

# CHIEF CONSTABLE FOR GWENT **STATEMENT OF ACCOUNTS** 2016/17



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

### Introduction

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

### Police Reform and Social Responsibility Act 2011

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

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

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

The Commissioner will hold office for four years and his responsibilities include:

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

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

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

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

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

### Statement of Accounts

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

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

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

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

## Narrative Report

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

### Stage 2 Transfer

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

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

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

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

### Statutory Framework for the Statement of Accounts

The Accounts and Audit (Wales) Regulations 2014, require Local Government bodies to prepare a Statement of Accounts in accordance with proper practices. The Code is identified as representing proper practices.

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

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

The Chief Constable's Statement of Accounts for the financial year ended 31<sup>st</sup> March 2017, which are in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and consist of:

- **Narrative Report** – which provides a guide to the most significant matters reported in the accounts;
- **Independent Auditor's Report** – which confirms the opinion of the auditor as to whether the accounting statements present fairly the financial position of the Chief Constable;
- **Statement of Responsibilities** – which sets out the respective responsibilities of the Chief Constable and the Assistant Chief Officer – Resources, for the Statement of Accounts;
- **Annual Governance Statement** – which is a statement by the Chief Constable, describing how the system of internal control, has ensured that its functions, have been exercised with a combination of economy, efficiency and effectiveness during the year.
  - **Financial Statements:**
    - **Comprehensive Income and Expenditure Statement (CIES)** - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount funded from taxation.
    - **Balance Sheet** – which shows the value of the assets and liabilities (net worth) of the Chief Constable as at 31<sup>st</sup> March 2017;
    - The Financial Statements do not contain a **Movement in Reserves Statement** as all reserves belong to the PCC. Similarly the Chief Constable does not hold any cash and therefore there is no **Cash Flow Statement** within the Chief Constable's Statement of Accounts.



## Narrative Report

- **Police Pensions Account** – This provides information about the financial transactions in respect of the Police pension schemes. Each individual Chief Constable is required by legislation (Police Pension Fund Regulations 2007) to operate a Pension Fund using monies provided by the Commissioner; and
- **Notes to the Financial Accounts** - which provide further analysis and explanations to the entries in the 'core' Financial Statements.

### Financial Performance of the Chief Constable

The budget for the Police and Crime Commissioner for Gwent, was set by the Commissioner, on the 8<sup>th</sup> February 2016 and was funded as follows:-

2015/16 £000		2016/17 £000
(44,857)	Council Tax Precept	(47,039)
(12,418)	National Non-Domestic Rates	(9,063)
(43,220)	Home Office Police Grant	(42,393)
(17,278)	Welsh Government Revenue Support Grant	(21,044)
(117,773)	<b>Total</b>	<b>(119,539)</b>

Adding other items of budgeted income such as specific grants and use of Reserves for 2016/17 gives a Gross PCC Group Revenue Budget of £122.038m for 2016/17.

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

The table on the following page provides a breakdown of performance against the budgeted cost of commissioned Police Services for 2016/17 which resulted in savings of £2.532m. The savings of £2.532m arose through recurrent savings through the acceleration of efficiency schemes via the Force's 'Staying Ahead' Programme and from savings against demand-led budgets.

This underspend has been transferred to Earmarked Reserves, which are owned by the Police and Crime Commissioner and disclosed in the Statement of Accounts for the Police and Crime Commissioner and Police and Crime Commissioner Group Accounts.

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

# Finance Report for the Financial Year Ending 31<sup>st</sup> March 2017

PCC Group					Chief Constable		
Approved Annual Budget £000	Revised Annual Budget £000	Actual Outturn £000	Varinace (Over)/Under £000		Revised Annual Budget £000	Actual Outturn £000	Varinace (Over)/Under £000
65,812	64,295	61,473	2,822	Police Officer Salaries and Allowances	64,295	61,473	2,822
22,937	24,416	25,074	(658)	Police Staff Salaries and Allowances	23,593	24,154	(561)
5,324	5,247	3,998	1,249	PCSO Salaries and Allowances	5,247	3,998	1,249
2,036	2,246	2,071	175	Police Officer Overtime and Enhancements	2,246	2,071	175
1,224	1,236	915	321	Police Staff Overtime and Enhancements	1,236	915	321
791	791	435	356	PCSO Overtime and Enhancements	792	435	357
2,652	657	3,570	(2,913)	Other Employee Related Costs	640	3,554	(2,914)
5,703	5,671	5,309	362	Premises Costs	5,659	5,302	357
3,193	3,168	2,281	887	Transport Costs	3,138	2,259	879
19,136	21,547	20,130	1,417	Supplies and Services	18,606	17,289	1,317
379	379	257	122	Major Incident Schemes	379	257	122
228	228	144	84	Proactive Operational Initiatives	228	144	84
883	883	803	80	Contribution to Police Computer Co.	883	803	80
500	500	3,202	(2,702)	Capital Charges	500	3,202	(2,702)
(1,237)	1,271	-	1,271	Other Approved Revenue Requirements	1,271	-	1,271
<b>129,561</b>	<b>132,535</b>	<b>129,662</b>	<b>2,873</b>	<b>Cost of Services</b>	<b>128,713</b>	<b>125,856</b>	<b>2,857</b>
(252)	(252)	(256)	4	Investment Income	(252)	(256)	4
(11,322)	(13,321)	(13,359)	38	Other Income	(12,453)	(12,491)	38
<b>117,987</b>	<b>118,962</b>	<b>116,047</b>	<b>2,915</b>	<b>Net Expenditure before Transfers</b>	<b>116,008</b>	<b>113,109</b>	<b>2,899</b>
4,051	4,172	4172	-	Previously Approved Transfers to Reserves	4,172	4,172	-
<b>122,038</b>	<b>123,134</b>	<b>120,219</b>	<b>2,915</b>	<b>Net Expenditure After Transfers</b>	<b>120,180</b>	<b>117,281</b>	<b>2,899</b>
(122,038)	(123,134)	(122,768)	(366)	Funding and Specific Grant Income	(120,180)	(119,813)	(367)
-	-	(2,549)	2,549	<b>Total</b>	-	(2,532)	2,532

### Looking Ahead

1. The 2017/18 budget setting round is the second year of the 2015 Comprehensive Spending Review (CSR) which, in common with the preceding 2010 and 2013 CSR periods, has required the delivery of significant financial efficiencies and budget reductions. It is anticipated that this theme will continue for the life of this Parliament through subsequent CSRs. The Staying Ahead Programme was initiated to address these efficiency requirements and to the end of 2015/16, has delivered cumulative recurring savings of £37.719m. The 2016/17 savings target of a further £4.350m has been exceeded this year due to the continuing success of the Staying Ahead Programme.
2. The future financial challenge to 2021/22 is exacerbated by the Home Office's (HO) review of the Police Funding Formula. By way of background, once the overall size of the policing budget is determined by the HO (via the CSR), then the amount of funding provided to respective Commissioners is determined by the Police Funding Formula. It has been well publicised that the current formula is out-dated, overly complex, opaque and in need of review. Following a 'false start' to the review process during the latter half of 2015, the review is back on track and hoping to produce its findings by June/July 2017, with implementation for the 2018/19 financial year. Importantly however, early exemplifications from the HO received during 2015 (showing the effect of the then revised Police Funding Formula being suggested), identified a £6m cut in Central Government Grant for Gwent. It could be expected therefore, that the HO will continue with their approach now that the review is back on track and from the 2018/19 financial year onwards, the Commissioner could be faced with a £6m cash cut in addition to the underlying cuts forecast from the effect of the Government's austerity programme. It is also likely that this cut will not be actioned in one fell swoop, but transitional arrangements will affect the cut over a number of financial years.
3. On the 23rd November 2016, the Chancellor of the Exchequer, Rt. Hon. Philip Hammond MP, announced the Autumn Statement 2016, confirming that the Government has scrapped its target to be in budget surplus by 2019/20, as measured by the Public Sector Net Borrowing figure. Although the deficit has been cut by almost two-thirds from its 2009/10 post war high of 10.1% of Gross Domestic Product (GDP) to 4.0% last year, borrowing and debt remain high and the Office for Budget Responsibility (OBR) has passed a judgment that the economic and fiscal outlook for the UK has deteriorated since the European Union (EU) referendum and subsequent 'Brexit'. The connotation of this means, that public finances will no longer reach a surplus by 2019/20.
4. In terms of what the Autumn Statement provided regarding the specific impact on police and crime, the only key message gleaned was that 'Departmental spending plans set out in the 2015 Spending Review were to remain in place'. This provided a degree of clarity in that it confirmed the 'flat cash funding' expected for next financial year, assuming that locally determined precept increases are maximised and council tax bases grow consistently nationally.
5. Moving from the overall national funding available for policing to what is actually allocated to individual Commissioners, takes account of 'reallocations' (previously known as top-slices), from Commissioner's budgets into other parts of HO policing responsibilities. In 2017/18, in addition to pre-existing reallocations, a number of new streams are earmarked to fund additional schemes notably, Her Majesty's Inspectorate of Constabulary's (HMIC) Police Effectiveness, Efficiency and Legitimacy (PEEL) inspections; 'gang master' and labour abuse; pre-charge bail; Commonwealth heads of government meeting; and forensic archive. Each has an impact upon the amount of funding awarded to Commissioners through the Police Funding Settlement.
6. Focussing back on Gwent, the underlying ethos of the Staying Ahead Programme is to deliver service improvement through transformational change, to meet current and future demand and deliver efficiency savings (both cashable and non-cashable). Historically, the cashable efficiencies generated have been fully utilised in meeting current and future budgetary deficits as a result of the Government's austerity programme. However, with the exceptional success of the Staying Ahead Programme in improving the service (as independently verified by recent HMIC PEEL Inspections) and delivering cashable efficiency savings ahead of time; coupled with a 'less bad' funding settlement in 2016/17, these have enabled the Commissioner and the Chief Constable to be in a position to reinvest cashable efficiencies into known emerging pressures and service developments from 2017/18 onwards.
7. These pressures and service developments are consistent with those identified within local, regional and national priorities identified through such things as the Commissioner's Police and Crime Plan 2017/21, the

## Narrative Report

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Strategic Policing Requirement and the Association of Police and Crime Commissioners (APCC)/National Police Chiefs' Council (NPCC)/Police and Crime Commissioners Treasurers' Society (PACCTS) submission regarding 'Future Levels of Funding for Police Services'. They include addressing:

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

**Signed:**



**Nigel Stephens CPFA**  
**Assistant Chief Officer – Resources**  
**Date: 14<sup>th</sup> September 2017**



### Auditor General for Wales' report to the Chief Constable for Gwent

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

- Chief Constable for Gwent; and
- Gwent Police Pension Fund

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

The Chief Constable for Gwent's accounting statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet.

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

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

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

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

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

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

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

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

#### Opinion on the accounting statements of the Chief Constable for Gwent

In my opinion the accounting statements and related notes:

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

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

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

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

## Independent Auditor's Report

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### Opinion on other matters

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

### Matters on which I report by exception

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

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

### Certificate of completion of audit

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



For and on behalf of

Huw Vaughan Thomas

Auditor General for Wales

18th September 2017

24 Cathedral Road

Cardiff

CF11 9LJ

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

## Statement of Responsibilities

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### Statement of Responsibilities

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

#### The Chief Constable's Responsibility

The Chief Constable is required to:

- (i) Make arrangements for the proper administration of his financial affairs and to ensure that one of his officers has the responsibility for the administration of those affairs. This officer is the Assistant Chief Officer – Resources; and
- (ii) Manage his affairs to secure economic, efficient and effective use of resources and to safeguard his assets; and
- (iii) Approve the Statement of Accounts.

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

**Signed:**



**Julian Williams**  
**Chief Constable for Gwent**  
**Date: 14<sup>th</sup> September 2017**

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

The Assistant Chief Officer – Resources, is responsible for the preparation of the Chief Constable's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ("The Code of Practice"), is required to present a true and fair financial position of the Chief Constable at the accounting date and his income and expenditure for the year ended 31<sup>st</sup> March 2017.

In preparing the statement of accounts, the Assistant Chief Officer – Resources, has:

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

The Assistant Chief Officer – Resources, has also:

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

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

**Signed:**

(by Responsible Financial Officer)



**Date: 14<sup>th</sup> September 2017**  
**Nigel Stephens CPFA**  
**Assistant Chief Officer - Resources**

**Signed:**

(prior to the approval of the Chief Constable)



**Date: 14<sup>th</sup> September 2017**  
**Nigel Stephens CPFA**  
**Assistant Chief Officer - Resources**

### Chief Constable's Annual Governance Statement

#### INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

In discharging this responsibility, the Chief Constable is responsible for assuring proper arrangements for the governance of affairs and facilitating the exercise of functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. The financial management arrangements conform principally with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and Chief Financial Officer of the Chief Constable* and the Home Office *Financial Management Code of Practice for the Police Service of England and Wales 2013*.

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

This Annual Governance Statement (AGS) explains how the Chief Constable has complied with The Code. It also meets the requirements the Accounts and Audit (Wales) Regulations 2014 in relation to the publication of an AGS which must accompany the Statement of Accounts.

#### PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

The governance framework comprises the systems, processes, culture and values by which the Chief Constable is directed, controlled and monitored and the activities through which the Chief Constable accounts to and engages with the Police and Crime Commissioner for Gwent. The framework enables the Chief Constable to monitor the achievement of his Delivery Plan in an efficient and effective manner.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going review process designed to identify and prioritise the risks to the achievement of the Chief Constables policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage and mitigate them effectively, efficiently and economically. The findings of the review of the system of internal control are reviewed by the Chief Constable and independently by the Joint Audit Committee.

The key elements of the system and processes that comprise the Chief Constables governance arrangements are detailed in this AGS. The elements are based on the six core principles of Corporate Governance<sup>1</sup> from the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Governance Framework; the standard, against which all local government bodies, including the Chief Constable, should assess themselves. In addition, the Policing Protocol Order 2011 (PPO) requires the Chief Constable to adopt and abide by the seven Nolan Principles for conduct in public life. In addition, the Code of Ethics published by the College of Policing promote the principles of fairness and respect. The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of his governance framework, including the system of internal control. As part of the review process, the AGS is prepared, setting out how the Chief Constable has complied with The Code over the previous financial year and to the date that the statement of accounts are published. The review of the effectiveness of the system of internal governance and its operation is also informed by the work of the internal auditors (for 2016/17 this was TIAA), the external auditors (the Wales Audit Office (WAO)), other review agencies and inspectors, and senior managers within the Office of the Police and Crime Commissioner for Gwent (OPCC) and the Force who have responsibility for the development and maintenance of the internal control environment. The roles of the various bodies are detailed below:

#### a) Joint Audit Committee

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

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

## Annual Governance Statement

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

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

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

The JAC is composed of five people who are independent of the OPCC and the Force. They report directly to the Commissioner and the Chief Constable. Four formal committee meetings are scheduled each year (additional formal meetings may be required). The agenda, reports and minutes of formal meetings are made available on the Commissioner's website. The JAC met 4 times during 2016/17.

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

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

The JAC has specific responsibility for providing an independent assurance function in respect of the arrangements for governance including risk management and the internal control environment. The work of the JAC over the period of the AGS contributes to the review process by providing evidence in support of the effectiveness of arrangements. A report of the work of the JAC is produced annually and submitted to the Strategy and Performance Board<sup>2</sup> (SPB) and the Police and Crime Panel<sup>3</sup> (PCP). The report assesses the effectiveness of the JAC against CIPFA guidance, and as a contribution to the effectiveness of overall governance arrangements. During the 2016/17 financial year there was consistency with the same five JAC members.

### b) Ethics Committee

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

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

- i. The overarching role for Committee members is to provide assurance, advice and comment upon other ethical issues, including governance and operational issues or any other issue surrounding ethics on which the Chief Constable would like their consideration.
- ii. The Committee will seek to provide assurance, advice and guidance, and make recommendation to the Chief Constable around decisions, policies and processes. The panel will operate with openness, honesty and integrity, adhering to the Nolan Principles and good governance principles.
- iii. The Committee will be appropriately observed by officers of both the OPCC and the Force, depending on the business to be conducted at each meeting.
- iv. Membership of the Committee will be made up of existing Independent Advisory Group (IAG) members who have been working specifically in this area.
- v. The Committee will meet quarterly or ad-hoc should the requirement arise.
- vi. All formal meeting agendas and papers will be posted on the OPCC and force website.
- vii. There will be no limit to the number of Committee members, however when a recommendation is made, a quorum of at least three members will be required in order to maintain a representative view on ethics issues. There will normally be at least four committee members present whenever the committee formally meets.

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

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



## Annual Governance Statement

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

### c) Internal Audit

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

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

For 2016/17 the audit work for the year is founded on a risk based approach and focuses on significant financial and operational risks. The annual Internal Audit plan is agreed by the Chief Finance Officers of both corporations' sole and is presented to the JAC for approval. Reports on the adequacy of controls in the systems audited are presented to the JAC. Internal audit is provided by TIAA, however, Torfaen County Borough Council internal Audit Service provide the ICT based audits.

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

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

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

The annual Internal Audit plan has regard to risks and recognises that key financial systems and other areas of wider business risk need to be reviewed on a cyclical basis to provide assurance with regard to internal controls and systems for governance. The Internal Audit annual report for 2016/17 concludes that adequate and effective management, control and governance processes exist to manage the achievement of the objectives.

There were 19 internal audits completed by TIAA in 2016/17 with the following assurance assessments:

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	4	4
Reasonable Assurance	13	12
Limited Assurance	2	3
No Assurance	0	-

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

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

Assurance Assessments	Number of Reviews
Excellent Assurance	2
Substantial Assurance	2
Moderate Assurance	1
Limited Assurance	0
No Assurance	0

The IT internal audit opinion is that controls were generally satisfactory with some improvements required.

### d) External Audit

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

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

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

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

### e) Annual Governance Statement

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

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

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

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

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

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

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

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

## Annual Governance Statement

Commissioners have a duty in law to respond to any HMIC report within 56 days of its publication, with any response forwarded to the Home Secretary and the HMIC. Any responses should include an update on any actions the force is/is not taking in relation to the recommendations made. Further details on the work carried out in the year by HMIC are set out below.

Title	Publication Date	Rating
PEEL Efficiency 2016 Report	November 2016	Good
PEEL Leadership 2016 Report	December 2016	No Assessment Given
PEEL Legitimacy 2016 Report	December 2016	Good
PEEL Effectiveness Report	March 2017	Good

### CORE PRINCIPLES AND THEIR APPLICATION

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

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

CORE PRINCIPLES OF CORPORATE GOVERNANCE		
Standard:	What we did:	Plan for 2017/18:
	<p>The Police Staff Council has adopted standards of professional behaviour that reflect relevant principles enshrined in the European Convention on Human Rights and the Council of Europe Code of Police Ethics. During 2016/17, the OPCC and Force continued to develop the College of Policing's Code of Ethics, supplemented by the work of the Force's Ethics Committee.</p> <p>As set out above, the PPO requires both the Commissioner and the Chief Constable to abide by the seven Nolan Principles, which are now extended to include Fairness and Respect. It also highlights the expectation that the relationship between all parties will be based upon the principles of goodwill, professionalism, openness and trust (as replicated in the FMCOP) and this is reflected in the Principles of Relationship document agreed by the Commissioner and the Chief Constable which forms part of the MoCG.</p>	
2. Ensuring openness and comprehensive stakeholder engagement.	<p>The PPO highlights that the Commissioner is accountable to local people and that he draws on this mandate to set and shape his priorities for the Force area in consultation with the Chief Constable. The Commissioner has set out in his Police and Crime Plan 2017 to 2021 (The Plan) what will be delivered. The Commissioner has undertaken the public engagement events, outlined below during 2016/17.</p> <p>In shaping The Plan, during 2016/17, The Commissioner undertook a series of community engagement events which included:</p> <ul style="list-style-type: none"> <li>• Improving local delivery of services to victims</li> <li>• Raising emerging crime trends with local businesses;</li> <li>• Police and crime priorities survey;</li> <li>• Precept survey;</li> <li>• Strategic Equality Plan;</li> <li>• Public surgeries and walkabouts;</li> <li>• Public meetings;</li> <li>• Youth Forum activity;</li> <li>• Partnership planning and engagement meetings;</li> <li>• Local and Community Council seminar;</li> <li>• Local AMs and MP meetings;</li> <li>• Social and other media; and</li> <li>• Project specific consultation e.g. Stop and Search</li> </ul> <p>The Commissioner is also, pursuant to the PRSRA, a cooperating body, rather than a responsible authority on community safety partnerships. The community safety duty, specifies that the Commissioner must "in exercising its functions, have regard to the relevant priorities of each responsible authority",</p>	<p>New Engagement and Communications Plan to be launched in 2017/18 to better inform the public of the work of Commissioner and the Chief Constable.</p> <p>The Force Delivery Plan details the Chief Constables approach to the Commissioners priorities.</p>

CORE PRINCIPLES OF CORPORATE GOVERNANCE		
Standard:	What we did:	Plan for 2017/18:
	<p>referring to the authorities named in the Crime and Disorder Act 1998 and its amendments. It further specifies that the Commissioner and the responsible authorities “must act in co-operation with each other” in exercising functions conferred by the 1998 Act.</p> <p>The government introduced the Anti-social Behaviour, Crime and Policing Act 2014 (ASBCPA 2014) which provides simpler, more effective powers to tackle anti-social behaviour.</p> <p>The ASBCPA 2014 includes two new measures which are designated to give victims and communities a say in the way anti-social behaviour is dealt with:</p> <ul style="list-style-type: none"> <li>• The ‘community trigger’ which gives victims the ability to demand action, starting with a review of their case, where the locally defined threshold is met; and</li> <li>• The ‘community remedy’ which gives victims a say in the out-of-court punishment of perpetrators for low-level crime and anti-social behaviour.</li> </ul> <p>The Commissioner undertook a consultation exercise with the public on the most suitable community remedies for Gwent.</p> <p>In preparing The Plan, the Commissioner has taken account of the views and priorities of communities, victims of crime, community safety and criminal justice partners. He has met with representatives of local authorities and voluntary and business groups across Gwent. He has also set out in The Plan his plans for consultation and engagement with the public during his term of office. This is further supported by the Joint Engagement Strategy agreed and progressed by the Force.</p> <p>The Commissioner has continued to develop arrangements for effective engagement with key stakeholders, ensuring that where appropriate such stakeholders remain closely involved in decision making, accountability and the future direction of the service, e.g. The PCP, Strategic Commissioning Board<sup>4</sup> (SCB), Safer Gwent<sup>5</sup> and the operation of the Commissioner’s Partnership Fund.</p> <p>In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 &amp; 2012 (2011 &amp; 2012 Orders) and the guidance provided by the Information Commissioner, a</p>	<p>Continue to engage in “Safer Gwent” as a key facilitation programme across the region to support local delivery of community safety based initiatives.</p>

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

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



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

CORE PRINCIPLES OF CORPORATE GOVERNANCE		
Standard:	What we did:	Plan for 2017/18:
	<ul style="list-style-type: none"> <li>• Having regard to the needs, safeguarding and welfare of children and vulnerable adults;</li> <li>• Continuing to improve partnership working with public services and the voluntary sector;</li> <li>• Continuing to support the national Strategic Policing Requirement;</li> <li>• Providing an effective criminal justice system in Gwent;</li> <li>• Providing robust commissioning of services;</li> <li>• Implementing the Welsh Language Standards;</li> <li>• Building a strong and positive relationship with Governments;</li> <li>• Ensuring that the people working for the OPCC and Gwent Police feel valued; and</li> <li>• Delivering value for money for the people of Gwent.</li> </ul> <p>It is recognised that policing plays a key role in the lives of people who live, work and visit our area. The Chief Constable's complementary mission is to "protect and reassure" the people who live and work in Gwent. He has enabled his employees to do this to the best of their ability by ensuring that they meet The Plan priorities.</p> <p>The Wellbeing of Future Generations (Wales) Act became law in Wales on 29<sup>th</sup> April 2015. The Act is about improving the social, economic, environmental and cultural wellbeing of Wales. It will make the public bodies listed in the Act think more about the long term, work better with people and communities and each other, look to prevent problems and take a more joined-up approach.</p> <p>The Act establishes Public Service Boards (PSBs) for every local authority area in Wales, which will replace the existing Local Service Boards. The Commissioner and Chief Constable will both be 'invited participants' on the Gwent Boards. A key area of future delivery work that PSBs are currently working towards requires all participants to assess current service delivery provision (situational analysis) and then to devise activity programmes for future delivery by 2018.</p> <p>The Commissioner and the Chief Constable have considered the views and priorities of the communities and The Plan's priorities have been revised using an outcome-based approach to ensure they meet local, regional and national needs.</p> <p>During the course of 2016/17, the SPB received reports from the Chief Constable covering a range of areas of performance including crime levels, public complaints, finance, victims' satisfaction and public confidence. These reports enabled the Commissioner to hold the Chief Constable to account for the delivery of the priorities set out in</p>	<p>The analytical work currently on-going and which the OPCC and Force and involved in, is a partnership approach across service providers looking at the current delivery position in Gwent. This reported findings to the G7 in March 2017.</p>

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

CORE PRINCIPLES OF CORPORATE GOVERNANCE		
Standard:	What we did:	Plan for 2017/18:
	<p>prioritise projects, monitor progress, manage the associated risk and resource allocation on a force wide basis to deliver the required efficiency plan. The Board also agrees business cases for investments and dis-investment.</p> <ul style="list-style-type: none"> <li>▪ SPG – this exists to have ownership of and manage strategic planning activity for Gwent Police's delivery of the police and crime priorities in Gwent.</li> <li>▪ Business Tasking and Co-ordination Group (BTCG) – This Group oversees the Governance of Risk Management and Policy Development.</li> </ul> <p>Each forum has set documentation to robustly draw out the pertinent issues for decision.</p>	
5. Developing the OPPC's capacity, including the capability of its leadership and the individuals within it.	<p>During 2016/17 the Commissioner and the OPCC have received Association of Police and Crime Commissioners (APCC) briefings, in addition to a number of investigative and review reports and updated guidance from a range of national bodies and organisations. These include HMIC inspection reports and WAO reviews.</p> <p>The Chief officer Team receives regular development opportunities.</p> <p>The Chief Finance Officer continues to receive support from and attends bi-monthly meetings of the NPCC Business &amp; Finance Portfolio. in addition to attending joint seminars with Force's Directors of Finance.</p> <p>The OPCC culture and processes actively identifies where individuals may need role specific training to enable them to carry out their duties and/or where general personal development is required. Following the receipt of training or a development activity, the relevant staff member completes a Training Assessment Form to establish the direct benefit of the training/development to the OPCC.</p> <p>The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the PPO. The PRSRA and the PPO also set out the function and roles of statutory officers, namely the Monitoring Officer and the Chief Finance Officer.</p>	<p>Joint Continuing Professional Development (CPD) arrangements between APACCE, PACCTS and NPCC are being explored.</p> <p>Continuation of the OCC's PDR process, to ensure staff are suitably equipped to support any continuing or new governance arrangements and to deliver all the OPCC requirements effectively.</p> <p>Undertake the annual review of the MOCG so it remains fit for purpose post-election.</p>

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



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

CORE PRINCIPLES OF CORPORATE GOVERNANCE								
Standard:	What we did:	Plan for 2017/18:						
	<p>Risk is a standing agenda item on all strategic meetings within the Force and all decision making meetings of the Commissioner. The Joint Risk Management Strategy of the Commissioner and the Chief Constable establishes how risk is embedded throughout the various elements of corporate governance of the corporation(s) sole. The Chief Finance Officer for the Commissioner also advises the Commissioner, in consultation with the Chief of Staff, on the safeguarding of assets, risk management and insurance. He will ensure that in relation to any strategic business decisions of the Commissioner, consideration is given to the immediate and longer term implications, opportunities and risks<sup>6</sup></p> <p>Strategic risks are identified throughout the OPCC and recorded on a Joint Strategic Risk Register. These are then scored for likelihood and impact and allocated both a strategic and operational risk owner for mitigation and monitoring. Mitigation and monitoring of strategic risk is assured through the Force's BTCCG, which the Chief Finance Officer attends. Various projects also hold individual risk registers. The OPCC has a risk register, which is monitored monthly via the OPCC Executive Board.</p> <p>Part of the approach to risk management involves the purchasing of insurance cover to protect assets and liabilities where it is either required or cost effective to do so. The OPCC and Force are proactive in self-insuring some elements of the overall insurance package. The Commissioner maintains an insurance provision which is reviewed annually to help meet claims.</p> <p>The Internal Audit plan for 2016/17 was approved by the JAC on the 9<sup>th</sup> March 2016.</p> <p>During 2016/17 TIAA carried out a total of 19 audits, covering core financial systems, business and operational systems and governance processes. The internal audit annual report for 2016/17 concluded that the Commissioner's framework for risk management, control and governance processes was reasonable and therefore he has adequate and effective management control and governance processes to manage the achievement of his objectives.</p> <p>As specified above, Gwent Police is inspected periodically by HMIC. Their reports during 2016/17 supported the monitoring and development of many Force priorities and are set out below.</p> <table><tr><th>Title</th><th>Publication Date</th><th>Rating</th></tr><tr><td>PEFI</td><td>November</td><td>Good</td></tr></table>	Title	Publication Date	Rating	PEFI	November	Good	<p>The recommendations arising from the 3 areas which received Limited assurance assessments will be implemented and scrutinised by senior officers and JAC. Furthermore, the Internal Audit Plan for 2016/17 will refocus on the progress make against Urgent and Important recommendations.</p>
Title	Publication Date	Rating						
PEFI	November	Good						

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

CORE PRINCIPLES OF CORPORATE GOVERNANCE				
Standard:	What we did:			Plan for 2017/18:
	Efficiency 2016 Report	2016		
	PEEL Leadership 2016 Report	December 2016	No Assessment Given	
	PEEL Legitimacy 2016 Report	December 2016	Good	
	PEEL Effectiveness Report	March 2017	Good	
	<p>HMIC also produced a suite of Value for Money indicators to challenge areas of exceptional spend in comparison with the most similar forces. The results of the benchmarks are incorporated within the Force's change programme (Staying Ahead).</p> <p>The Welsh Government, Home Office and a number of other bodies require financial returns to monitor expenditure on revenue and capital. Strict terms and conditions are in place to govern additional external funding received from these bodies.</p>			
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	<p>Significant evidence is presented above, which confirms the transparency and robustness of the accountability frameworks of both Corporations Sole.</p> <p>Below the statutory requirements, good practice is adopted in regard to writing and communicating reports for the public and other stakeholders in an understandable style, appropriate to the intended audience.</p> <p>Similarly, the OPCC strives to strike the right balance between providing the right amount of information to satisfy transparency demands and promote public scrutiny, whilst not being too onerous for users to understand.</p> <p>In relation to the reporting regime, forward work plans are produced and maintained to ensure that reporting requirements are consistent and timely; enabling stakeholders to understand the 'lifecycle' of the Corporations Sole and enabling trend analysis.</p>			Maintain good practice.

NOLAN PRINCIPLES		
Principle:	What we do:	Plan for 2017/2018:
1. 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 friends.	<p>Compliance with the 2011 (Amended) Order which requires the publication of information in relation to various matters including:</p> <ul style="list-style-type: none"> <li>The names of the Chief Officer Team;</li> <li>Correspondence address for each;</li> <li>Salaries, expenses, register of interests;</li> <li>The number of complaints about them which are dealt with by the PCP; and</li> <li>Specific reference to notifiable interests,</li> </ul>	Monitoring any changes to the 2011 and 2012 Orders and continuously seeking to ensure all relevant information is captured and disclosed as required. On-going through 2017/18.

NOLAN PRINCIPLES		
Principle:	What we do:	Plan for 2017/2018:
	<ul style="list-style-type: none"> <li>Publication of key decisions on website</li> </ul> <p>Senior officers' salaries and expenses are disclosed in Statement of Accounts.</p>	
<p>2. Integrity:</p> <p>The Chief Constable and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.</p>	<p>Compliance with the MoCG.</p> <p>Ensuring that the register of gifts and hospitality is updated as and when offers are received.</p> <p>Ensuring related party's disclosure in the Statement of Accounts.</p> <p>The Chief Officers and all staff of the OPCC have agreed to abide by the College of Policing's Code of Ethics.</p> <p>Disclosure of business interests.</p>	<p>Continuously reinforce the procedures set out in the MoCG to ensure understanding and compliance. On-going to 31<sup>st</sup> March, 2017.</p>
<p>3. Objectivity:</p> <p>In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Chief Constable and staff will make choices on merit.</p>	<p>Appointments made during the year were made on merit in compliance with section 7 of the Local Government and Housing Act 1989.</p> <p>The MoCG (including the Financial Regulations and the Standing Orders Relating to Contracts) expressly provide for the competitive processes to be applied in relation to contracts. Such processes are transparent and auditable with full use being made of the 'etenderwales' and 'SelltoWales' systems. Contract documentation is also published on the Blue Light Police Database, which is a national system accessible by the public. Contracts are also published in accordance with the requirements of the 2011 Order (as amended).</p>	<p>Further appointments are anticipated and these will be made in compliance with the relevant statutory provisions.</p>
<p>4. Accountability:</p> <p>The Chief Constable and staff will be accountable for their decisions and actions to the public and will submit themselves to whatever scrutiny is appropriate to their office.</p>	<p>The Commissioner provides decision logs on public website in compliance with the 2011 Order and with the requirements of Section 11 of the PRSRA.</p> <p>The Chief Constable is held to account and scrutinised by the Commissioner.</p> <p>Statement of Accounts produced annually and subject to audit by WAO.</p> <ul style="list-style-type: none"> <li>WAO report by exception on the AGS; and</li> <li>WAO assess the arrangements for securing economy, efficiency and effectiveness in the use of resources.</li> </ul> <p>The Commissioner and Chief Constable jointly commission an Internal Audit service and have agreed the audit plan.</p> <p>A JAC has been appointed by the Commissioner and the Chief Constable which meets quarterly and this operates in line with guidance from CIPFA and the Financial Management Code of Practice.</p>	<p>Maintain good practice.</p>
<p>5. Openness:</p> <p>The Chief Constable and staff will be as</p>	<p>The Chiefs decisions are recorded on an internal register and are subject to the Publication Scheme.</p>	<p>Maintain good practice.</p>

NOLAN PRINCIPLES		
Principle:	What we do:	Plan for 2017/2018:
open as possible about all decisions and action they take. Reasons will be made available and information only restricted when so required by the wider public interest.		Alignment with Local Government Wellbeing Plans and the adoption of the provisions of the Wellbeing of Future Generations Act 2015
<p>6. Honesty:</p> <p>The Chief Constable 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.</p>	<p>Register is maintained of the Chief Constable and staff disclosable interests in accordance with Schedule 1 of the 2011 Order.</p> <p>All staff comply with the Business Interest Policy and as such disclose all business interests.</p>	Annual reminders will be sent out in case personal circumstances have changed in respect of the disclosable interests.
<p>7. Leadership:</p> <p>The Chief Constable and staff will promote and support these principles through leadership and by example.</p>	<p>Adoption of Nolan Principles in The Code.</p> <p>Adherence to the College of Policing's Code of Ethics which has been publically adopted including the principles of Fairness and Respect.</p> <p>Monthly meetings of the Chief Officer Team.</p> <p>Regular PDR Reviews.</p> <p>Weekly meetings between the Commissioner and Chief Constable.</p> <p>Regular meetings between the Chief Constable and the Chief Officers.</p>	Annual review of the MOCG.
<p>Fairness:</p> <p>The Chief Constable, his officers and staff will act with fairness and impartiality</p>	<p>Duties are undertaken in accordance with the laws relating to human rights and equality.</p> <p>It is recognised that some individuals who come into contact with the police are vulnerable and may require additional support and assistance.</p> <p>A proactive approach is taken in opposing discrimination [and this is reflected in the learning strategies of the force].</p>	
<p>Respect:</p> <p>The Chief Constable, his officers and staff will act with self-control and tolerance, treating members of the public and colleagues with respect and courtesy.</p>	<p>The values of "protecting and reassuring" are guiding principles for all staff and officers.</p> <p>Authority is only exercised in a way which is proportionate, lawful, accountable, necessary and ethical.</p> <p>The Ethics Committee meets regularly and provides input and recommendations upon issues of ethics.</p>	

### SIGNIFICANT GOVERNANCE ISSUES



## Annual Governance Statement

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

- The appointment of a new Chief Constable in Gwent in June 2017.
- Funding: The challenge presented by continued austerity on our ability to maintain and improve services unless we can realise the benefits of improved productivity through better use of technology, smarter ways of working and collaboration with partners.
- The Force Integrated Resource Management Systems (FIRMS) programme looking at implementing a new integrated Duty Resource Management, HR, Payroll, Finance and Learning & Development systems remains a key improvement project which drives core services for the force.
- Funding Formula Review for which the Home Office are due to introduce the new funding formula in 2018/19.
- Ensuring we meet the governance requirements of significant external grants, such as the Police Transformation Fund and Ministry of Justice Victims' Grant.
- Partners: The challenges presented by the changes in the future of Welsh local government which may mean that partners continue to display reluctance in making long-term commitments and may withdraw from community safety initiatives which could adversely impact upon crime and anti-social behaviour issues, Governance of our on-going relationships with our partners to meet the needs of the vulnerable.
- Collaboration: Governance of an expanding portfolio of collaborations both regionally (e.g. as a result of the review being undertaken on support functions within the four Welsh forces) and nationally (e.g. National Police Air Service and the ICT Company)
- Introduction of the new Welsh Language Standards in 2017.
- Early closing of year end accounts for 2018/19: the Commissioner and the Chief Constable will have to prepare their accounts by 31<sup>st</sup> May 2018 and the audit opinion from our external auditors has to be provided by 31<sup>st</sup> July 2018 (this is two months earlier than the current deadline).
- Implementing the changes to the Pre-Charge Bail Legislation at the beginning of the next Financial year (2017/18). The Bill received Royal Assent on 31<sup>st</sup> January 2017 and the changes to the pre-charge bail were effective from 3<sup>rd</sup> April 2017.
- Developing our workforce: The Force is required to implement the College of Policing's five year strategy to professionalise policing. The Police Performance Framework was launched in September 2016 and must be implemented in force by April 2018. This challenge is coupled with that faced by the Force in relation to its ability to access funding from the Apprenticeship funding stream – this reflects the loss by the Force of 0.5% of its payroll to HMRC and the potential that it will not recover the same via a new apprenticeship funding stream from the Welsh Government, whilst the cost of training new officers to comply with the College of Policing's plans for a Higher Level Apprenticeship would result in an increased cost to the Force.
- Develop partnership working to deliver the joint delivery of the Welsh Government/ Future Generations Legislation's view of cohesive communities and to engage with the Welsh Government in the development of their Community Cohesion Plan. We will also continue to establish links with the Public Service Boards.
- The local elections in May 2017 and the UK General Election in June. It will remain imperative that the Commissioner and the Chief Constable continue to deliver service as usual during PURDAH and support any policing requirements arising as a result of the two election processes.
- The challenges presented by the changes to the Emergency Service Network project, both in terms of timing and the impact upon our services.

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

**Signed:**



**Julian Williams**  
**Chief Constable for Gwent**  
**Date: 14<sup>th</sup> September 2017**



**Nigel Stephens CPFA**  
**Assistant Chief Officer - Resources**  
**Date: 14<sup>th</sup> September 2017**

## Comprehensive Income and Expenditure Statement (CIES) for the Chief Constable for 2016/17

This statement reflects the resources of the PCC that were consumed by the Chief Constable during 2016/17. In practice all respective costs are paid for by the PCC and the CIES includes an Intra Group adjustment to reflect this. This results in an overall nil cost for the CIES on Police Services.

2015/16 re-stated			Note	2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
72,752	-	72,752	Police Officer Salaries and Allowances	62,725	-	62,725
22,706	-	22,706	Police Staff Salaries and Allowances	22,831	-	22,831
5,016	-	5,016	PCSO Salaries and Allowances	3,998	-	3,998
2,382	-	2,382	Police Officer Overtime and Enhancements	2,071	-	2,071
1,001	-	1,001	Police Staff Overtime and Enhancements	915	-	915
591	-	591	PCSO Overtime and Enhancements	435	-	435
2,820	-	2,820	Other Employee Related Costs	4,195	-	4,195
6,274	-	6,274	Premises Costs	5,400	-	5,400
3,735	-	3,735	Transport Costs	3,200	-	3,200
15,285	-	15,285	Supplies and Services	17,684	-	17,684
147	-	147	Major Incident Schemes	257	-	257
90	-	90	Proactive Operational Initiatives	144	-	144
-	-	-	Other Income	-	-	-
-	-	-	Intra Group Transfers	-	-	-
132,799	-	132,799	Cost of Services	123,855	-	123,855
-	-	-	Other Operating Expenditure	-	-	-
42,368	-	42,368	Financing, Investment Income & Expenditure	42,119	-	42,119
-	-	-	(Surplus)/Deficit on discontinued operations	-	-	-
-	-	-	Taxation and non-specific grant income	-	-	-
-	(175,167)	(175,167)	Intra group transfers	-	(165,974)	(165,974)
175,167	(175,167)	-	(Surplus)/Deficit on Provision of Services	165,974	(165,974)	-
		-	(Surplus)/Deficit on the revaluation of non-current assets			-
		-	(Surplus)/Deficit on the revaluation of Available for Sale financial assets			-
		(127,777)	Actuarial (gains) / losses on pension assets / liabilities	11, 17		263,926
		127,777	Intra group transfers	8		(263,926)
		-	Other Comprehensive Income and Expenditure			-
		-	Total Comprehensive Income and Expenditure			-

### Balance Sheet of the Chief Constable

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

31 March 2016 £000		Note	31 March 2017 £000
	- Property, Plant & Equipment		-
	- Intangible Assets		-
	- Assets Held For Sale		-
1,193,967	Long Term Debtors	11, 17	1,483,548
<b>1,193,967</b>	<b>Total Long Term Assets</b>		<b>1,483,548</b>
	- Short Term Investments		-
408	Inventories	9	399
	- Short Term Debtors		-
	- Cash & Cash Equivalents		-
12,688	Intra Group Adjustment	8	11,382
<b>13,096</b>	<b>Total Current Assets</b>		<b>11,781</b>
	- Short Term Borrowing		-
(13,096)	Short Term Creditors	10	(11,781)
	- Short Term Provisions		-
	- Receipts in Advance		-
<b>(13,096)</b>	<b>Total Current Liabilities</b>		<b>(11,781)</b>
	- Long Term Creditors		-
	- Long Term Borrowing		-
(1,193,967)	Net Pension Liability	11, 17	(1,483,548)
	- Finance Lease Liability		-
<b>(1,193,967)</b>	<b>Total Long Term Liabilities</b>		<b>(1,483,548)</b>
	- <b>Net Assets/Liabilities</b>		<b>-</b>
	Financed by:		
	- Useable Reserves		-
	- Unusable Reserves		-
	- <b>Total Reserves</b>		<b>-</b>

### Police Pensions Account

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

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

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

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

### Notes to the Police Pension Fund Account

1. The accounting policies followed and assumptions made regarding the Police Pensions Account are in line with those set out in Note 1, Accounting Policies;
2. The Police Pension Scheme is administered by Capita Plc. under contract;
3. There are no investment assets in the fund. The payments in and out of the Pension fund are balanced to nil each year by receipt of additional contributions from the General Police Fund, which in turn is reimbursed by a specific Home Office grant (Top Up Grant); and
4. The Pension Fund's financial statements do not take account of future pension obligations after the 31<sup>st</sup> March 2017. However these are presented on the Balance Sheet under Net Pension Liability with detailed disclosures in Note 47, Defined Benefit Pension Schemes.

## Index of Explanatory Notes to the Core Financial Statements

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

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

#### 1. Accounting Policies

##### 1.1 General Principles

The Statement of Accounts summarises the Chief Constables transactions for the 2016/17 financial year and its position at the year-end of 31<sup>st</sup> March 2017. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the UK 2016/17 and the CIPFA Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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

##### 1.2 Accruals of Income and Expenditure

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

- (i) Revenue from the sale of goods is recognised when the Chief Constable transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Chief Constable.
- (ii) Revenue from the provision of services is recognised when the Chief Constable can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Chief Constable.
- (iii) Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- (iv) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

##### 1.3 Depreciation

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

##### 1.4 Employee Benefits

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

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and overtime on the card and are recognised as an expense for services in the year in which employees render service to the Chief Constable. An accrual is made for the cost of holiday entitlements (or any form of leave, rest day carry over and overtime on the card) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable at the end of the accounting period in question. The accrual is charged to the Cost of Services and the liability is recorded in the Police and Crime Commissioner's and Police and Crime Commissioner Group's balance sheet.

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

Termination benefits are amounts payable as a result of a decision by the Chief Constable to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. When the Chief Constable is demonstrably committed to the termination of the employment of an employee or group of 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 Chief Constable participates in two post-employment pension schemes. The Police Pension Scheme, for Police Officers and the Greater Gwent (Torfaen) Local Government Pension Scheme, for Police Staff. Both schemes provide defined benefits to members e.g. retirement lump sums and pensions, earned as employees working for the Council, or for related parties.

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

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

### ***Discretionary Benefits***

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

### ***Injury Benefits***

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

### ***1.5 Inventories and Long Term Contracts***

The Chief Constable maintains stocks of uniforms, body armour, and vehicle parts. The value of these stocks at the end of the year is recorded in the accounts at current cost, with the exception of vehicle parts which are recorded at historical cost.

### ***1.6 Service Expenditure Analysis and Overheads***

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

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

The result is that for 2016/17, the Net Cost of Police Services has been reported in line with internal management reports for the PCC Group and Chief Constable. The presentation is not segmental and the costs of overheads and support services have not been re-allocated. However the format is in accordance with the authority's arrangements for accountability and financial performance. The 2015/16 Comprehensive Income and Expenditure Account, which was prepared on the SERCOP basis has been re-stated for comparability.

### ***1.7 Leases***

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

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

The Code requires the Chief Constable (CC) 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. The CC does not hold any material interests in subsidiaries, associated or jointly controlled entities that require consolidation. The CC policy is to disclose as a note to the financial statements details of any related companies.

Where the CC 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.

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

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

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

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

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

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

### **1.11 Events after the Reporting Period**

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

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

### **1.12 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.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Chief Constable is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

Paragraph 3.3.2.13 of the 2016/17 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

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

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

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

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

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

- (i) IFRS 9 – Financial Instruments, due to be issued in January 2018 and adopted in the 2018/19 Code;
- (ii) IFRS 15 – Revenue from Contracts with Suppliers, due to be issued in January 2018 and adopted in the 2018/19 Code; and
- (iii) IFRS 16 – Leases, due to be issued in January 2019 and adopted in the 2019/20 Code.

### 3. Critical judgments in applying accounting policies

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

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

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

The items in the Chief Constable's balance sheet as at 31<sup>st</sup> March 2017 for which there is a significant risk, of material adjustment, in the forthcoming financial years, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Police pensions liability	Estimation of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) have been engaged to provide the PCC with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the rate of increase in salaries would have a £18.2m increase in the Police Pension Scheme Liability.</p> <p>A one year increase in the life expectancy of Police Pensioners would result in the Police Pension Liability increasing by £35.7m.</p> <p>However, the assumptions interact in complex and sensitive ways. During 2016/17, GAD advised that the net pensions' liability had increased by £251.2m due to changes in financial assumptions used. In the previous financial year the net pension liability decreased as a result of losses of £136.1m attributable to changes in financial assumptions.</p> <p>In their IAS19 report on the Police Officer Pension Scheme the actuary has reported that the new scheme came into place in 2015 and that this may impact on retirement patterns. However there is no scheme experience data yet which would highlight this change. Any adjustment that could be made would be highly subjective therefore no adjustment has been made.</p>
Accumulated Absences	Estimation of the liability with respect to untaken annual leave, flexi balances, rest days for recovery and overtime on the card requires the use of sampling techniques to form a reliable estimate of the outstanding liability. Sample size and methodology can all impact on the final estimated liability.	The effect of a 1% increase in untaken accumulated absences results in a £22,000 increase in the estimated liability.

### 5. Material items of Income & Expenditure

During 2016/17 the Commissioner provided a non-recurring contribution of £2m to Torfaen Local Government Pension Scheme (TLGPS) to reduce the deficit level of the fund following consultation with the Police & Crime Panel and taking consideration of future annual contributions indicated by the Fund Managers.

### 6. Events after the Balance Sheet date

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

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

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

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

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

The new Police Headquarters (HQ) development is progressing through a HQ Project Board which meets on a monthly basis. The planned date for completion of the new build is July 2019 with the subsequent demolition of the current Headquarters by July 2020. A capital budget of £16m is projected to cover the build, IT and furnishings as well as the cost of de-commissioning the current HQ.

### 7. Financing and Investment Income and Expenditure

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

2015/16 £000		2016/17 £000
-	Interest payable and similar charges	-
42,368	Pension interest cost and expected return on pension assets	42,119
-	Interest receivable and similar income	-
<b>42,368</b>	<b>Total</b>	<b>42,119</b>

### 8. Intra Group Adjustments

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



### CIES Intra Group Adjustments

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

### Balance Sheet Intra Group Adjustments

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



### 9. Inventories

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

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

### 10. Short-Term Creditors

Short- Term Creditor balances held by the Chief Constable at the 31<sup>st</sup> March 2017 are:

31 March 2016 £000		31 March 2017 £000
(1,651)	Central Government Bodies	(1,682)
(5,372)	Other Police Forces and Local Authorities	(5,916)
-	- NHS Bodies	-
(25)	Public Corporations and Trading Funds	(25)
(6,048)	Other Entities and Individuals	(4,158)
<b>(13,096)</b>	<b>Total</b>	<b>(11,781)</b>

### 11. Net Pension Liability

The Net Pensions Liability absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Chief Constable accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement (CIES) as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

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

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

<b>31 March 2016 £000</b>		<b>31 March 2017 £000</b>
(1,285,726)	Balance as at 1 April	(1,193,967)
127,777	Actuarial gains or losses on assets and liabilities	(263,926)
(68,720)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(62,400)
32,702	Employer's pension contributions and direct payments to pensioners payable in the year	36,745
<b>(1,193,967)</b>	<b>Balance as at 31 March</b>	<b>(1,483,548)</b>

**12. Members Allowances**

In 2016-17 £4,000 paid to Joint Audit Committee Members was split evenly with the PCC.

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

**13. Police Officer and Police Staff Remuneration****Police and Police Staff Numbers**

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

<b>31 March 2016</b>		<b>31 March 2017</b>
<b>Police Officers:</b>		
246	Above the rank of Constable	240
898	Constable	952
<b>1,144</b>	<b>Total</b>	<b>1,192</b>
<b>Police Staff:</b>		
630	Full Time	549
183	Part Time	158
<b>813</b>	<b>Total</b>	<b>707</b>

**Remuneration Received**

During the year, the number of Officers and Staff, employed by the Police and Crime Commissioner, but who are under the direction and control of the Chief Constable, who received remuneration in excess of £60,000 is provided in the following table. The table shows multiples in bands of £5,000. The remuneration definition includes annual salaries and allowances, salary sacrifice deductions but excludes employer's pension contributions. The figures include those officers whose posts are detailed in the Remuneration Disclosure.

## Notes to the Financial Statements

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

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

### Remuneration Relationship

Reporting bodies are required to disclose the relationship between the highest paid 'Executive' in the organisation and the median remuneration of the organisations workforce during the year to which the accounts relate. Remuneration is based on full time annualised remuneration payable.

	2015/16	2016/17
Chief Constables Pay	147,897	149,560
Median Pay of the Chief Constable's Staff	34,779	33,597
Median Pay Ratio	4.25	4.45

### Remuneration Disclosure

The following table on page 40 sets out the remuneration disclosure, for relevant Police Officers (Chief Officer rank) and Senior Staff (Chief Officer equivalent rank), whose salary is equal to, or more than £60,000 per year. The regulation requires individuals whose salary exceeds £150,000 per year, to be identified by name.

Expense allowances include "essential user" car lump sum allowance and benefit in kind includes the money value of benefits received otherwise than in cash e.g. private use of a Force asset. Other payments include those allowances only relevant to Police Officers such as rent allowance and compensatory grant. During the year no amounts were paid in respect of compensation for loss of employment. Equivalent disclosure is provided for the previous year 2015/16 on page 42.

## Relevant Senior Police Officers and Senior Police Staff Remuneration

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

2016/17									
	Note	Salary	Bonus	Expenses	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contributions	Employers Pension Contributions	Total Remuneration including Pension Contributions
Post Holder Information (Post Title)		£	£	£	£	£	£	£	£
Chief Constable	1	137,933	-	-	7,010	4,046	148,989	-	148,989
Deputy Chief Constable (1)	2	94,729	-	-	3,965	3,034	101,728	22,924	124,652
Deputy Chief Constable (2)	3	28,560	-	-	1,773	1,011	31,344	6,912	38,256
Assistant Chief Constable (1)	4	81,117	-	-	5,318	3,034	89,469	19,630	109,099
Assistant Chief Constable (2)	5	25,963	-	-	774	872	27,609	6,283	33,892
Assistant Chief Officer Resources		104,208	-	-	79	-	104,287	16,464	120,751

### Notes:

- 1) Chief Constable retires on the 30<sup>th</sup> June 2017.
- 2) Deputy Chief Constable (1) left office on the 31<sup>st</sup> January 2017.
- 3) Deputy Chief Constable (2) was appointed and took office on the 1<sup>st</sup> January 2017 with an annualised salary of £114,240.
- 4) Assistant Chief Constable (1) was appointed Deputy Chief Constable (2) on the 1<sup>st</sup> January 2017.
- 5) Assistant Chief Constable (2) was appointed and took office on the 1<sup>st</sup> January 2017 with an annualised salary of £103,851.
- 6) The employer's pension contributions in respect to Police Officers were paid at the rate of 24.2%. All other Senior Employers were paid at the rate of 15.8%. Salaries disclosed exclude salary sacrifice deductions.

## Relevant Senior Police Officers and Senior Police Staff Remuneration

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

2015/16									
	Note	Salary	Bonus	Expenses	Benefits in Kind	Other Payments	Total Remuneration excluding Pension Contributions	Employers Pension Contributions	Total Remuneration including Pension Contributions
Post Holder Information (Post Title)		£	£	£	£	£	£	£	£
Chief Constable		136,567	-	-	6,718	4,046	147,331	2,738	150,069
Deputy Chief Constable	1	112,643	-	-	5,884	4,046	122,573	27,260	149,833
Assistant Chief Constable (1)	2	24,682	-	-	813	6,304	31,799	5,973	37,772
Assistant Chief Constable (2)	3	91,858	-	-	3,580	3,643	99,081	22,230	121,311
Assistant Chief Officer Resources		103,175	-	-	-	-	103,175	16,302	119,477

### Notes:

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

## 14. Termination Benefits

A Schedule of exit packages at 31<sup>st</sup> March 2017 is shown in the table below with comparative figures for the previous year.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	18	29	24	18	42	47	522,635	524,555
£20,001 - £40,000	10	28	41	15	51	43	1,640,032	1,252,277
£40,001 - £60,000	2	1	17	13	19	14	923,737	628,241
£60,001 - £80,000	-	-	9	1	9	1	610,680	74,550
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £250,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>30</b>	<b>58</b>	<b>91</b>	<b>47</b>	<b>121</b>	<b>105</b>	<b>3,697,084</b>	<b>2,479,623</b>

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



### 15. External Audit Costs

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

In 2016/17 the total costs are split equally between the PCC Group Statement of Accounts and the Chief Constable's Statement of Accounts.

2015/16 £000	2016/17 £000
43 Fees payable to the Wales Audit Office with regard to external audit services carried out by the Auditor General for Wales for the year	42
<b>43 Total</b>	<b>42</b>

### 16. Related Parties

IAS 24 requires the Chief Constable to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Chief Constable or to be controlled and influenced by the Chief Constable. Disclosure of these transactions allows the reader to access the extent to which the Chief Constable might have been constrained in his ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable. This disclosure note has been prepared on the basis of specific declarations obtained between April 2016 and March 2017, in respect of related party transactions.

#### Central Government

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

#### Members

The total allowances and expenses paid to Members during the year are shown in Note 12. During the year no material transactions between the Chief Constable and the Police and Crime Panel members or parties related to them have been identified. The transactions with the Unitary Authorities that they represent with regards to Council Tax Precepts are detailed in Note 11 of the PCC Group Statement of Accounts – Taxation and Non Specific Grant Income.

A member of the Joint Audit Committee (JAC) is employed by the police Mutual that offers financial services products to serving and retired police officers and staff and families

#### Officers

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

### 17. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

The Chief Constable participates in two post-employment schemes:

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

## Notes to the Financial Statements

employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

### Transactions relating to Post-employment Benefits

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

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

	Police Pension		Local Government		Chief Constable	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
<b>Comprehensive Income &amp; Expenditure Statement</b>						
<b>Cost of Services:</b>						
Current service cost	21,610	15,800	4,430	3,769	26,040	19,569
Past service cost (including curtailments)	80	40	152	601	232	641
Administration expenses	-	-	80	71	80	71
<b>Financing and Investment Income and Expenditure:</b>						
Net interest expense	40,770	40,350	1,598	1,769	42,368	42,119
<b>Total post employment benefits charged to the surplus or deficit on the provision of services</b>	<b>62,460</b>	<b>56,190</b>	<b>6,260</b>	<b>6,210</b>	<b>68,720</b>	<b>62,400</b>
<b>Other post employment benefits chargeable to the comprehensive income and expenditure statement:</b>						
Remeasurement of the net defined benefit liability comprising:						
Actuarial gains and losses arising on changes in demographic assumptions	(18,660)	(24,420)	-	(4,208)	(18,660)	(28,628)
Actuarial gains and losses arising on changes in financial assumptions	(117,440)	275,620	(5,033)	31,053	(122,473)	306,673
Return on plan assets	7,730	(300)	5,626	(13,819)	13,356	(14,119)
<b>Total post employment benefits charged to the comprehensive income &amp; expenditure statement</b>	<b>(128,370)</b>	<b>250,900</b>	<b>593</b>	<b>13,026</b>	<b>(127,777)</b>	<b>263,926</b>
<b>Movement in Reserves Statement:</b>						
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits	(62,460)	(56,190)	(6,260)	(6,210)	(68,720)	(62,400)
<b>Actual amount charged against the police fund balance for pensions in year:</b>						
Employer's contributions payable to the scheme	10,527	10,082	3,169	4,812	13,696	14,894
Retirement benefits payable to pensioners	2,608	3,014	223	949	2,831	3,963
	<b>13,135</b>	<b>13,096</b>	<b>3,392</b>	<b>5,761</b>	<b>16,527</b>	<b>18,857</b>

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

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

	Police Pension		Local Government		Chief Constable	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Present value of the defined benefit obligation	1,144,140	1,420,240	139,976	174,914	1,284,116	1,595,154
Fair Value of plan assets	-	-	(90,149)	(111,606)	(90,149)	(111,606)
<b>Sub-total</b>	<b>1,144,140</b>	<b>1,420,240</b>	<b>49,827</b>	<b>63,308</b>	<b>1,193,967</b>	<b>1,483,548</b>
Other movements in the liability (asset)	-	-	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>1,144,140</b>	<b>1,420,240</b>	<b>49,827</b>	<b>63,308</b>	<b>1,193,967</b>	<b>1,483,548</b>

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

	Local Government	
	2015/16 £000	2016/17 £000
<b>Opening fair value of scheme assets</b>	<b>90,932</b>	<b>90,149</b>
Interest income	3,121	3,320
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest	(5,626)	13,819
Contributions from employer	3,422	5,755
Contributions from employees into scheme	1,291	1,147
Benefits paid	(2,991)	(2,584)
Admin expenses *	-	-
<b>Closing fair value of scheme assets</b>	<b>90,149</b>	<b>111,606</b>

\* Admin expenses are disclosed under obligations (liabilities)

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

	Police Pension		Local Government		Chief Constable	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Opening fair value of scheme liabilities	1,239,330	1,144,140	137,328	139,976	1,376,658	1,284,116
Current service cost	21,610	15,800	4,430	3,769	26,040	19,569
Interest cost	40,770	40,350	4,719	5,089	45,489	45,439
Admin expenses	-	-	80	71	80	71
Contributions from scheme participants	6,070	6,160	1,291	1,147	7,361	7,307
Remeasurement (gains) and losses:						
Actuarial (gains)/losses arising from changes in demographic assumptions	(18,660)	(24,420)	-	(4,208)	(18,660)	(28,628)
Actuarial (gains)/losses arising from changes in financial assumptions	(117,440)	275,620	(5,033)	31,053	(122,473)	306,673
Experience (gain)/loss	7,730	(300)	-	-	7,730	(300)
Past service cost (including curtailments)	80	40	152	601	232	641
Benefits paid	(35,350)	(37,150)	(2,991)	(2,584)	(38,341)	(39,734)
<b>Closing fair value of scheme liabilities</b>	<b>1,144,140</b>	<b>1,420,240</b>	<b>139,976</b>	<b>174,914</b>	<b>1,284,116</b>	<b>1,595,154</b>

The liabilities show the underlying commitments that the Chief Constable has in the long run to pay retirement benefits. The total liability of £1.595bn (2015/16: £1.284bn) has a substantial impact on the net worth of the Chief Constable as recorded in the Balance Sheet, resulting in a negative overall balance of £1.484bn (2015/16: £1.194bn).

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

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

## Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary have been:

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

\*The expected return on assets are no longer required for IAS19 and FRS102 as the discount rate (2.7%) is now used by the Actuary to calculate the projected costs for next year and set the expected return on assets.

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

	Local Government			
	2015/16 £000	2015/16 %	2016/17 £000	2016/17 %
<b>Asset Allocations</b>				
Equity Securities	17,395	19.3%	21,080	18.9%
Investment Funds and Unit Trusts	69,437	77.0%	87,138	78.1%
Real Estate	2,657	2.9%	2,835	2.5%
Cash and Cash Equivalents	660	0.8%	553	0.5%
<b>Total</b>	<b>90,149</b>	<b>100%</b>	<b>111,606</b>	<b>100%</b>

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those in the previous period.

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

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

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

**The effect of changes in assumptions**

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

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

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

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

**18. Contingent Assets and Contingent Liabilities**

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

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

- (i) The PCC Group, along with a number of other Forces, currently have on-going cases at an employment tribunal regarding the use of Police Pension Regulation A19. The outcome of the tribunal in February 2014 was to find in favour of the complaint and to support the test cases. This decision was appealed by Forces and at an appeal tribunal held in March 2015, Forces were successful, in their appeal. However, the Claimants sought leave to appeal this decision and the Court of Appeal granted leave to appeal. The matter was heard in January 2017 and the outcome was that initial ruling finding in favour of Forces was upheld and the case was dismissed. However the Claimants could now initiate a further appeal to the Supreme Court, although the Appeal Court could block a further appeal. Until the Claimants make a decision on whether to initiate a further appeal the PCC Group will continue to disclose these cases as a contingent liability.
- (ii) The Chief Constable of Gwent, along with other Chief Constables and the Home Office, currently has 100 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a



preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

### 19. Collaboration

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

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

## 19. Collaboration (cont.)

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

As a result of the requirement of IFRS11, gross expenditure in the CIES has been increased by £1.500m and gross income has been increased by £1.713m. A net decrease in expenditure of £0.213m (2015/16: £0.057m net increase in expenditure). This net decrease has been reversed in the Movement in Reserves Statement with no impact on the Police Fund.

## Notes to the Financial Statements

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

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

### Collaborative Working - Shared Resource Service Centre

The Gwent Police Authority entered into a public sector collaborative arrangement, known as the Shared Resource Service (SRS), with Torfaen County Borough Council (TCBC) and Monmouthshire Council in May 2011. The arrangement has resulted in a Shared Resources Centre being set up for the purpose of providing IT services to each member authority. In October 2016 Blaenau Gwent Borough Council (BGBC) joined the collaborative working arrangement followed by Newport County Council (NCC) in April 2017 (post Balance Sheet event – see Note 6 on page 34).

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 premise resides with TCBC. In 2016/17 expenditure incurred was fully covered by the contributions from the partners.

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

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

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

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

At 31<sup>st</sup> March 2017 GIFT (Gwent) had two Trustees. Nigel Stephens, Assistant Chief Officer Resources, who is a PCC Group member of staff, acting as Trustee/Director and a second Trustee, Rhodri Williams who is acting as the independent chair.

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

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

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

The annual report and the audited financial statements for the year ended 31<sup>st</sup> July 2017 disclosed net current assets of £27,257 and retained a profit for the year of £1,147.

Term	Definition
2016/17	This refers to the period covered by these accounts – 1 <sup>st</sup> April 2016 to 31 <sup>st</sup> March 2017.
2015/16	This refers to the prior year financial period for comparative purposes – 1 <sup>st</sup> April 2015 to 31 <sup>st</sup> March 2016.
Accounting Policies	These are a set of rules and codes of practice the Chief Constable uses when preparing the accounts.
Accruals	The accounting treatment, where income and expenditure is recorded when it is earned or incurred not when the money is received or paid.
Actuarial Gains and Losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made in the last valuation; or</li> <li>• The actuarial assumptions have changed.</li> </ul>
Amortisation	This is the measure of the wearing out, consumption or other reduction in the useful life of Intangible assets.
Balance Sheet	This shows the value of the assets and liabilities recognised by the Chief Constable. The net assets of the Chief Constable (assets less liabilities) are matched by the reserves held by the Chief Constable.
Capital Adjustment Account	An account which accumulates (on the debit side) the write-down of the historic cost of fixed assets as they are consumed by depreciation and impairments, or written off on disposal, and (on the credit side) the resources that have been set aside to finance capital expenditure.
Capital Expenditure	Expenditure on the acquisition and construction of assets or expenditure which adds to the value of an existing asset, which have a long-term value to the Group, e.g. land and buildings.
Capital Receipts	Income from the sale of fixed assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets financed from loans.  Usable capital receipts are those capital receipts which are not set aside for specific purposes but are available to be used for any capital purchases.
Carrying Value	The carrying value of an asset or a liability recorded in the Balance Sheet.
CIPFA	The Chartered Institute of Public Finance and Accountancy, one of the professional accountancy bodies in the UK. CIPFA specialises in the public services and has responsibility for setting accounting standards for these services.
Comprehensive Income and Expenditure Statement (CIES)	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
Consumer Price Index (CPI)	Official measure of the general level of inflation as reflected in the retail price of goods and services – excludes mortgage interest payments, council tax and other housing costs.
Contingent Liabilities or Assets	These are the amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which a provision has not been made in the Chief Constables accounts.
Creditors	Individuals or organisations to which the Chief Constable owes money at the end of the financial year split short-term (within 12 months) and long-term.
Current Assets	Current assets are items that can be readily converted into cash.  By convention the items are ordered by reference to the ease that such conversion into cash can be carried out.
Current Liabilities	Current liabilities are items that are due immediately or in the short – term.

## Glossary of Terms

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



## Glossary of Terms

Term	Definition
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Inventories	Amounts of unused or unconsumed stocks held in expectation of future use at the Balance Sheet date.
Leasing Costs	This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.
Materiality	An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.
Minimum Revenue Provision	The prudent amount that the Chief Constable is statutorily required to set aside from revenue funds to meet the repayment of borrowing undertaken to support capital investment. Note that this provision is made by the PCC.
Movement in Reserve Statement	This financial statement presents the movement in usable and unusable reserves.
Net Book Value (NBV)	The amount at which fixed assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
Net Realisable Value (NRV)	The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.
Operating Lease	An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership.
Past Service Cost	For a defined benefit scheme these arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.
PCC	The abbreviation for the Police and Crime Commissioner. The PCC is a separate corporation sole which was established on the 22 <sup>nd</sup> November 2012 under the Police and Social Responsibility Act 2011. Also referred to as the Office of the Police and Crime Commissioner.
Private Finance Initiative (PFI)	A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
Precept	The amount levied and collected by the five Gwent Authorities (Newport, Caerphilly, Blaenau Gwent, Monmouthshire and Torfaen) and paid over to the PCC Group.
Provisions	The Chief Constable may set aside amounts as provisions to meet liabilities or losses that are likely to arise in the future. Any provisions made are recorded in the PCC Group Statement of Accounts.
Public Works Loan Board (PWLb)	This is the Public Works Loan Board, which is an organisation financed by the Government. It lends money to police authorities on set terms so that they can buy capital items.
Related Parties	Central Government, Local Authorities (precepting), subsidiary and associated companies. Elected members, senior officers from Director and above and the Pension Funds. For individuals identified as related parties: members of the close family, or the same household; and partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.
Reserves	Balances that represent resources set aside for purposes such as general contingencies and cash flow management. Earmarked reserves are those set aside for specific policy purposes. The Movement in Reserve Statement shows the movement in the year on the reserves held by the Chief Constable. Note the Chief Constable does not hold Reserves. These come under the control of the PCC.

## Glossary of Terms

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