estimated maximum exposure to default £000
Deposits with Banks and Financial Institutions		0.930%	0.930%	-
Money Market Funds	9,005	0.000%	0.000%	-
Local Authorities	40,148	0.000%	0.000%	-
Debt Management Office	-	0.000%	0.000%	-
Trade Debtors	929	0.075%	0.075%	0
<b>Total</b>	<b>50,082</b>			<b>0</b>

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

### Outstanding Debts

The PCC Group does not generally allow credit for its trade debtors, however aged debtors has decreased from 2018. The recoverability of this debt is not considered a risk as the majority of the trade debt is with other public sector counter parties. As at 31st march 2019 £0.088m of the £0.929 balance is past its due date for payment. The amounts can be analysed by age as follows:

	31 March 2018 £000	31 March 2019 £000
> 12 Months	464	36
9 to 12 Months	-	-
6 to 9 Months	843	5
3 to 6 Months	571	12
2 to 3 Months	158	35
1 Month	915	841
<b>Total</b>	<b>2,951</b>	<b>929</b>

### Liquidity Risk

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

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

## **Refinancing and Maturity Risk**

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

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

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

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

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

## **Market Risk**

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

### **Interest Rate Risk**

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

Investments of £40m are at fixed rates. If interest rates were to rise, the fair value of these will remain the same as they are all for less than one year in duration. A further £9m is deposited in Money Market Funds which are subject to variable interest rates or yields however the size, diversification and structure of the fund's assets mitigate risk.

### **Price Risk**

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

### **Foreign Exchange Risk**

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

## Note 41 - Intra Group Adjustments

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

### CIES Intra-group adjustments

PCC	Chief Constable	PCC Group		PCC	Chief Constable	PCC Group
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000	£'000	£'000		£'000	£'000	£'000
(8,063)	133,728	125,666	Net Cost of Services	(8,641)	210,749	202,108
275	39,207	39,481	Financing, Investment Income and Expenditure	109	36,316	36,425
(20,207)	1,318	(18,889)	Other Operating Expenditure	(17,587)	1,412	(16,175)
174,253	(174,253)	0	Intra-group Adjustment	248,477	(248,477)	0
<b>146,258</b>	<b>0</b>	<b>146,258</b>	<b>Total</b>	<b>222,358</b>	<b>0</b>	<b>222,358</b>
(192)	(91,271)	(91,463)	Actuarial (gains)/ losses on pension assets/ liabilities	557	50,780	51,337
(91,271)	91,271	0	Intra-group Adjustment	50,780	(50,780)	0
<b>(91,463)</b>	<b>0</b>	<b>(91,463)</b>	<b>Total</b>	<b>51,337</b>	<b>0</b>	<b>51,337</b>

### Balance Sheet Adjustments

PCC	Chief Constable	PCC Group		PCC	Chief Constable	PCC Group
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000	£'000	£'000		£'000	£'000	£'000
0	399	399	Inventories	0	560	560
(4,099)	(10,400)	(14,499)	Creditors	(1,379)	(13,219)	(14,599)
(10,001)	10,001	0	Intra-group Adjustment	(12,659)	12,659	0
<b>(14,100)</b>	<b>0</b>	<b>(14,100)</b>	<b>Total</b>	<b>(14,039)</b>	<b>0</b>	<b>(14,039)</b>

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

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

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

At 31st March 2019 GIFT (Gwent) had two Trustees. Nigel Stephens, Assistant Chief Officer Resources, who is a PCC Group member of staff, acting as Trustee/Director and a second Trustee, Rhodri Williams who is acting as the independent chair

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

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

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

The annual report and the audited financial statements for the year ended 31st July 2018 disclosed net current assets of £25,686 and retained a loss for the year of £104.

## Glossary of Terms

Term	Definition
<b>2018/19</b>	This refers to the period covered by these accounts – 1 <sup>st</sup> April 2018 to 31 <sup>st</sup> March 2019
<b>2017/18</b>	This refers to the prior year financial period for comparative purposes – 1 <sup>st</sup> April 2017 to 31 <sup>st</sup> March 2018.
<b>Accounting Policies</b>	These are a set of rules and codes of practice the PCC Group uses when preparing the accounts.
<b>Accruals</b>	The accounting treatment, where income and expenditure is recorded when it is earned or incurred not when the money is received or paid.
<b>Actuarial Gains and Losses</b>	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>(i) Events have not coincided with the actuarial assumptions made in the last valuation; or</li> <li>(ii) The actuarial assumptions have changed.</li> </ul>
<b>Amortisation</b>	This is the measure of the wearing out, consumption or other reduction in the useful life of Intangible assets.
<b>Balance Sheet</b>	This shows the value of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.
<b>Capital Adjustment Account</b>	An account which accumulates (on the debit side) the write-down of the historic cost of fixed assets as they are consumed by depreciation and impairments, or written off on disposal, and (on the credit side) the resources that have been set aside to finance capital expenditure.
<b>Capital Expenditure</b>	Expenditure on the acquisition and construction of assets or expenditure which adds to the value of an existing asset, which have a long-term value to the Group, e.g. land and buildings.
<b>Capital Receipts</b>	Income from the sale of fixed assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets financed from loans.  Usable capital receipts are those capital receipts which are not set aside for specific purposes but are available to be used for any capital purchases.
<b>Carrying Value</b>	The carrying value of an asset or a liability recorded in the Balance Sheet.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy, one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services.
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
<b>Consumer Price Index (CPI)</b>	Official measure of the general level of inflation as reflected in the retail price of goods and services – excludes mortgage interest payments, council tax and other housing costs.
<b>Contingent Liabilities or Assets</b>	These are the amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which a provision has not been made in the PCC Group accounts.
<b>Creditors</b>	Individuals or organisations to which the PCC Group owes money at the end of the financial year split short-term (within 12 months) and long-term.
<b>Current Assets</b>	Current assets are items that can be readily converted into cash. By convention the items are ordered by reference to the ease that such conversion into cash can be carried out.

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

<b>Term</b>	<b>Definition</b>
<b>Interest Cost (Pensions)</b>	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
<b>Inventories</b>	Amounts of unused or unconsumed stocks held in expectation of future use at the Balance Sheet date.
<b>Leasing Costs</b>	This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.
<b>Materiality</b>	An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.
<b>Minimum Revenue Provision</b>	The prudent amount that the PCC Group is statutorily required to set aside from revenue funds to meet the repayment of borrowing undertaken to support capital investment.
<b>Movement in Reserve Statement</b>	This financial statement presents the movement in usable and unusable reserves.
<b>Net Book Value (NBV)</b>	The amount at which fixed assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
<b>Net Realisable Value (NRV)</b>	The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.
<b>Operating Lease</b>	An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership.
<b>Past Service Cost</b>	For a defined benefit scheme these arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.
<b>PCC</b>	The abbreviation for the Police and Crime Commissioner. The PCC is a separate corporation sole which was established on the 22 <sup>nd</sup> November 2012 under the Police and Social Responsibility Act 2011. Also referred to as the Office of the Police and Crime Commissioner.
<b>Private Finance Initiative (PFI)</b>	A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
<b>Precept</b>	The amount levied and collected by the five Gwent Authorities (Newport, Caerphilly, Blaenau Gwent, Monmouthshire and Torfaen) and paid over to the PCC Group.
<b>Provisions</b>	The PCC Group may set aside amounts as provisions to meet liabilities or losses that are likely to arise in the future.
<b>Public Works Load Board (PWLB)</b>	This is the Public Works Loan Board, which is an organisation financed by the Government. It lends money to police authorities on set terms so that they can buy capital items.
<b>Related Parties</b>	Central Government, Local Authorities (precepting), subsidiary and associated companies. Elected members, senior officers from Director and above and the Pension Funds. For individuals identified as related parties: members of the close family, or the same household; and partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.
<b>Reserves</b>	Balances that represent resources set aside for purposes such as general contingencies and cash flow management. Earmarked reserves are those set aside for specific policy purposes. The Movement in Reserve Statement shows the movement in the year on the reserves held by the PCC Group.

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