POLICE AND CRIME COMMISSIONER FOR GWENT GROUP
STATEMENT OF ACCOUNTS
2015/16

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

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Contents

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

Introduction

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

Police Reform and Social Responsibility Act 2011

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

The first Commissioner's election took place on the 15th 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 11th May 2016 and following elections held on the 5th May 2016, Jeff Cuthbert was duly elected as Gwent's second Police and Crime Commissioner. The newly elected Commissioner commenced his role on the 12th May 2016.

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

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

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

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

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

Statement of Accounts

These are the fourth set of statutory accounts prepared under the new governance arrangements introduced by the PRSRA. Each corporation sole is required to produce their own single entity Statement of Accounts, with the Commissioner also producing a Statement of Accounts for the Group (PCC Group); on the basis that the Chief Constable is a wholly owned subsidiary of the Commissioner. The Commissioner is therefore responsible for the finances of the PCC Group and controls the Assets, Liabilities and Reserves. The Commissioner also receives all the income and funding and makes all the payments for the PCC Group, including payments to employees, from the General Police Fund. The Commissioner is also responsible for the funding of pension liabilities, both in the short and long term. In turn the Chief Constable fulfils his functions under the PRSRA with an annual devolved budget, set by the Commissioner in consultation with the Chief Constable.

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

Statutory Framework for the Statement of Accounts

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

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

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

The Commissioner Group and single entity Commissioner Statement of Accounts for the financial year ended 31st March 2016, which is in accordance with the Code in the United Kingdom 2015/16, consist of:

- **Narrative Report** – which provides an introduction to the Statement of Accounts and highlights significant matters reported in the Accounts;

- **Independent Auditor's Report –** which confirms the opinion of the auditor as to whether the accounting statements present fairly the financial position of the Commissioner and Group;

- **Statement of Responsibilities** – which sets out the respective responsibilities of the Commissioner and the Chief Finance Officer in respect of the Statement of Accounts;

- **Annual Governance Statement** – which is a statement by the Commissioner, describing how the system of internal control has ensured that his functions have been exercised with a combination of economy, efficiency and effectiveness during the year;

- **Financial Statements**:

  - **Movement in Reserves Statement** – This shows the movement in the year on the different types of reserves held by the Commissioner and reconciles the cost of providing services reported in the Comprehensive Income and Expenditure Statement (CIES) with the cost of services to be funded by taxation;

  - **Comprehensive Income and Expenditure Statement (CIES)** – This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount funded from taxation. The Commissioner raises taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement;

  - **Balance Sheet** – This shows the value of the assets and liabilities (net worth) of the Commissioner as at 31st March 2016;

  - **Cash Flow Statement** – This summarises, the changes in cash and cash equivalents during the reporting period. Cash flows are categorised as operating, investing and financing activities;

- **Police Pensions Account –** This provides information about the financial transactions in respect of the Police pension schemes. Each individual Chief Constable is required by legislation (Police Pension Fund Regulations 2007) to operate a Pension Fund using monies provided by the Commissioner; and

- **Notes to the Financial Accounts** – These provide further analysis and explanations to the entries in the 'core' financial statements.

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

Similarly pension liabilities in respect of Officers and Staff whose costs have been recognised in the CIES of the Chief Constable have initially been recognised in the Balance Sheet of the Chief Constable. However, as the Commissioner has ultimate responsibility to fund these liabilities, the long term liability is matched by a long term debtor within the Balance Sheet of the Commissioner, with a corresponding Intra-Group Adjustment in the Commissioner's Balance Sheet.

Financial Performance of the Commissioner Group

Revenue Income and Expenditure

Where the money came from? - The revenue budget requirement for the year of £117.774m was approved by the Commissioner on the 9th February 2015. After the Home Office Grant of £43.220m, Revenue Support Grant of £17.278m and National Non-Domestic Rates of £12.418m, the amount to be collected from Council Tax was £44.857m.

What the money was spent on? – The CIES (page 30) shows the total cost of services of £125.743m. Adjusting this figure for corporate costs, changes in future pension liabilities and other appropriations and contributions excluded from the cost of services produces total operating expenditure for the year of £152.863m. Comparing this sum with income from grants and council tax of £118.954m shows a net deficit for the year of £33.909m.

Adjusting this deficit for the following differences between Statutory Accounting Requirements and Funding Regulations (detailed in Note 7, page 44) is as follows:

	Statutory Accounting Adjustments	
	+ £'000	- £'000
Depreciation, amortisation of non-current assets	3,374	
Application of Capital Grants		1,181
Amounts written out on disposal of non-current assets	284	
Revaluation Gains relating to Property, Plant and Equipment	1,116	
PFI Unitary Charge adjustments		170
Statutory Provision for the repayment of debt		128
Voluntary Provision for the repayment of debt		1,187
Capital Receipts		125
Revenue Funded Assets		340
Funding of Capital Expenditure charged to the Police Fund		1,311
Reversal of Pension Liability (IAS 19) entries	36,020	
Reversal of IFRS Holiday Pay charges	575	
Collaboration Movement (Note 39)	57	
Previously agreed reserve movements (NET)	2,911	
Total Adjustments	**44,337**	**4,442**

The result is a reported under-spend for the year of £5.986m which is to be transferred to Reserves as follows:

- £0.874m to Earmarked Reserves; and
- £5.112 to the General Police Fund.

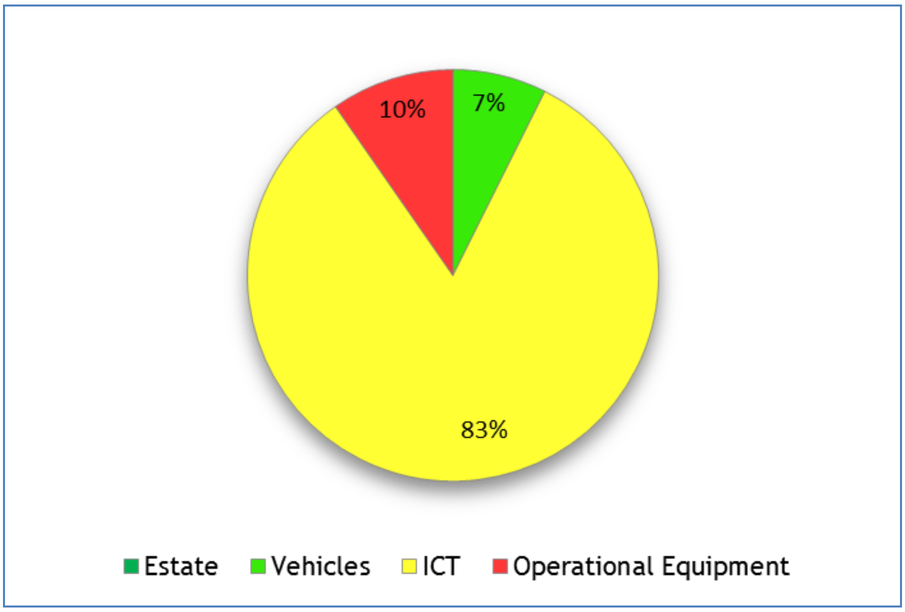
Usable Reserves at the end of the year after the above transfers were £49.589m. Usable Reserves are those reserves set aside from the Police Fund to provide financing for future capital and revenue expenditure plans for example the replacement of the current Police Headquarters.

Of the £5.986m under-spend, £4.312m arose through recurrent savings through the acceleration of efficiency schemes via the Force's 'Staying Ahead' Programme (see 'Looking Ahead' narrative on page 5). The remaining £1.674m resulted from non-recurrent savings from such things as demand-led budgets.

Capital Expenditure and Capital Financing

The revised capital budget for 2015/16, including budget brought forward from prior years to cover slippage, was £6.195m. During 2015/16, capital expenditure (on an accruals basis) amounted to £2.492m (on a cash basis spend was £2.328m) with unused resources carried forward for future use. The following chart shows how the capital expenditure was applied during the year:

Analysis of Capital Expenditure 2015/16



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

The funds available for capital expenditure have been applied on an 'accrued' basis'. During 2015/16, £2.492m of expenditure was applied as follows:

	Funds Brought Forward £000	Additional Funds in Year £000	Total Funds Available £000	Total Applied Funds £000	Funds Carry Forward £000
Capital Grants	-	1,181	1,181	1,181	-
HQ Replacement Reserve	16,030	-	16,030	1,311	14,719
Revenue Financing	1,162	-	1,162	-	1,162
Airwave Sinking Fund	1,500	419	1,919	-	1,919
Capital Receipts	1,502	125	1,627	-	1,627
Capital Earmarked Reserves	**20,194**	**1,725**	**21,919**	**2,492**	**19,427**

Capital creditors as at 31st March 2016 amounted to £0.805m (2014/15 £0.641m).

Capital Borrowing and the Repayment of Debt

The total of debt repayments during 2015/16 was £0.462m, made up of £0.161m principal and £0.301m interest (including accrued interest). No new loans were taken up in respect of approved capital expenditure during the year and the loan debt outstanding as at 31st March 2016 on an accruals basis was £4.940m.

Looking Ahead

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

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

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

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

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

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

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

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

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

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

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

Signed:

Darren Garwood-Pask FCCA
Chief Finance Officer
Date: 19th September 2016

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

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

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

for the year ended 31st March 2016 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

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

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

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

Scope of the audit of the accounting statements

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

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

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent as at 31st March 2016 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 2015-16.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent Group as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Independent Auditor’s Report

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 31st 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 2015-16.

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; or
- I have not received all the information and explanations I require for my audit; and
- the Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

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

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
29th September 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

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

Statement of Responsibilities

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

The Commissioner's Responsibilities

The Commissioner is required to:

(i) Make arrangements for the proper administration of his financial affairs and to ensure that one of his officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer;

(ii) Manage his affairs to secure economic, efficient and effective use of resources and safeguard his assets; and

(iii) Approve the Statement of Accounts.

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

Signed:

Jeff Cuthbert
Police and Crime Commissioner for Gwent
Date: 19th September 2016

Chief Finance Officer's Responsibilities

The Chief Finance Officer (Section 151 Officer) is responsible for the preparation of the Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("The Code of Practice"), is required to present a true and fair financial position of the PCC Group at the accounting date and its income and expenditure for the year ended 31st March 2016.

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

(i) Selected suitable accounting policies and then applied them consistently;

(ii) Made judgements and estimates that were reasonable and prudent; and

(iii) Compiled with the Code of Practice.

The Chief Finance Officer has also:

(i) Kept proper accounting records which were up to date; and

(ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the draft, Statement of Accounts, present a true and fair financial position of the Commissioner at 31st March 2016 and his income and expenditure for the period then ended.

Signed:
(by Responsible Financial Officer)

D.G. Garwood-Pask.

Date: 19th September 2016
Darren Garwood-Pask FCCA
Chief Finance Officer

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

D.G. Garwood-Pask.

Date: 8th June 2016
Darren Garwood-Pask FCCA
Chief Finance Officer

Governance Statement of the Police and Crime Commissioner for Gwent

Introduction and scope of responsibilities

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

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

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

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

Purpose of the Annual Governance Statement

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

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

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

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of his governance framework, including the system of internal control. As part of the review process, the AGS is prepared, setting out how the Commissioner has complied with The Code over the previous financial year and to the date that the statement of accounts are published. The review of the effectiveness of the system of internal governance and its operation is also informed by the work of the internal auditors (for 2015/16 this was TIAA), the external auditors (the Wales Audit Office (WAO)), other review agencies and inspectors, and senior managers within the Office of the Police and Crime Commissioner for Gwent (OPCC) and the Force who have responsibility for the development and maintenance of the internal control environment. The roles of the various bodies are detailed below:

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

a) Joint Audit Committee

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

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

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

The JAC provides comments, advice and assurance on matters relating to the internal control environment of the OPCC. 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. During 2015/16, two members (including the vice chair) regrettably resigned from JAC, resulting in a swift recruitment campaign being undertaken. Sixteen applications were received and four high calibre candidates interviewed; this resulted in two successful candidates being appointed. The new JAC members attended their first JAC meeting in March 2016. 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 2015/16.

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[2] (SPB) and the Police and Crime Panel[3] (PCP). The report assesses the effectiveness of the JAC against CIPFA guidance, and as a contribution to the effectiveness of overall governance arrangements.

b) Ethics Committee

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

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

- 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;

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

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

- The Committee will seek to provide assurance, advice and guidance, and make recommendation to the Chief Constable around decisions, policies and processes. The Committee will operate with openness, honesty and integrity, adhering to the Nolan Principles and good governance principles;
- The Committee will be appropriately observed by officers of both the OPCC and the Force, depending on the business to be conducted at each meeting;
- Membership of the committee will be made up of existing Independent Advisory Group (IAG) members who have specific expertise or interest in this area;
- The Committee will meet quarterly or ad-hoc should the requirement arise;
- All formal meeting agendas and papers will be posted on the Commissioner's and Force's website;
- There will be no limit to the number of Committee members, however when a recommendation is made, a quorum of at least three members will be required in order to maintain a representative view on ethics issues. There will normally be at least four Committee members present whenever the Committee formally meets;
- Each Committee member will serve for a period of 3 years, although membership will be reviewed at the end of every 12 month period by the Deputy Chief Constable and the Chief of Staff of the OPCC. At this stage the Committee member can have their tenure extended for a further 12 months or be de-selected; and
- 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. Prior to the commencement of the 2015/16 financial year a tender exercise was undertaken to appoint new internal auditors from 1st April 2015, following the conclusion of the previously awarded contract (to Deloitte between 2010/11 to 2014/15). TIAA were successful in the tendering exercise and were awarded a three year contract to 31st March 2017 with the availability of two further annual extensions to 31st March 2019.

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 Chief Finance Officer, as part of the contract management arrangements.

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

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

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

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

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

The annual Internal Audit plan has regard to risks and recognises that key financial systems and other areas of wider business risk need to be reviewed on a cyclical basis to provide assurance with regard to internal controls and systems for governance. The Internal Audit annual report for 2015/16 concludes that TIAA are satisfied that sufficient internal audit work has been undertaken to allow them to draw reasonable conclusion as to the adequacy and effectiveness of the OPCC for Gwent and Chief Constable of Gwent Police's risk management, control, and governance processes. In their opinion, the OPCC for Gwent and Chief Constable of Gwent Police have adequate and effective management control and governance processes to manage the achievement of their objectives.

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

Substantial Assurance - 4
- Treasury Management;
- Payroll;
- Capital Programme; and
- Commissioning Strategy and Connect Gwent Implementation.

Reasonable Assurance - 12
- Governance - Collaborations;
- People Services – Training and Development;
- Risk Management – Mitigating Controls;
- Collaborative Projects;
- Risk Management – Business Continuity;
- Counter Fraud – Procurement;
- Budgetary Control;
- Contract Management;
- Duty Resource Management;
- General Ledger;
- Creditors; and
- Debtors.

Limited Assurance - 3
- ICT Network Security;
- Local Policing East; and
- Local Policing West.

No Assurance – 0

In relation to the 3 audits above which received 'Limited Assurance', all recommendations have been completed and subsequently reviewed by JAC at their meeting of the 30th June 2016.

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 Commissioner of his governance arrangements.

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

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

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

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

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

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

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

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

g) Gwent Police and Crime Panel

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

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

Core principles and their application

The table below illustrates how the six core principles of Corporate Governance from CIPFA/SOLACE and the seven Nolan Principles have been applied in the work of the Commissioner during the 2015/16 financial year, as well as identifying measures that will be undertaken in future:

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	**What we did:**	**Plan for 2016/17:**
1. Focusing upon the purpose of the Commissioner and the Chief Constable, and on outcomes for local people, and creating a vision for the local area.	The Commissioner has issued a Police and Crime Plan (The Plan) for one year beyond his term of office, and this outlines the police and crime priorities: ▪ Deliver the best quality of service to the public; ▪ Prevent and reduce crime; ▪ Take more effective action to reduce anti-social behaviour; ▪ Protect people from serious harm; and ▪ To make the best use of resources and provide value for money. The Commissioner and the Chief Constable both have regard to The Plan. Upon taking his oath of office, the Commissioner pledged to: ▪ Be the voice of the people of Gwent; ▪ Work with elected politicians but for the people of Gwent; and ▪ Ensure Gwent Police is a professional organisation that the communities of Gwent respect and take pride in. As the Police and Crime Commissioner for Gwent, his vision is to "To reduce crime, support victims and make Gwent a safer place." His mission statement confirms that he "will	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.

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	**What we did:**	**Plan for 2016/17:**
	communicate openly with the community, especially victims of crime and Anti-Social Behaviour (ASB) and use the findings to provide a police service which is efficient and effective and which meets the needs of the people of Gwent." 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. During the course of 2015/16, 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 The Plan and Force performance in general. They also helped inform the amendment of those priorities in The Plan to reflect changing local requirements and other emerging trends. 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.	
	In 2015/16, community engagement activities included: ▪ Improving local delivery of services to victims ▪ Raising emerging crime trends with local businesses; ▪ Police and crime priorities survey; ▪ Precept survey; ▪ Strategic Equality Plan; ▪ Public surgeries and walkabouts; ▪ Public meetings; ▪ Youth Forum activity; ▪ Partnership planning and engagement meetings ▪ Local and Community Council seminar; ▪ Local AMs and MP meetings; ▪ Social and other media; and ▪ Project specific consultation e.g. Stop and Search The Chief Constable prepared his annual Force Delivery Plan which supported the delivery of The Plan. A Medium Term Financial Plan (MTFP) was jointly developed and thereafter reviewed quarterly by the JAC, SPB and PCP to support	Engagement Programme activity report for 2016/17 will be provided to the OPCC Executive Board in May 2016, in line with The Plan's production programme agreed via the Strategic Planning Group.

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	**What we did:**	**Plan for 2016/17:**
	delivery of these plans. Collaboration agreements are in place to govern those areas of business undertaken jointly with other Forces, Commissioners and other partners. 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.	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.
2. Working together to achieve a common purpose with clearly defined functions and roles.	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. The functions and roles set out in legislation and guidance are codified in the Commissioner's Scheme of Consent and Delegation (which both form part of the MOCG). The MOCG was initially approved in November 2012; revised during 2014/15 to primarily take into account the impact of the stage 2 staff transfer scheme and also revised during 2015/16 to reflect: ▪ The disestablishment of the Chief Executive and Head of Corporate Governance posts within the OPCC and the creation of the Chief of Staff post; and ▪ The Public Contracts Regulations 2015 which implemented the 2014 EU Public Sector Procurement Directive. 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. 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. 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.	Undertake the annual review of the MOCG so it remains fit for purpose post-election.

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	**What we did:**	**Plan for 2016/17:**
	The SPB chaired by the Commissioner, (and attended by his Deputy Commissioner, Chief of Staff, Chief Finance Officer and Senior Management Team) holds the Chief Constable to account in securing the maintenance of an efficient and effective police service for Gwent. The terms of reference for SPB are incorporated within the MOCG. SPB met 6 times during the financial year. The Commissioner held the Chief Constable to account on delivering the Commissioner's priorities effectively and efficiently, through scrutiny of quarterly financial and performance reports from the Chief Constable and subject matter reports on specific areas of interest or concern. The work of SPB, and the role of the Commissioner in holding the Chief Constable to account, was supported and informed by on-going work undertaken by officers of the Commissioner (both with colleagues from the Force and external stakeholders such as the Home Office, Welsh Government and wider Gwent partnership organisations). 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. The SPB meetings continue to facilitate a successful and constructive working relationship between the Commissioner and the Chief Constable at a strategic level, leading to the effective delivery of The Plan. The meetings have also provided the Commissioner with a means of continuously monitoring and scrutinising whether the force is efficient and effective. SPB compliments a host of other meetings compromising officers of the OPCC and Force, to ensure a comprehensive monitoring regime. The Chief Constable, in turn, holds his Chief Officers to account for their performance in the formal monthly Chief Officer Team (COT) meetings.	Continuing review of the effectiveness of SPB.
	During 2015/16 the Commissioner continued secondment agreements in partnership with the Community Rehabilitation Company and Newport City Council to facilitate joint work on a Gwent-wide strategy and policy on commissioning, with particular emphasis on victim services and community safety.	Continuing to deliver and embed the Commissioner's commissioning strategy.
3. Promoting the values for the Police and Crime Commissioner and Force and demonstrating the values of	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. Furthermore, the values of being 'Trusted, Fair, Professional, Responsive and Caring' are	Undertake the annual review of the MOCG so it remains fit for purpose post the next Commissioner election in 2016.

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	**What we did:**	**Plan for 2016/17:**
good governance through upholding high standards of conduct and behaviour.	guiding principles for all staff and officers in discharging their duties to the public. 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. Serious complaints and matters to do with conduct are referred to the Independent Police Complaints Commission in line with the requirements of legislation. The Police Staff Council has adopted standards of professional behaviour that reflect relevant principles enshrined in the European Convention on Human Rights and the Council of Europe Code of Police Ethics. During 2015/16, the OPCC and Force continued to embed the College of Policing's Code of Ethics and in April 2015, the Force's Ethics Committee was established. 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 and this is reflected in the Principles of Relationship document agreed by the Commissioner and the Chief Constable which forms part of the MoCG.	Implementing a 'Public Response Unit' to deal with low level complaints regarding standards of service to the public.
4. Taking informed and transparent decisions, which are subject to scrutiny and managing risk.	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. In October 2015, the OPCC was awarded a Transparency Quality Mark by CoPaCC (Comparing our Police and Crime Commissioners), in relation to both the quality and transparency of our published decisions and the ease by which they could be accessed. 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	

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	**What we did:**	**Plan for 2016/17:**
	a number of 'deep dive' sessions (i.e. a detailed half-day review of the workings of a particular process or business area) : ▪ Risk Management; ▪ Shared Resource Services and ICT Strategy; ▪ Value for Money Profiles; and ▪ Connect Gwent and Victims Services. The work of the Committee is summarised in its annual report, which will be considered by the Committee at its meeting on the 30th June 2016. 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. 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). 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[4] 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 Business Tasking and Co-ordination Group (BTCG), which the Chief Finance Officer attends. Various projects also hold individual risk registers. The OPCC has a risk register, which is monitored monthly via the OPCC Executive Board.	Recommendations arising from this annual report and also the self- assessment exercise undertaken will be considered and implemented.

[4] This is set out in paragraph 4.1 of the 2012 Financial Management Code of Practice for the Police Service of England and Wales.

<table>
<tr><th colspan="3">CORPORATE GOVERNANCE PRINCIPLES</th></tr>
<tr><th>Standard:</th><th>What we did:</th><th>Plan for 2016/17:</th></tr>
<tr><td></td><td>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.

The Internal Audit plan for 2015/16 was approved by the JAC on the 10th June 2015.

During 2015/16 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 2015/16 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.

As specified above, Gwent Police is inspected periodically by HMIC. Their reports during 2015/16 supported the monitoring and development of many Force priorities and are set out below.

<table>
<tr><th>Title</th><th>Publication Date</th><th>Rating</th></tr>
<tr><td>PEEL Efficiency Report</td><td>October 2015</td><td>Good</td></tr>
<tr><td>Witness for the prosecution: Identifying victim and witness vulnerability in criminal case files</td><td>November 2015</td><td>No Rating Reported – This was a compliance review</td></tr>
<tr><td>PEEL Police Effectiveness 2015 (Vulnerability)</td><td>December 2015</td><td>Good</td></tr>
<tr><td>PEEL Legitimacy Report</td><td>February 2016</td><td>Good</td></tr>
<tr><td>PEEL Effectiveness Report</td><td>February 2015</td><td>Good</td></tr>
</table>

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).

The Welsh Government, Home Office and a number of other bodies require financial</td><td>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.</td></tr>
</table>

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	**What we did:**	**Plan for 2016/17:**
	returns to monitor expenditure on revenue and capital. Strict terms and conditions are in place to govern additional external funding received from these bodies.	
5. Developing the capacity and capability of all to be effective in their roles.	During 2015/16 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. The Chief of Staff is further supported through the Association of Police and Crime Chief Executives (APACCE). At their regular meetings, APACCE have also provided a forum to deliberate on key issues for the developing role of Police and Crime Commissioners. APACCE has also arranged meetings for Chief Executives/Chiefs of Staff to meet Home Office officials. The Chief Finance Officer continues to receive support from and attends bi-monthly meetings of the Police and Crime Commissioner's Treasurer's Society (PACCTS); of which he is a Vice President. This support has included a number of briefing papers (produced by PACCTS's Technical Support Unit) in addition to attending two joint seminars with Force's Directors of Finance.	
	During 2015/16, to strengthen the arrangements for providing peer support, both APACCE and PACCTS have worked to develop and circulate a directory setting out the specialist subject matter areas of each Member. The Chief Finance Officer leads on this portfolio on behalf of PACCTS	Joint Continuing Professional Development (CPD) arrangements between APACCE and PACCTS are being explored.
	The OPCC continues to operate a mandatory Personal Development Review (PDR) process for all staff. The PDR system provides a robust, evidential process for the active management of staff performance. The system also identifies where individuals may need role specific training to enable them to carry out their duties and/or where general personal development is required. Following the receipt of training or a development activity, the relevant staff member completes a Training Assessment Form to establish the direct benefit of the training/development to the OPCC.	Continuation of the OPCC's PDR process, to ensure staff are suitably equipped to support any continuing or new governance arrangements and to deliver all the OPCC requirements effectively.
6. Engaging with local people and other stakeholders to ensure robust public accountability.	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 The Plan what will be delivered. The Commissioner has undertaken the public engagement events, outlined under Standard 1 above, during 2015/16.	New Engagement and Communications Plan to be launched in 2016/17 to better inform the public of the work of Commissioner.

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	**What we did:**	**Plan for 2016/17:**
	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", 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. The Wellbeing of Future Generations (Wales) Act became law in Wales on 29th 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.	
	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 statutory invited participants on the Gwent Board. 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. 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. 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: ▪ 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 ▪ The 'community remedy' which gives victims a say in the out-of-court punishment of perpetrators for low-level crime and anti-social behaviour. The Commissioner undertook a consultation exercise with the public on the most suitable community remedies for Gwent. In preparing The Plan, the Commissioner has taken account of the views and priorities of communities, victims of crime, community	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 will report findings to the G7 in March 2017.

CORPORATE GOVERNANCE PRINCIPLES		
Standard:	**What we did:**	**Plan for 2016/17:**
	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. 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[5] (SCB), Safer Gwent[6] and the operation of the Commissioner's Partnership Fund. In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 & 2012 (2011 & 2012 Orders) and the guidance provided by the Information Commissioner, a range of information has been made publically available through the Commissioners website over the course of the year. This has included agenda and reports for the SPB meetings and the JAC, guidance for the Commissioner's Partnership Fund, Freedom of Information disclosure logs, financial information and strategies. The Commissioner's SPB meetings have also been opened to attendance by the press and public (on a quarterly basis) and promoted via social media, resulting in the decision making process becoming more open and transparent.	 Continue to develop 'Safer Gwent' as a key facilitation programme across the region to support local delivery of community safety based initiatives. This is a legacy project for the Commissioner.

NOLAN PRINCIPLES		
Principle:	**What we do:**	**Plan for 2015/16:**
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.	Compliance with the 2011 & 2012 Orders which require the publication of information in relation to various matters including: ▪ The names of the Commissioner and Deputy Commissioner; ▪ Correspondence address for each; ▪ Salaries, expenses, register of interests; ▪ The number of complaints about them which are dealt with by the PCP; and ▪ Specific reference to notifiable interests. ▪ Publication of key decisions on website Senior officers' salaries and expenses are disclosed in Statement of Accounts.	Monitoring any changes to the 2011 & 2012 Orders and continuously seeking to ensure all relevant information is captured and disclosed as required. On-going through 2016/17.
2. Integrity:	Compliance with the MoCG.	Continuously reinforce the procedures

[5] 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.

[6] 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.

NOLAN PRINCIPLES		
Principle:	**What we do:**	**Plan for 2015/16:**
The Commissioner, their Deputy and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.	Ensuring that the register of gifts and hospitality is updated as and when offers are received. Ensuring related party's disclosure in the Statement of Accounts. The Commissioner, Deputy Commissioner and all staff of the OPCC have agreed to abide by the College of Policing's Code of Ethics. Disclosure of business interests.	set out in the MoCG to ensure understanding and compliance. Ongoing to 31st March, 2017.
3. Objectivity: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, their Deputy and staff will make choices on merit.	Appointments made during the year were made on merit in compliance with section 7 of the Local Government and Housing Act 1989. The MoCG (including the Financial Regulations and the Standing Orders Relating to Contracts) expressly provide for the competitive processes to be applied in relation to contracts. Such processes are transparent and auditable with full use being made of the 'etenderwales' and 'SelltoWales' systems. Contract documentation is also published on the Blue Light Police Database, which is a national system accessible by the public. Contracts are also published in accordance with the requirements of the 2011 & 2012 Orders. Any rewards made to individuals are based on strict organisational policy. No rewards or benefits were made during 2015/16.	The appointment of a Deputy Police and Crime Commissioner is anticipated, which will be made in compliance with the relevant statutory provisions.
4. Accountability: The Commissioner, their Deputy 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.	Decision logs are published on the Commissioner's website in compliance with the 2011 and 2012 Orders and with the requirements of Section 11 of the PRSRA. The Commissioner is held to account and scrutinised by the PCP; a body consisting of twelve local councillors representing the five local authorities in Gwent and two co-opted independent members. The PCP (which is hosted by Caerphilly County Borough Council) meets on a quarterly basis with the remit to: ▪ Support the Commissioner to exercise his functions effectively; ▪ Review the Commissioner's annual draft Plan; ▪ Review Commissioner's annual draft budget; ▪ Review and scrutinise decisions and actions taken by the Commissioner; ▪ If necessary, review the proposed appointment or removal of the Chief	Maintain good practice.

NOLAN PRINCIPLES		
Principle:	**What we do:**	**Plan for 2015/16:**
	Constable; ▪ Make reports or recommendations to the Commissioner as needed; and ▪ Review the proposed appointment of the Deputy Commissioner and senior officer appointments. As stated previously, the PCP do not scrutinise the performance of the Force as this is the responsibility of the Commissioner. The meetings of the PCP are held in public and it has met 5 times during 2015/16. Statement of Accounts produced annually and subject to audit by WAO. ▪ WAO report by exception on the AGS; and ▪ WAO assess the arrangements for securing economy, efficiency and effectiveness in the use of resources. The Commissioner and Chief Constable jointly commission an Internal Audit service and have agreed the audit plan. A JAC has been appointed by the Commissioner and the Chief Constable which meets quarterly and this operates in line with guidance from CIPFA and the Financial Management Code of Practice. The Commissioner provides the PCP with any information which it may reasonably require (in compliance with Section 13 of the PRSRA. The Commissioner produces an annual report in accordance with Section 12 of the PRSRA. The Commissioner and OPCC's engagement and consultation work is instrumental in determining priorities and decision making in certain quarters, e.g. police station opening, Commissioner's priorities, precept level, public engagement methods, etc. This ensures that the policing model is based on local need.	
5. Openness: The Commissioner, their Deputy and staff will be as open as possible about all decisions and action they take. Reasons will be made available and information	The Commissioner's decisions are published on his website (unless there are specific reasons why a decision should be exempt). Compliance has been ensured with the 2011 & 2012 Orders. Public consultation has been undertaken in 2015/16 by way of a comprehensive engagement strategy which includes: ▪ A pre-planned series of public surgeries and walkabouts;	Maintain good practice.

NOLAN PRINCIPLES		
Principle:	**What we do:**	**Plan for 2015/16:**
only restricted when so required by the wider public interest.	▪ Victims Charter Focus Group work; ▪ On-line Consultation with the public on policing priorities, estate provision and the precept ; ▪ A Gwent wide Youth Forum set of consultations around policing and associated issues; ▪ On-going Victim user satisfaction survey and focus activity to address matters raised in a timely manner; ▪ Responses to and monitoring of complaints; ▪ Wide use of social media including the OPCC website, Twitter, Facebook and OWL (Online Watch Link); ▪ Press and TV articles and interviews; ▪ A series of partnership and community organisation face to face meetings; and ▪ Project specific engagement: Stop and Search.	
1. Honesty: The Commissioner, their Deputy and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.	Register is maintained of the Commissioner's disclosable interests in accordance with Schedule1 of the 2011 Order. All staff of the OPCC comply with the OPCC Business Interest Policy and as such disclose all business interests.	Annual reminders will be sent out in case personal circumstances have changed in respect of the disclosable interests.
7. Leadership: The Commissioner, their Deputy and staff will promote and support these principles through leadership and by example.	Adoption of Nolan Principles in The Code. Adherence to the College of Policing's Code of Ethics which has been publically adopted and includes Fairness and Respect. Monthly meetings of the OPCC Executive Board. Regular PDR Reviews. Weekly meetings between the Commissioner and Chief Constable. Weekly meetings between the Commissioner and Chief of Staff. Weekly meetings of the senior officers of the OPCC.	Annual review of the MOCG. Joint visioning session for the Commissioner, Deputy Commissioner, OPCC and Force senior leaders.

Significant Governance issues

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

- The management of any changes required as a result of the election of the New Police and Crime Commissioner in May 2016.
- Capacity and capability of the OPCC to undertake a wider remit, particularly the governance of an expanding portfolio of collaborations both regionally (e.g. as a result of the review being undertaken on Enabling Departments within the four Welsh Forces) and nationally (e.g. National Police Air Service and the Police ICT Company).
- Impact of Welsh Government developed legislation, e.g. Wellbeing of Future Generations Act, Local Authority restructure, introduction of Welsh Language Standards, etc.
- The challenge presented by continued austerity and the potential funding formula review on our ability to maintain partnership working and service delivery. This may result in partners making short-term, arbitrary cuts to balance budgets and consequently losing the benefit of longer term preventative solutions. This is being managed through membership of the Staying Ahead Programme board and continued monitoring of the Force's devolved budget.
- Ensuring we meet the governance requirements of significant external grants, such as the Police Innovations Fund, Transformation Fund and the Ministry of Justice Victims' Grant.
- The management of any implications for the police service that may arise from the A19 legal process and other current pension challenges.

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

Signed:

Jeff Cuthbert
Police and Crime Commissioner for Gwent
Date: 19th September 2016

Darren Garwood-Pask FCCA
Chief Finance Officer
Date: 19th September 2016

Sian Curley
Chief of Staff (Monitoring Officer)
Date: 19th September 2016

Movement in Reserve Statement for the PCC Group

This table shows the movement in year on reserves balances held by the PCC Group. Useable Reserves may be used to fund expenditure or reduce local taxation. Unusable Reserves are other reserve balances and together with Usable Reserves represent total reserve balances held by the PCC Group. The Deficit on the 'Provision of Services' represents the true economic cost of providing the PCC Group services. A detailed analysis of these costs is presented in the PCC Group Comprehensive Income and Expenditure Statement (CIES). The figures reported in the CIES are different from the statutory amounts required to be charged to the General Police Fund balance for Council Tax setting purposes. The net increase/(decrease) before transfers to Earmarked Reserves shows the statutory balance before prior to any discretionary transfers taken to other specific reserve balances held by the PCC Group.

		Usable Reserves						
2015/16	Note	Police Fund Balance £000	Earmarked Reserves £000	Capital Receipts £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
Balance as at 1 April 2015		**4,000**	**40,888**	**1,501**	**486**	**46,875**	**(1,256,718)**	**(1,209,843)**
Deficit on Provision of Services		(33,909)	-	-	-	**(33,909)**	**-**	**(33,909)**
Other Comprehensive Income and Expenditure		-	-	-	-	-	127,610	**127,610**
Total Comprehensive Income and Expenditure		**(33,909)**	**-**	-	-	**(33,909)**	**127,610**	**93,701**
Adjustments between accounting basis & funding basis under regulations	7	36,927	-	125	(486)	36,566	(36,566)	-
Net Increase/(Decrease) before transfers to Earmarked Reserves		**3,018**	**-**	**125**	**(486)**	**2,657**	**91,044**	**93,701**
All Other movements in Reserves - Collaboration Restatement	39	57	-	-	-	57	-	57
Transfers to/(from) Earmarked Reserves	8	2,037	(2,037)	**-**	-	-	-	-
Increase/(Decrease) in Year		**5,112**	**(2,037)**	**125**	**(486)**	**2,714**	**91,044**	**93,758**
Balance as at 31 March 2016		**9,112**	**38,851**	**1,626**	-	**49,589**	**(1,165,674)**	**(1,116,085)**

*Further breakdown of the Unusable Reserves is presented in Note 23 and Earmarked Reserves are detailed in Note 8.

Movement in Reserve Statement for the PCC Group

This table shows comparative figures for 2014/15.

2014/15	Note	Usable Reserves: Police Fund Balance £000	Usable Reserves: Earmarked Reserves £000	Usable Reserves: Capital Receipts £000	Usable Reserves: Capital Grants Unapplied £000	Usable Reserves: Total Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
Balance as at 1 April 2014		**10,790**	**30,249**	**972**	**11**	**42,022**	**(1,072,326)**	**(1,030,304)**
Deficit on Provision of Services		(40,476)	-	-	-	(40,476)	-	(40,476)
Other Comprehensive Income and Expenditure		-	-	-	-	-	(139,063)	(139,063)
Total Comprehensive Income and Expenditure		**(40,476)**	-	-	-	**(40,476)**	**(139,063)**	**(179,539)**
Adjustments between accounting basis & funding basis under regulations	7	44,325	-	529	475	45,329	(45,329)	-
Net Increase/(Decrease) before transfers to Earmarked Reserves		**3,849**	**-**	**529**	**475**	**4,853**	**(184,392)**	**(179,539)**
All Other movements in Reserves - Collaboration Restatement		-	-	-	-	-	-	-
Transfers to/(from) Earmarked Reserves	8	(10,639)	10,639	-	-	-	-	-
Increase/(Decrease) in Year		**(6,790)**	**10,639**	**529**	**475**	**4,853**	**(184,392)**	**(179,539)**
Balance as at 31 March 2015		**4,000**	**40,888**	**1,501**	**486**	**46,875**	**(1,256,718)**	**(1,209,843)**

Comprehensive Income and Expenditure Statement (CIES) for the PCC Group for 2015/16

This statement shows the accounting cost in year to 31st March 2016, of providing services for the PCC Group, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The PCC Group raises taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement on Reserves Statement on page 29.

2014/15 PCC Group				Note	2015/16 PCC Group		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
59,789	(4,634)	55,155	Local Policing		58,947	(5,099)	53,848
10,700	(75)	10,625	Dealing with the Public		10,894	(34)	10,860
10,483	(1,218)	9,265	Criminal Justice Arrangements		11,683	(798)	10,885
5,720	(622)	5,098	Roads Policing		5,096	(555)	4,541
10,215	(80)	10,135	Operations Support		9,536	(130)	9,406
9,008	(1,109)	7,899	Intelligence		6,189	(876)	5,313
23,108	(413)	22,695	Investigation		21,315	(426)	20,889
4,946	(150)	4,796	Investigative Support		4,204	(83)	4,121
29,486	(26,304)	3,182	National Policing		4,935	(2,520)	2,415
-	-	-	National Police Services undertaken locally		-	-	-
-	-	-	Exceptional costs of Legal Settlements		-	-	-
3,101	(324)	2,777	Corporate and Democratic Core		4,828	(1,526)	3,302
229	-	229	Non-Distributed Costs		163	-	163
-	-	-	Intra Group Transfers		-	-	-
166,785	**(34,929)**	**131,856**	**Cost of Services**		**137,790**	**(12,047)**	**125,743**
729	(19,155)	(18,426)	Other Operating Expenditure	9	1,171	(17,020)	(15,849)
49,092	(175)	48,917	Financing, Investment Income & Expenditure	10	43,192	(223)	42,969
-	-	-	(Surplus)/Deficit on discontinued operations		-	-	-
-	(121,871)	(121,871)	Taxation and non-specific grant income	11	-	(118,954)	(118,954)
-	-	-	Intra group transfers		-	-	-
216,606	**(176,130)**	**40,476**	**(Surplus)/Deficit on Provision of Services**		**182,153**	**(148,244)**	**33,909**
		-	(Surplus)/Deficit on the revaluation of non-current assets	19, 23			149
		-	(Surplus)/Deficit on the revaluation of Available for Sale financial assets				-
		139,063	Actuarial (gains) / losses on pension assets / liabilities	40			(127,759)
		-	Intra group transfers				-
		139,063	**Other Comprehensive Income and Expenditure**				**(127,610)**
		179,539	**Total Comprehensive Income and Expenditure**				**(93,701)**

Comprehensive Income and Expenditure Statement (CIES) for the Police and Crime & Commissioner for 2015/16

2014/15						2015/16			
PCC			Chief Constable			PCC			Chief Constable
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
£000	£000	£000	£000			£000	£000	£000	£000
-	(4,634)	(4,634)	59,789	Local Policing		-	(5,099)	(5,099)	58,947
-	(75)	(75)	10,700	Dealing with the Public		-	(34)	(34)	10,894
-	(1,218)	(1,218)	10,483	Criminal Justice Arrangements		-	(798)	(798)	11,683
-	(622)	(622)	5,720	Roads Policing		-	(555)	(555)	5,096
-	(80)	(80)	10,215	Operations Support		-	(130)	(130)	9,536
-	(1,109)	(1,109)	9,008	Intelligence		-	(876)	(876)	6,189
-	(413)	(413)	23,108	Investigation		-	(426)	(426)	21,315
-	(150)	(150)	4,946	Investigative Support		-	(83)	(83)	4,204
-	(26,304)	(26,304)	29,486	National Policing		-	(2,520)	(2,520)	4,935
-	-	-	-	National Police Services undertaken locally		-	-	-	-
-	-	-	-	Exceptional costs of Legal Settlements		-	-	-	-
3,101	(324)	2,777	-	Corporate and Democratic Core		4,828	(1,526)	3,302	-
229	-	229	-	Non-Distributed Costs		163	-	163	-
-	-	-	-	Intra Group Transfers		-	-	-	-
3,330	**(34,929)**	**(31,599)**	**163,455**	**Cost of Services**		**4,991**	**(12,047)**	**(7,056)**	**132,799**
729	(19,155)	(18,426)	-	Other Operating Expenditure	9	1,171	(17,020)	(15,849)	-
684	(175)	509	48,408	Financing, Investment Income & Expenditure	10	824	(223)	601	42,368
-	-	-	-	(Surplus)/Deficit on discontinued operations		-	-	-	-
-	(121,871)	(121,871)	-	Taxation and non-specific grant income	11	-	(118,954)	(118,954)	-
211,863	-	211,863	(211,863)	Intra group transfers	43	175,167	-	175,167	(175,167)
216,606	**(176,130)**	**40,476**	**-**	**(Surplus)/Deficit on Provision of Services**		**182,153**	**(148,244)**	**33,909**	**-**
		-	-	(Surplus)/Deficit on the revaluation of non-current assets	19, 23			149	-
		-	-	(Surplus)/Deficit on the revaluation of Available for Sale financial assets				-	-
		564	138,499	Actuarial (gains) / losses on pension assets / liabilities	40			18	(127,777)
		138,499	(138,499)	Intra group transfers	43			(127,777)	127,777
		139,063	**-**	**Other Comprehensive Income and Expenditure**				**(127,610)**	**-**
		179,539	**-**	**Total Comprehensive Income and Expenditure**				**(93,701)**	**-**

Balance Sheet for the PCC Group

The Balance Sheet shows the value as at 31st March 2016 of the assets and liabilities recognised by the PCC Group. The net assets of the PCC Group (assets less liabilities) are matched by the reserves held by the PCC Group. The reserves are presented within two categories, usable reserves and unusable reserves. Usable reserves may be used to provide services subject to statutory limitations on their use and the need to maintain prudent level of reserves for financial stability. Unusable reserves cannot be used to fund PCC Group services.

PCC 31 March 2015 £000	PCC Group 31 March 2015 £000		Note	PCC 31 March 2016 £000	PCC Group 31 March 2016 £000
38,415	38,415	Property, Plant & Equipment	12	35,010	35,010
1,472	1,472	Intangible Assets	14	2,100	2,100
125	125	Assets Held For Sale	19	860	860
5	5	Long Term Debtors	15	8	8
40,017	**40,017**	**Total Long Term Assets**		**37,978**	**37,978**
40,523	40,523	Short Term Investments	15	46,046	46,046
-	507	Inventories	16	-	408
20,451	20,451	Short Term Debtors	15, 17	12,635	12,635
11,044	11,044	Cash & Cash Equivalents	18	15,141	15,141
72,018	**72,525**	**Total Current Assets**		**73,822**	**74,230**
(196)	(196)	Short Term Borrowing	15	(196)	(196)
(10,344)	(23,767)	Short Term Creditors	15, 20	(8,929)	(22,025)
(1,441)	(1,441)	Short Term Provisions	21	(1,088)	(1,088)
(63)	(63)	Receipts in Advance	32	(88)	(88)
(12,916)	-	Intra Group Adjustment	43	(12,688)	-
(24,960)	**(25,467)**	**Total Current Liabilities**		**(22,989)**	**(23,397)**
(1,285,726)	-	Long Term Creditors	20	(1,193,967)	-
(4,905)	(4,905)	Long Term Borrowing	15	(4,744)	(4,744)
(1,377)	(1,287,103)	Net Pension Liability	23	(1,397)	(1,195,364)
(4,910)	(4,910)	Finance Lease Liability	15, 36	(4,788)	(4,788)
(1,296,918)	**(1,296,918)**	**Total Long Term Liabilities**		**(1,204,896)**	**(1,204,896)**
(1,209,843)	**(1,209,843)**	**Net Assets/Liabilities**		**(1,116,085)**	**(1,116,085)**
		Financed by:			
46,875	46,875	Usable Reserves	8, 22	49,589	49,589
(1,256,718)	(1,256,718)	Unusable Reserves	23	(1,165,674)	(1,165,674)
(1,209,843)	**(1,209,843)**	**Total Reserves**		**(1,116,085)**	**(1,116,085)**

Cash Flow Statement for the PCC Group

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

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

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

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

2014/15 £000		Note	2015/16 £000
(40,476)	Net Surplus/(Deficit) on the provision of services		(33,852)
46,921	Adjustments to surplus or deficit on the provision of services for non-cash movements	24	45,324
(2,882)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	24	(1,306)
3,563	**Net Cash flows from Operating Activities**	24	**10,166**
3,867	Net Cash flows from investing activities	25	(5,737)
(321)	Net Cash flows from financing activities	26	(332)
7,109	**Net increase or (decrease) in cash and cash equivalents**		**4,097**
3,935	Cash and cash equivalents at the beginning of the reporting period		11,044
11,044	**Cash and cash equivalents at the end of the reporting period**	18	**15,141**

Police Pensions Account

The Police Pension Fund Account at the 31st March 2016 is detailed below.

2014/15 £000		2015/16 £000
	Contributions Receivable:	
(11,460)	Employer Contributions	(10,528)
(1,352)	Injury Pensions including Gratuities Paid	(1,463)
(771)	Early Retirements (Capital Equivalent Charges)	(1,148)
-	Un-authorised Backdated Lump Sum Tax Payments (Home Office funding)	(2,481)
(82)	Transfers in from other Schemes	(62)
(6,575)	Members Contributions	(6,007)
(20,240)	**Net Income**	**(21,689)**
	Benefits Payable:	
25,394	Pensions Paid	27,069
13,075	Lump Sum Benefits	8,483
-	Un-authorised Backdated Lump Sum Tax Payments	2,481
148	Lump Sum Death Benefits	-
778	Transfers out to other Schemes	245
39,395	**Net Expenditure**	**38,278**
19,155	**Net Amount Payable for the Year**	**16,589**
(19,155)	Additional Contribution from the Police & Crime Commissioner	(16,589)
-	**(Surplus)/Deficit on Fund**	**-**

The Police Pension Fund Account Net Assets at the 31st March 2016 are:

31 March 2015 £000		31 March 2016 £000
	Current Assets:	
1,901	Prepaid Pension Benefits	1,999
10,319	Funding to meet deficit due from Police & Crime Commissioner/Home Office	8,087
-	Recovery of Pension Benefits	-
	Current Liabilities:	
(3,480)	Provision for Backdated Lump Sums	-
(8,403)	Overdrawn Pension Cash Position	(9,625)
(337)	Unpaid Pension Benefits	(461)
-	**Total**	**-**

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);
4. Lump Sum Benefits paid include £3.73m paid to Police Officers to settle claims made as a result of incorrect commutation factors being used in lump sum calculations. The payments were off-set by a provision of £3.480m made in 2014/15. Also see Note 21. Provisions (page 58) for further detail;
5. The Pension Account includes an adjustment to income and expenditure to reflect unauthorised payment charges (tax liabilities) as a result of the payments outlined in 4. above. The cost of these charges was dealt with centrally by the Home Office and HMRC however they are disclosed, as if settled by the Pension Fund and reimbursed by a specific Home Office Grant; and
6. The Pension Fund's financial statements do not take account of future pension obligations after the 31st March 2016. However these are presented on the Balance Sheet under Net Pension Liability with detailed disclosures in Note 40, Defined Benefit Pension Schemes.

Index of Explanatory Notes to the Core Financial Statements

Notes to the Financial Statements for the PCC Group

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

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the PCC Group's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The PCC Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice (The Code) on Local Authority Accounting in the UK 2015/16 and the CIPFA Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

1.2 Charges to Revenue for Non-Current Assets

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

(i) Depreciation attributable to the assets used by the relevant service.

(ii) Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

(iii) Amortisation of intangible fixed assets attributable to the service.

The charges to revenue for non-current assets are included within the Chief Constable's Net Cost of Services across the CIPFA SerCOP division of policing services. These charges are then transferred to the PCC via an intra-group funding adjustment.

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

1.3 Accruals of Income and Expenditure

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

(i) Revenue from the sale of goods is recognised when the PCC Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC Group.

(ii) Revenue from the provision of services is recognised when the PCC Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the PCC Group.

(iii) Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

(iv) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

(v) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

(vi) Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

1.4 Exceptional Items

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

1.5 Capital Receipts

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

1.6 Cash and Cash Equivalents

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

1.7 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post-employment Benefits

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

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

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

Discretionary Benefits

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

Injury Benefits

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

1.8 Financial Instruments

Financial Liabilities

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

Financial Assets

Are classified into two types:

(i) Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and

(ii) Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

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

1.9 Fair Value

IFRS 13 Fair Value Measurement has been adopted by the Code and applied accordingly in the 2015/16 Financial Statements. This IRFS seeks to increase the consistency and comparability in the fair value measurement and related disclosures.

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

(i) In the principal market for the asset or liability, or

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

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

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

1.10 Government Grants and Contributions

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

(i) The PCC Group will comply with the conditions attached to the payments, and

(ii) The grants or contributions will be received.

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

1.11 Inventories and Long Term Contracts

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

1.12 Service Expenditure Analysis and Overheads

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

The SerCOP divisions of service

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

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

Dealing with the Public
- Local Call Centres/Front Desk
- Central Communications Unit
- Contact Management Units

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

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

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

Roads Policing
- Traffic Units
- Casualty Reduction Partnership
- Vehicle Recovery

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

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

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

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

1.13 Intangible Assets

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

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

The principal asset categories and their useful economic lives, amortised on a straight-line basis in accordance with FRS 15, are:

Principal Asset Categories and their Useful Economic Lives	Years
Internally Generated Assets	3, 5, 10
Other Assets eg. Software Licences	3, 5, 10

1.14 Property, Plant and Equipment

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

Recognition

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

Measurement

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

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

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

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

Impairments

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful finite life. The principal asset categories and their useful economic lives, depreciated on a straight-line basis in accordance with FRS 15, are:

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

1.15 Disposals and Non-current Assets Held for Sale

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

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

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

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

1.16 Leases

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

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

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

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

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

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

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

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

1.19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Contingent Liabilities

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

Contingent Assets

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

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

1.20 Private Finance Initiative (PFI)

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

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

(i) Fair value of the services received during the year;

(ii) Finance costs;

(iii) Contingent rent;

(iv) Payment towards liability; and

(v) Lifecycle replacement costs.

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

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

1.21 Reserves

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

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

1.22 Value Added Tax (VAT)

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

1.23 Events after the Reporting Period

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

(i) Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

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

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the PCC Group is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

Currently there are no accounting changes not yet adopted that will impact the accounts. For 2015/16 the following accounting policy changes that need to be reported relate to:

(i) Amendments to IAS19 Employee Benefits (defined benefit plans: employee contributions);

(ii) Amendment to IFRS 11 Joint Arrangements (accounting for the acquisitions of interest in joint operations);

(iii) Amendment to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets (clarification on acceptable methods of depreciation and amortisation); and

(iv) Amendment to IAS1 Presentation of Financial Statements (disclosure initiative).

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 2016/17 and applied accordingly in the 2016/17 Statements.

In addition to the above, there will be changes to the presentation of the main financial statements in 2016/17 due to the ‘Telling the Story’ review which is concerned with the simplification of public sector financial statements.

3. Critical judgments in applying accounting policies

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

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

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

The items in the PCC Group’s Balance Sheet as at 31st March 2016 for which there is a significant risk, of material adjustments in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant and equipment	Non-current assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred. The current economic climate makes it uncertain that the PCC Group will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives of the assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset decreases. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £1.045m every year the useful lives of the PCC Group’s property, plant and equipment asset

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		base were reduced.
Police pensions liability	Estimation of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) have been engaged to provide the PCC Group with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the rate of increase in salaries would have a £13m increase in the Police Pension Scheme Liability. A one year increase in the life expectancy of Police Pensioners would result in the Police Pension Liability increasing by £24.7m. However, the assumptions interact in complex and sensitive ways. During 2015/16, GAD advised that the net pensions' liability had decreased by £136.1m due to changes in financial assumptions used. In the previous financial year the net pension liability increased as a result of losses of £144.8m attributable to changes in financial assumptions. 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.
Arrears	At 31st March 2016, the PCC Group had a balance of Sundry Debtors of £1.615m. A review of historical levels of debt that have had to be written off in previous years suggested that a year-end provision for bad debts of £12,000 was required.	A 1% increase in the average amount of debts requiring write off would require an increase in the bad debt provision at 31st March 2016 of £17,000.

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

5. Material items of Income & Expenditure

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

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

6. Events after the Balance Sheet date

Events taking place after this event are not reflected in the Financial Statements or Notes. Where events taking place before this date provide information about conditions that exist at the Balance Sheet date the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

On Thursday 23rd June 2016 the EU referendum took place and the people of the United Kingdom voted to leave the European Union – the so called 'Brexit' (British exit). Opinions varied pre-referendum and continue to do so on the political, economic and financial implications of such a decision. The possible implications of 'Brexit' were discussed at the Police and Crime Commissioner Treasurer's Society (PACCTS) meeting held on the 6th July 2016. PACCTS deemed our collective situation as an 'Amber alert for policing', meaning that there is no immediate need, to fundamentally revise respective Medium Term Financial Projections (MTFP), rather await the Chancellor's Autumn Statement for clarity.

7. Adjustments between the Accounting Basis and Funding Basis under Regulations

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

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

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

This table shows comparative figures for 2014/15.

2014/15	Usable Reserves General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	2,625	-	-	(2,625)
Charges for impairment of non-current assets	953	-	-	(953)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	742	-	-	(742)
Revaluation losses on Property, Plant and Equipment	19	-	-	(19)
Amortisation of intangible assets	452	-	-	(452)
Impairment losses on intangible assets	7	-	-	(7)
Capital grants and contributions applied	(1,867)	-	-	1,867
Finance lease liability write down	(160)	-	-	160
Insertion of Items not debited or credited to the Comprehensive Income & Expenditure Statement:				
Statutory provision for the financing of capital investment	(230)	-	-	230
Capital expenditure charged to the General Fund	(1,495)	-	-	1,495
Adjustments involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(11)	11
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(486)	-	486	-
Adjustments primarily involving the Capital Receitps Reserve:				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(529)	529	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	44,056	-	-	(44,056)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	238	-	-	(238)
Total Adjustments	**44,325**	**529**	**475**	**(45,329)**

8. Transfers to/from Earmarked Reserve

This note shows the amounts set aside from the PCC Group's Police Fund balances in Earmarked Reserves, to provide financing for future expenditure plans and also those used to meet Police Fund expenditure in 2015/16.

	Balance 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance 31 March 2016 £000
General Police Fund	**10,790**	**(6,790)**	**-**	**4,000**	**-**	**5,112**	**9,112**
Earmarked Reserves							
Planned Expenditure	9,707	(9,707)	-	-	-	-	-
Additional Expenditure	4,766	(4,766)	-	-	-	-	-
Speed Awareness	63	-	-	63	-	-	63
PFI - Investment	10,746	(1,532)	1,914	11,128	(1,585)	2,004	11,547
Future Budgetary Balance	-	-	4,379	4,379	-	-	4,379
Debt Repayment	-	-	1,187	1,187	(1,187)	-	-
Staying Ahead Team	-	-	2,079	2,079	(425)	-	1,654
PCC Commissioning Strategy	-	-	1,504	1,504	(136)	134	1,502
PCC Drug Intervention Programme	-	-	168	168	-	-	168
Workstream Specific	-	-	511	511	(5)	34	540
Pending Legal Cases	-	-	386	386	(237)	-	149
Proceeds of Crime Act	-	-	331	331	(21)	-	310
Third Party Funds	-	-	204	204	-	16	220
Victim Services Commissioning	-	-	148	148	-	33	181
Innovation Fund	-	-	-	-	-	56	56
Unspent Revenue Grants	-	-	109	109	(7)	270	372
Police HQ Replacement	-	-	16,030	16,030	(1,311)	-	14,719
Airwave	3,806	(2,306)	-	1,500	-	330	1,830
Earmarked Capital Reserve	1,161	-	-	1,161	-	-	1,161
Revenue Earmarked Reserves	**30,249**	**(18,311)**	**28,950**	**40,888**	**(4,914)**	**2,877**	**38,851**
Capital Grant and Capital Receipts	983	(12)	1,016	1,987	(486)	125	1,626
Total Earmarked Reserves	**31,232**	**(18,323)**	**29,966**	**42,875**	**(5,400)**	**3,002**	**40,477**
Total Useable Reserves	**42,022**	**(25,113)**	**29,966**	**46,875**	**(5,400)**	**8,114**	**49,589**

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

Police HQ Replacement Reserve
This is required to fund the replacement of the current Police Headquarters at Croesyceiliog, Cwmbran. It is anticipated that this will be utilised between 2016/17 and 2017/18 to acquire new accommodation.

Future Budgetary Balance Reserve
This will be utilised to ensure that the PCC is able to set a balanced budget between 2016/17 and 2018/19 in accordance with the PCC's medium term financial plan.

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

Airwave Reserve
This is used to fund the cyclical replacement of the Airwave Communication System used by the Force.

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

Debt Repayment
Whilst the PCC Group sets aside amounts for the repayment of debt into the Capital Adjustment Account, the PCC Group has recently taken the decision to re-classify some of its earmarked reserves for this purpose.

Capital Reserve
This is to fund future capital schemes.

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

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

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

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

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

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

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

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

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

9. Other Operating Income and Expenditure

Other Operating Income and Expenditure reported includes all levies payable, (gains)/losses generated from in year disposals of non-current assets and Home Office Top Up Grant due to fund the Police Officer pension account deficit at 31st March 2016. These are all items which could not be allocated or apportioned to service areas.

2014/15 £000		2015/16 £000
698	Levies	887
31	(Gain)/losses on the disposal of non-current assets	(147)
(19,155)	Police Pension Top Up Grant	(16,589)
(18,426)	**Total**	**(15,849)**

10. Financing and Investment Income and Expenditure

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

PCC 2014/15 £000	PCC Group 2014/15 £000		PCC 2015/16 £000	PCC Group 2015/16 £000
651	651	Interest payable and similar charges	778	778
33	48,441	Pension interest cost and expected return on pension assets	46	42,414
(175)	(175)	Interest receivable and similar income	(223)	(223)
509	**48,917**	**Total**	**601**	**42,969**

11. Taxation and Non Specific Grant Income

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

2014/15 £000		2015/16 £000
(2,352)	Capital Grant & Contributions	(1,181)
(42,675)	Council Tax Precept	(44,857)
(13,519)	Non-Domestic Rates	(12,418)
(46,169)	Police Grant	(43,220)
(17,156)	Revenue Support Grant	(17,278)
(121,871)	**Total**	**(118,954)**

12. Property, Plant and Equipment

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

	Poperty, Plant & Equipment				
	Operational Land & Buildings	Vehicles, Plant, Furniture & Equipment	Non-Operational / Surplus Assets	Total Property, Plant & Equipment	PFI Assets included in PP&E
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2015	**45,998**	**18,153**	**593**	**64,744**	**5,998**
Additions	-	1,622	-	1,622	48
Revaluation increases/(decreases) to the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Disposals	-	(1,845)	-	(1,845)	-
De-recognition - disposals	(228)	(615)	-	(843)	-
Assets Reclassified to/(from) Held for Sale	(1,848)	-	(553)	(2,401)	-
Assets Reclassified (to)/from Non-Operational or Surplus Assets	(785)	-	785	-	-
At 31 March 2016	**43,137**	**17,315**	**825**	**61,277**	**6,046**
Accumulated Depreciation and Impairment					
At 1 April 2015	(11,867)	(14,403)	(59)	(26,329)	(737)
Depreciation charge	(801)	(1,522)	(57)	(2,380)	(90)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	(363)	-	(363)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Disposals	-	1,696	-	1,696	-
De-recognition - disposals	228	604	-	832	-
Depreciation and impairment of assets re-classified to/(from) Non-Operational or Surplus Assets	213	-	(213)	-	-
Depreciation and impairment of assets re-classified to/(from) Held for Sale	225	-	52	277	-
At 31 March 2016	**(12,002)**	**(13,988)**	**(277)**	**(26,267)**	**(827)**
Net Book Value					
At 31 March 2016	**31,135**	**3,327**	**548**	**35,010**	**5,219**

Comparative movements on Property, Plant and Equipment balances during 2014/15.

	Poperty, Plant & Equipment				
	Operational Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Non-Operational / Surplus Assets £000	Total Property, Plant & Equipment £000	PFI Assets included in PP&E £000
Cost or valuation					
At 1 April 2014	46,135	17,269	443	63,847	5,952
Additions	180	2,691	-	2,871	46
Revaluation increases/(decreases) to the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Disposals	-	(1,618)	-	(1,618)	-
De-recognition - disposals	-	(189)	-	(189)	-
Assets Reclassified to/(from) Held for Sale	(167)	-	-	(167)	-
Assets Reclassified (to)/from Non-Operational or Surplus Assets	(150)	-	150	-	-
At 31 March 2015	45,998	18,153	593	64,744	5,998
Accumulated Depreciation and Impairment					
At 1 April 2014	(11,056)	(13,352)	(39)	(24,447)	(648)
Depreciation charge	(676)	(1,942)	(7)	(2,625)	(89)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(170)	(782)	-	(952)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Disposals	-	1,504	-	1,504	-
De-recognition - disposals	-	169	-	169	-
Depreciation and impairment of assets re-classified to/(from) Non-Operational or Surplus Assets	13	-	(13)	-	-
Depreciation and impairment of assets re-classified to/(from) Held for Sale	22	-	-	22	-
At 31 March 2015	(11,867)	(14,403)	(59)	(26,329)	(737)
Net Book Value					
At 31 March 2015	34,131	3,750	534	38,415	5,261

Capital Commitments

At 31 March 16 no capital contracts had been entered into for the construction or enhancement of property, plant and equipment in 2016/17 and or in future years. However capital commitments exist at the 31st March that relate to 2015/16 schemes that have either slipped or will continue into 2016/17. Significant commitments relate to the on-going development of the new Enterprise Resource Planning System (approx. £2.5m), additional work on the new Command and Control System (£0.263m) and the annual recurring refresh of the Force's fleet of vehicles (£0.700m).

During 2016/17 there will be significant progress on the development of the new Police Headquarters with the procurement of land and the tender followed by appointment of contractors to carry out the construction. Commencement of the contract work is scheduled to take place in October 2017 with completion of the build in May 2019.

Revaluations

Land and buildings were last valued at 31st March 2012 by Cooke and Arkwright (the next valuation is due on 31st March 2017). The asset valuers responsible were Andrew Gardiner, B.Sc, MRICS and Alan Jones B.Sc, MRICS. The basis of the valuation was either 'open market value' or 'depreciated replacement cost'.

Police houses were included in the aforementioned valuation, but were valued at 'open market value'. Vehicles are valued at historic cost and other operating assets (tangible and intangible) are valued at historical cost.

The only revaluations which took place during 2015/16 related to land and buildings that were held for sale and are detailed in Note 19 – Assets Held for Sale.

13. Investment Properties, Community Assets and Heritage Assets

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

14. Intangible Assets

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

There were no changes in the accounting estimates for intangible assets during the year and no intangible assets are considered to have an indefinite life. During the year amortisation of £692,617 (2014/15: £451,458) and impairment of £0 (2014/15: £129,674) was charged to the CIES during 2015/16. This charge reflects the expected pattern of consumption of economic benefits of the intangible assets during the period.

The movement on Intangible Asset balances during the year 2015/16 with comparatives for 2014/15 was:

	2014/15			2015/16		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
Gross carrying amounts	-	6,162	**6,162**	-	4,728	**4,728**
Accumulated amortisation	-	(4,899)	**(4,899)**	-	(3,257)	**(3,257)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-
Net carrying amount at start of year	**-**	**1,263**	**1,263**	**-**	**1,471**	**1,471**
Additions:						
Internal development	-	-	-	-	-	-
Purchases	-	667	**667**	-	1,258	**1,258**
Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	(2,101)	**(2,101)**	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Amortisation for the period	-	(451)	**(451)**	-	(630)	(630)
Other changes (de-recognition)	-	2,094	**2,094**	-	-	-
Net carrying amount at end of year	**-**	**1,472**	**1,472**	**-**	**2,099**	**2,099**
Comprising:						
Gross carrying amounts	-	4,728	**4,728**	-	5,986	**5,986**
Accumulated amortisation	-	(3,256)	**(3,256)**	-	**(3,886)**	**(3,886)**
Total	**-**	**1,472**	**1,472**	**-**	**2,100**	**2,100**

15. Financial Instruments

Financial Instrument Balances

The following categories of financial instrument are carried in the Balance Sheet at 31st March 2016:

	Long-term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Investments and Debtors				
Investments (Principal)	-	-	37,000	40,500
Investments (Amortised)	-	-	37,040	40,523
Money Market Loans (Principal)	-	-	9,000	-
Money Market Loans (Amortised)	-	-	9,006	-
Debtors including Trade (Principal)	8	5	12,635	20,451
Debtors including Trade (Amortised)	8	5	12,635	20,451
Available for sale financial assets	-	-	-	-
Financial assets at fair value through the Comprehensive Income and Expenditure Statement	-	-	-	-
Total Investments and Debtors (Principal)	**8**	**5**	**58,635**	**60,951**
Total Investments and Debtors (Amortised)	**8**	**5**	**58,681**	**60,974**
Borrowings and Creditors				
PWLB debt (Principal)	4,260	4,260	-	-
PWLB debt (Amortised)	4,260	4,260	34	34
Newport CC debt (Principal)	484	646	162	162
Newport CC debt (Amortised)	484	646	162	162
Creditors including Trade (Principal)	-	-	22,025	23,767
Creditors including Trade (Amortised)	-	-	22,025	23,767
Finance Lease Liability	4,788	4,910	-	-
Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement	-	-	-	-
Total Borrowing and Creditors (Principal)	**4,744**	**4,906**	**22,187**	**23,929**
Total Borrowing and Creditors (Amortised)	**9,532**	**9,816**	**22,221**	**23,963**

Unusual Movements

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

Reclassification

No financial instruments were re-classified during the year.

De-recognition of instruments

No financial instruments were de-recognised during the year.

Collateral

No financial instruments were linked to any collateral agreements.

Allowance for Credit Losses

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

Defaults and Breaches

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

Financial Instruments Gains and Losses

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

	2015/16			2014/15		
	Financial Liabilities at amortised cost £000	Financial Assets: loans and receivables £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: loans and receivables £000	Total £000
Interest expense	(301)	-	(301)	(312)	-	(312)
Total expense in Surplus or Deficit on the Provision of Services	(301)	-	(301)	(312)	-	(312)
Interest income		223	223	-	175	175
Total income in Surplus or Deficit on the Provision of Services	-	223	223	-	175	175
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-	-
Net gain/(loss) for the year	**(301)**	**223**	**(78)**	**(312)**	**175**	**(137)**

Fair Values

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

(i) For loans from the PWLB and other loans payable, premature repayments rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;

(ii) Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount; and

(iii) The fair value of trade or other receivables is taken to be the invoice or billed amount.

The fair values calculated are as follows:

	31 March 2016		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
PWLB debt	4,294	5,769	4,294	5,825
Newport CC debt	646	710	808	1,000
Finance lease liability	4,788	4,788	4,910	4,910
Short-term creditors	22,025	22,025	23,767	23,767
Total Financial Liabilities	**31,753**	**33,292**	**33,779**	**35,502**

	31 March 2016		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Investments and money market loans	46,046	46,051	40,523	40,523
Short-term debtors	12,635	12,635	20,451	20,451
Total Financial Assets	**58,681**	**58,686**	**60,974**	**60,974**

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

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

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

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £4.294m would be valued at £5.388m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption. The exit price for the PWLB loans including the penalty charge would comprise £4.26m principal, £0.034m accrued interest and a Premium of £1.475m, totalling £5.769m.

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

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

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

(i) Level 1 – quoted prices;

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

(iii) Level 3 – unobservable inputs for the asset or liability.

The valuation basis adopted in this report uses Level 2 Inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability. No retrospective comparatives are available for financial instrument balances at 31st March 2015.

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

16. Inventories

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

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

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

During the year balances held for Custody Stores, Diesel, Printing and IT Consumables were expensed to the CIES and excluded from the annual stock take. This action was taken as the balances held were not deemed material. The total value of these items expensed was £39,236.

17. Short-Term Debtors

The Short-Term Debtor balances carried by the PCC Group at 31st March 2016 is:

31 March 2015 £000		31 March 2016 £000
18,238	Central Government Bodies	10,397
1,143	Other Police Forces and Local Authorities	1,531
187	NHS Bodies	264
-	Public Corporations and Trading Funds	6
883	Other Entities and Individuals	437
20,451	**Total**	**12,635**

18. Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash in hand and balances held with financial institutions. The Bank Current Account balance includes a cash equivalent adjustment of £9.666m to redeem funds used to pay Police Officer Pensions during the year, which will be funded retrospectively by a specific Home Office grant.

31 March 2015 £000		31 March 2016 £000
24	Cash held by the Group	21
11,020	Bank Current Accounts	12,118
-	Bank Savings Accounts	3,002
11,044	**Total**	**15,141**

19. Assets Held for Sale

These represent Non-current Assets Held for Sale as at the 31st March 2016. The carrying amount of assets held for sale at the balance sheet date, were re-valued at fair value.

	Current	
	2015/16 £000	2014/15 £000
Balance outstanding at start of year	**125**	**610**
Assets newly classified as held for sale	2,125	144
Revaluation gains	65	-
Revaluation losses	(1,330)	(19)
Impairment losses	-	-
Assets declassified as held for sale	-	-
Assets sold in the year	(125)	(610)
Transfer from non-current to current	-	-
Other Movements	-	-
Balance outstanding at year-end	**860**	**125**

During the year the Police Station New Inn (including land) was sold for £125,000.

Three properties were newly classified as held for sale during the year; Newbridge Police Station, Abergavenny Police Station and Wilcrick Motorway Control Post.

Both Newbridge and Abergavenny Police Stations were re-valued downwards and realised combined losses of £1.330m. However, only £1.116m was charged to the CIES since both properties had been re-valued upwards when last re-valued in 2012. Wilcrick Motorway Control Post was re-valued upwards by £65,000. Therefore the overall the movement on the Revaluation Reserve during the year was a net loss of £149,000.

20. Short and Long-Term Creditors

Short-Term Creditors

Short- Term Creditor balances held by the PCC Group at 31 March 16 are:

PCC 31 March 2015 £000	PCC Group 31 March 2015 £000		PCC 31 March 2016 £000	PCC Group 31 March 2016 £000
(10,319)	(12,062)	Central Government Bodies	(8,104)	(9,755)
-	(6,441)	Other Police Forces and Local Authorities	(664)	(6,036)
-	(1)	NHS Bodies	-	-
-	-	Public Corporations and Trading Funds	(25)	(50)
(25)	(5,263)	Other Entities and Individuals	(136)	(6,184)
(10,344)	**(23,767)**	**Total**	**(8,929)**	**(22,025)**

Long-Term Creditors

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

PCC 31 March 2015 £000	PCC Group 31 March 2015 £000		PCC 31 March 2016 £000	PCC Group 31 March 2016 £000
(1,285,726)	-	Net Pension Liability	(1,193,967)	-
(1,285,726)	**-**	**Total**	**(1,193,967)**	**-**

21. Provisions

All provisions are short term as it is expected that the liability will be settled within 12 months after the reporting period. Provisions in relation to the PCC Group during 2015/16 are:

2014/15 £000		2015/16 £000
(1,429)	Injury Damage & Compensation Claims	(998)
-	Holiday Pay	(78)
(12)	Provision for Doubtful Debts	(12)
(1,441)	**Total**	**(1,088)**

Injury and Damage and Other Compensation Claims

All of the injury compensation claims are individually insignificant by value. They relate to personal injuries and road traffic collisions where the PCC Group is deemed to be at fault or claims for wrongful arrest. Any claim above £100,000 would be met by the PCC Group's public liability and employers' liability insurance cover.

Holiday Pay

During the year an Employment Tribunal ruled that non- guaranteed overtime (and other regular non-guaranteed payments) needed to be included in the calculation of a day's pay when Police Officers were considered to be on annual leave. In March 2016 payments back-dated to October 2015 were made to Officers. Whilst at 31st March 2016 no agreement was made with respect to Police Staff a provision calculated on the same basis has been made.

Bad Debts

A provision for bad debt has been calculated based on the past experience of default by the PCC Group's debtors. There has been no increase or decrease required to the balance held at 31st March 2015.

Amendment to Police Pension Commutation Factors

At 31st March 2015 the Police Pension Account also contained a provision for £3.48m. This provision was made due to the Government Actuary Department amending historic commutation factors that were used to calculate pension lump sums due to police officers who retired between 1st April 2001 and 30th November 2006. During 2015/16 all claims were settled. The total additional lump sums paid amounted to £3.73m, which was funded by a specific Home Office grant.

22. Usable Reserves

Movements in the PCC Group's Usable Reserves are detailed in the Movement in Reserves Statement and note 8 Transfers to/from Earmarked Reserves.

23. Unusable Reserves

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

31 March 2015 £000		31 March 2016 £000
2,354	Revaluation Reserve	2,029
(1,287,103)	Pensions Reserve	(1,195,364)
(1,505)	Accumulated Absences Account	(2,079)
29,535	Capital Adjustment Account	29,740
(1,256,719)	**Total**	**(1,165,674)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the PCC Group arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

(i) Re-valued downwards or impaired and the gains are lost;

(ii) Used in the provision of services and the gains are consumed through depreciation, or

(iii) Disposed of and the gains are realised.

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

2014/15 £000		2015/16 £000
2,599	Balance as at 1 April	2,354
-	Upward revaluation of assets	65
(97)	Differences between fair value and historic cost depreciation written out of the Revaluation Reserve	(176)
-	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the Provision of Services	(214)
(148)	Accumulated revaluation gains on assets sold or decommissioned, written out of the Revaluation Reserve	-
2,354	**Balance as at 31 March**	**2,029**

Pension Reserve

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

2014/15 £000		2015/16 £000
(1,103,984)	Balance as at 1 April	(1,287,103)
(139,063)	Actuarial gains or losses on assets and liabilities	127,759
(76,394)	Reversal of items realting to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(69,045)
32,338	Employer's pension contributions and direct payments to pensioners payable in the year	33,025
(1,287,103)	**Balance as at 31 March**	**(1,195,364)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement and flexi balances carried forward at 31st March 2016. Statutory arrangements require that the impact on the Police Fund balance is neutralised by transfers to or from the account.

2014/15 £000		2015/16 £000
(1,267)	Balance as at 1 April	(1,505)
1,267	Settlement or cancellation of the accrual made at the end of the previous year	1,505
(1,505)	Amounts accrued at the end of the current year	(2,079)
(1,505)	**Balance as at 31 March**	**(2,079)**

Capital Adjustment Account (CAA)

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

The account also contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the PCC Group. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provide details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

2014/15 £000		2015/16 £000
30,326	Balance as at 1 April	29,535
(2,625)	Charges for depreciation of non-current assets	(2,380)
(953)	Impairment of Property, Plant, Equipment and Intangible assets	(363)
(743)	Amounts of non-current assets written off (carrying value) on disposal or sale (Assets Held For Sale) to the Comprehensive Income and Expenditure Statement	(284)
(19)	Revaluation gains/(losses) on Property, Plant and Equipment	(1,116)
(452)	Charges for amortisation of intangible assets	(630)
(7)	Impairment of intangible assets	-
148	Accumulated revaluation gains on assets sold or decommissioned, written out of the Revaluation Reserve	-
97	Differencs between fair value and historic cost depreciation written out of the Revaluation Reserve	176
1,867	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,181
11	Application of grants to capital financing from the Capital Grants Unapplied Account	486
230	Statutory provision for the financing of capital investment charged against the Comprehensive Income and Expenditure Statement (Minimum Revenue Provision (MRP))	128
-	Voluntary provision for the financing of capital investment charged against the Comprehensive Income and Expenditure Statement (Minimum Revenue Provision (VRP))	1,187
1,495	Capital expenditure charged against the Comprehensive Income and Expenditure Statement	1,650
160	Finance lease liability write down and capitalisation of Lifecycle additions	170
29,535	**Balance as at 31 March**	**29,740**

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(40,476)	**Net Surplus / (Deficit) on the Provision of Services**	**(33,852)**
3,077	Depreciation charges	3,010
1,703	Impairment charges	648
19	Revaluation losses on Plant, Property and Equipment	1,116
(432)	Revenue funded assets	(340)
44,058	Employer's pension contributions and retirement benefits	*36,020*
(350)	Contributions to/(from) Provisions	(353)
7	(Increase)/Decrease in Investments	(23)
(7,884)	(Increase)/Decrease in Debtors	4,005
(53)	Increase/(Decrease) in Stocks	99
7,048	Increase/(Decrease) in Creditors	1,114
(272)	Increase/(Decrease) in Reciepts in Advance	25
-	Other non-cash items charged to the net deficit	3
46,921		**45,324**

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

2014/15 £000		2015/16 £000
(530)	Proceeds from the sale of non current assets	(125)
(2,352)	Capital Grants credited to the surplus or deficit on the provision of services	(1,181)
(2,882)		**(1,306)**
3,563	**Net cash flows from operating activities**	**10,166**

25. Cash Flow Statement – Investing Activities

The cash flows from investing activities include the following items:

2014/15 £000		2015/16 £000
(2,939)	Purchase of property, plant and equipment, investment property and intangible assets	(2,328)
(339,100)	Purchase of short-term and long-term investments	(170,706)
530	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	125
343,900	Proceeds from short-term and long term investments	165,200
1,476	Other receipts from investing activities	1,972
3,867	**Net cash flows from investing activities**	**(5,737)**

26. Cash Flow Statement – Financing Activities

The cash flows from financing activities include the following items:

2014/15 £000		2015/16 £000
(160)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(170)
(161)	Repayment of short and long-term borrowing	(162)
-	Other payments for financing activities	-
(321)	**Net cash flows from financing activities**	**(332)**

27. Amounts Reported for Resource Allocation Decision (Segmental Reporting)

The analysis, of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice. Formal reporting to Chief Officers and the PCC of performance against budget is performed on a subjective basis only rather than on an objective basis.

These performance reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

(i) No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CIES); and

(ii) The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year as per IAS19; and

(iii) Expenditure on support services is budgeted for centrally and not charged to service areas.

The table below provides a reconciliation of the surplus reported to Chief Officers and the PCC compared to the deficit shown within the CIES. Comparatives are shown on page 65.

2015/16	Surplus reported to PCC and Chief Officers £000	Amounts NOT reported to management for decicions making £000	Amounts in segmental analysis but NOT in SERCOP £000	Cost of Services £000	Corporate Amounts £000	Surplus/Deficit on Provsion of Service £000
Fees, charges and other income	(5,564)	778	-	(4,786)	-	(4,786)
Interest and investment income	-	223	-	223	(17,243)	(17,020)
Government grants	(125,257)	117,773	-	(7,484)	(118,954)	(126,438)
Total Income	**(130,821)**	**118,774**	**-**	**(12,047)**	**(136,197)**	**(148,244)**
Employee expenses	98,559	120	-	98,679	-	98,679
Other service expenses	26,275	(296)	1,600	27,579	-	27,579
Interest payments, MRP and PFI costs	-	(949)	(1,315)	(2,264)	778	(1,486)
Interest payments - Retirement benefits	-	-	-	-	-	-
Depreciation, impairment and disposal gain/loss	-	4,488	-	4,488	284	4,772
Pension interest, grants and IAS 19 entries	-	10,195	-	10,195	42,414	52,609
Levies	-	(887)	-	(887)	887	-
Total Expenditure	**124,834**	**12,671**	**285**	**137,790**	**44,363**	**182,153**
Net Expenditure	**(5,987)**	**131,445**	**285**	**125,743**	**(91,834)**	**33,909**

27. Amounts Reported for Resource Allocation Decision (Segmental Reporting) (cont.)

2014/15	Surplus reported to PCC and Chief Officers £000	Amounts NOT reported to management for decicions making £000	Amounts in segmental analysis but NOT in SERCOP £000	Cost of Services £000	Corporate Amounts £000	Surplus/Deficit on Provsion of Service £000
Fees, charges and other income	(4,274)	200	-	(4,074)	-	(4,074)
Interest and investment income	-	2,254	-	2,254	(19,330)	(17,076)
Government grants	(149,235)	116,126	-	(33,109)	(121,871)	(154,980)
Total Income	**(153,509)**	**118,580**	**-**	**(34,929)**	**(141,201)**	**(176,130)**
Employee expenses	102,101	2,369	256	104,726	-	104,726
Other service expenses	47,015	(2,467)	440	44,988	-	44,988
Interest payments, MRP and PFI costs	-	(810)	(230)	(1,040)	651	(389)
Interest payments - Retirement benefits	-	-	-	0	-	0
Depreciation, impairment and disposal gain/loss	-	4,039	-	4,039	31	4,070
Pension interest, grants and IAS 19 entries	-	14,770	-	14,770	48,441	63,211
Levies	-	(698)	-	(698)	698	0
Total Expenditure	**149,116**	**17,203**	**466**	**166,785**	**49,821**	**216,606**
Net Expenditure	**(4,393)**	**135,783**	**466**	**131,856**	**(91,380)**	**40,476**

Reconciliation of Service Area Income and Expenditure to Cost of services in the Comprehensive Income and Expenditure statement

This reconciliation shows how the figures in the analysis of Service Area income and expenditure relate to the amounts included in the CIES.

2014/15 £000		2015/16 £000
(4,393)	Net expenditure in the service area analysis	(5,987)
-	Net expenditure of services not included in the analysis	-
135,783	Amounts in the SerCOP CIES not reported to management in the analysis	131,445
466	Amounts included in the analysis but not included in the SerCOP CIES	285
131,856	**Net Cost of Services in the SerCOP CIES**	**125,743**

28. Members Allowances

The PCC Group paid the following amounts to Joint Audit Committee Members during the year ended 31st March 2016. Amounts are split evenly with the Chief Constable.

PCC	PCC Group		PCC	PCC Group
2014/15 £	2014/15 £		2015/16 £	2015/16 £
-	-	Salaries	-	-
2,000	4,000	Allowances	1,500	3,000
-	-	Expenses	-	-
2,000	**4,000**	**Total**	**1,500**	**3,000**

29. Police Officer and Staff Remuneration

Police Officer and Staff Numbers

	2014/15	2015/16
Police Officers:		
Above the rank of Constable	285	246
Constable	965	898
Total	**1,250**	**1,144**
Police Staff:		
Full Time	684	646
Part Time	213	188
Total	**897**	**834**

Remuneration Received

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

PCC 2014/15	PCC Group 2014/15	Remuneration Band			PCC 2015/16	PCC Group 2015/16
-	5	£60,000	-	£64,999	-	16
-	7	£65,000	-	£69,999	-	9
-	2	£70,000	-	£74,999	-	7
-	2	£75,000	-	£79,999	-	11
1	3	£80,000	-	£84,999	1	6
-	4	£85,000	-	£89,999	-	5
1	1	£90,000	-	£94,999	1	1
-	1	£95,000	-	£99,999	-	3
-	1	£100,000	-	£104,999	-	3
-	-	£105,000	-	£109,999	-	-
-	2	£110,000	-	£114,999	-	-
-	-	£115,000	-	£119,999	-	-
-	-	£120,000	-	£124,999	-	1
-	-	£125,000	-	£129,999	-	-
-	-	£130,000	-	£134,999	-	-
-	-	£135,000	-	£139,999	-	-
-	-	£140,000	-	£144,999	-	-
-	1	£145,000	-	£149,999	-	1

Remuneration Relationship

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

For the Office of the Police and Crime Commissioner the remuneration relationship is disclosed for two posts, the Chief Executive and the Chief of Staff. The Chief of Staff replaced the Chief Executive role on the 1st January 2016 following the post holder's retirement.

	2014/15	2015/16
Chief Constables Pay	145,941	147,897
Median Pay of the Chief Constable's Staff	33,360	34,779
Median Pay Ratio	4.37	4.25
Chief Executive's Pay	94,917	94,607
Median Pay of the Police and Crime Commissioner's Staff	31,620	27,786
Median Pay Ratio	3.00	3.40
Chief of Staff's Pay	-	60,000
Median Pay of the Police and Crime Commissioner's Staff	-	27,786
Median Pay Ratio	-	2.16

Remuneration Disclosure

The following table on page 70 sets out the remuneration disclosure, for relevant Police Officers (Chief Officer rank) and Senior Staff (Chief Officer equivalent rank, and senior post holders in the Office of the Police and Crime Commissioner), whose salary is equal to, or more than £60,000 per year. The regulation requires individuals whose salary exceeds £150,000 per year, to be identified by name.

Expense allowances include "essential user" car lump sum allowance and benefit in kind includes the money value of benefits received otherwise than in cash e.g. private use of a Force asset. Other payments include those allowances only relevant to Police Officers such as rent allowance and compensatory grant. During the year no amounts where paid in respect of compensation for loss of employment. Equivalent disclosure is provided for the previous year 2014/15 on page 71.

Relevant Senior Police Officers and Senior Police Staff Remuneration

Relevant Senior Police Officers and Police Staff Remuneration of the year ended 31st March 2016.

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

Notes:

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

2014/15 Post Holder Information (Post Title)	Note	Salary £000	Bonus £000	Expenses £000	Benefits in Kind £000	Other Payments £000	**Total Remuneration excluding Pension Contributions** £000	Employers Pension Contributions £000	**Total Remuneration including Pension Contributions** £000
Chief Constable		135,202	-	-	6,121	4,046	**145,369**	32,719	**178,088**
Deputy Chief Constable	1	105,060	-	-	3,397	3,810	**112,267**	25,424	**137,691**
Assistant Chief Constable (1)	2	99,085	-	-	4,615	6,387	**110,087**	23,979	**134,066**
Assistant Chief Constable (2)	3	-	-	-	-	-	**-**	-	**-**
Assistant Chief Officer Resources		102,154	-	-	-	-	**102,154**	16,140	**118,294**
Police & Crime Commissioner	4	70,000	-	-	-	-	**70,000**	11,060	**81,060**
Deputy Police & Crime Commissioner		52,500	-	-	-	-	**52,500**	8,295	**60,795**
Chief Executive to the Police & Crime Commissioner		91,830	-	1,239	-	-	**93,069**	14,509	**107,578**
Chief Finance Officer to the Police & Crime Commissioner		81,960	-	-	-	-	**81,960**	12,950	**94,910**

Notes:

1) Deputy Chief Constable was appointed and took office on the 22nd April 2014 with an annualised salary of £110,880.
2) Assistant Chief Constable (1) left office on the 30th June 2015.
3) Assistant Chief Constable (2) was appointed and took office on the 7th May 2015 with an annualised salary of £101,805.
4) The Police & Crime Commissioner in not a Senior Police Officer or a member of Senior Police Staff however his remuneration is disclosed as it is in the public interest to disclose this information.
5) The employer's pension contributions in respect to ACPO ranked Police Officers were paid at the rate of 24.2%. All other Senior Employers were paid at the rate of 15.8%.
6) Salaries disclosed exclude salary sacrifice deductions.

30. Termination Benefits

A Schedule of exit packages at 31st March 2016 is shown in the table below with comparative figures for the previous year.

Exit package cost band (including special payments)			Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
			2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0	-	£20,000	-	18	7	24	**7**	**42**	**72,249**	**522,635**
£20,001	-	£40,000	-	10	1	42	**1**	**52**	**34,285**	**1,664,548**
£40,001	-	£60,000	-	2	1	17	**1**	**19**	**47,629**	**923,737**
£60,001	-	£80,000	-	-	-	9	**-**	**9**	**-**	**610,680**
£80,001	-	£100,000	-	-	1	-	**1**	**-**	**83,140**	**-**
£100,001	-	£150,000	-	-	-	-	**-**	**-**	**-**	**-**
£150,001	-	£250,000	-	-	-	-	**-**	**-**	**-**	**-**
Total			**-**	**30**	**10**	**92**	**10**	**122**	**237,303**	**3,721,600**

*Exit packages include 23 departures agreed prior to the 31st March 2016, although payments were not made until the 30th April 2016 (2016/17).

31. External Audit Costs

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

PCC	PCC Group		PCC	PCC Group
2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
43	86	Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	43	86
43	**86**	**Total**	**43**	**86**

32. Grant Income

The following grants were credited to the Cost of Services in the CIES in 2015/16. The analysis excludes a £2.137m accounting adjustment relating to collaborative projects with the other Welsh Police Forces, as required by IFRS 11 Joint Arrangements. See Note 39, page 78.

2014/15 £000		2015/16 £000
(421)	All Wales Counter Terrorism Intelligence Unit (CTIU)	(410)
(26)	All Wales Regional Intelligence Unit (RIU)	(41)
(104)	Collaboration - Protective Persons	-
(35)	Communication Development Programme	-
(3,330)	Police Community Support Officers	(3,728)
(163)	Counter Terrorism Security Advisors (CTSA) - Ports Policing	(38)
-	IOM Cymru Womens Pathfinder	(248)
(299)	Data Barring Service	(314)
(28)	Domestic Violence	-
(953)	Drug Intervention Programme (DIP)	(25)
(8)	Innovation Grant	(123)
(39)	Local Resilience Forum	(39)
(95)	Metal Theft - National Fund	-
(309)	Ministry of Justice - Victim Services	(645)
(73)	Mobile Data Funding	(438)
-	National Child Sex Exploitation Co-ordinator (ROCU)	(46)
(22,976)	Operation Ismay (NATO)	120
(18)	Other Miscellaneous Grants	(8)
(675)	Private Finance Initiative (PFI) - Ystrad Mynach	(648)
(42)	Police Federation	-
(523)	Safety Camera Enforcement	(511)
(533)	Welsh Government (WG) - All Wales Schools Liaision (AWSL)	(581)
(4)	Welsh Government (WG) - Hate Crime Awareness	(9)
(125)	Youth Offending	(103)
(30,779)	**Total**	**(7,835)**

*The £120k payment for Operation Ismay (NATO) reflects the return of surplus grant income to the Home Office.

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

31 March 2015 £000		31 March 2016 £000
-	Grants Receipts in Advance (Capital Grants)	-
-	Total	-

In addition the PCC Group received £88k of revenue receipts which were not utilised by the end if the financial year but will be utilised during 2016/17. These grants and contributions are detailed below:

31 March 2015 £000		31 March 2016 £000
	Grants Receipts in Advance (Revenue Grants)	
(3)	Dedicated Security Post - Counter Terrorism Security Advisor (CTSA)	-
(60)	Breaking the Cycle (Missing Persons Project)	-
-	National Specials Conference 2016	(69)
-	IOM Cymru Womens Pathfinder	(19)
(63)	Total	(88)

33. Related Parties

The PCC Group is required to disclose material transactions with related parties (i.e. bodies or individuals that have the potential to control or influence the PCC Group or be controlled or influenced by the PCC Group). Disclosure of these transactions allows readers to assess the extent to which the PCC might have been constrained in his ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the PCC Group.

Central Government

Central Government has effective control over the general operations of the PCC Group and it is responsible for providing the statutory framework within which the PCC Group operates, provides the majority of its funding in the form of grants presented in Note 11 – Taxation and Non Specific Grant Income, and prescribes the terms of many of the transactions that the PCC Group has with other parties (e.g. council tax bills). However the PCC has direct control over the PCC Group's financial and operating policies.

Members

The total allowances and expenses paid to Members during the year are shown in Note 28. During the year none of the Police and Crime Panel members or parties related to them has undertaken any material transactions with PCC Group. However, the transactions with the Unitary Authorities that they represent with regards to Council Tax Precepts are detailed Note11 – Taxation and Non Specific Grant Income.

Officers

Assistant Chief Officer Resources is the Company Secretary to Gwent Independent Film Trust (GIFT) Ltd. GIFT is a Company Ltd by guarantee that has received monies from the PCC in 2015/16 to produce a film related to Stalking and a Theatre Company production, total value £20k. See Note 44 – Gwent Independent Film Trust (GIFT) for additional information.

The Chief Finance Officer is the Chief Finance Officer of the Police ICT Company (the Company). The Company is a company limited by guarantee and is wholly owned by Police and Crime Commissioners in England and Wales. It was established to support policing to make the public safer through better ICT, through seeking to act as a bridge between the policing, technological and commercial worlds. During the 2015/16 financial year, the Police and Crime Commissioner for Gwent paid a subscription to the Company of £25,000.

34. Capital Expenditure and Capital Financing

Where capital expenditure is to be financed in future years by charges to revenue, as assets are utilised by the PCC Group, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the PCC Group that has yet to be financed.

The PCC Groups Capital Financing Requirement (CFR) including the value of assets acquired under PFI is shown below.

2014/15 £000		2015/16 £000
	Capital Expenditure	
2,479	Property, Plant and Equipment	1,234
579	Intangible Assets	1,258
3,058	**Total**	**2,492**
	Funded by:	
1,064	Reserves	1,311
1,875	Capital Grants	1,181
-	Capital Receipts	-
-	Other Revenue Contributions	-
119	Increase / (decrease) in Capital Creditors	-
3,058	**Total**	**2,492**
	Capital Financing Requirement (CFR)	
8,350	Opening CFR at 1 April	**8,125**
38,417	Property, Plant and Equipment	35,009
1,471	Intangible Assets	2,100
125	Assets Held for Sale	860
(2,354)	Revaluation Reserve	(2,029)
(29,534)	Capital Adjustment Account	(29,740)
8,125	CFR Balance at 31st March	**6,200**
225	**Movement in Capital Financing Requirment (CFR)**	**1,925**
	Made up of:	
114	Change in Finance lease liability	122
230	Minimum Revenue Provision (MRP)	128
-	Voluntary Revenue Provision (VRP)	1,187
(119)	Increase / (decrease) in Capital Creditors	-
-	Donated Asset Recognition	2
-	Release of Capital Grants Unapplied	486
225	**Increase / (decrease) in Capital Financing Requirment (CFR)**	**1,925**

35. Leases

PCC and PCC Group as Lessee

Finance Leases

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

Operating Leases

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

The expenditure charged to the Police Services line in the CIES during the year in relation to the property leases was £568,763 (2014/15 £710,535).

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

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

Premises Leases

2014/15 £000		2015/16 £000
554	Not Later than 1 year	287
435	Later than 1 year but not later than 5 years	217
-	Later than 5 years	-
989	**Total**	**504**

MFD Leases

2014/15 £000		2015/16 £000
45	Not Later than 1 year	6
-	Later than 1 year but not later than 5 years	3
-	Later than 5 years	-
45	**Total**	**9**

PCC and PCC Group as Lessor

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

1) Pontypool Police Station - £48,348

The lease agreement with respect to Pontypool Police Station will not end until August 2016 at the earliest.

36. Private Finance Initiatives (PFI) and Similar Contracts

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

Under previous accounting arrangements this contract was deemed to be off Balance Sheet in accordance with FRS 5, however, with the adoption of IFRS the accounting treatment of the PFI contract is now deemed to be on Balance Sheet, this is in a manner consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the Government's Financial Reporting Manual.

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

31 March 2015 £000		31 March 2016 £000
5,196	Non-current assets net book value (NBV)	5,139
64	Lifecycle assets net book value (NBV)	79
(4,910)	Finance Lease Liability	(4,788)
350	**Total**	**430**

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

2014/15 £000		2015/16 £000
279	Service element of unitary charge	286
89	Depreciation charge liability	90
410	Finance cost	401
(70)	Contingent rent	76
708	**Total**	**853**

The amount included against the Police Fund in respect of the Unitary Charge Payments on the PFI asset deemed to be on Balance Sheet was £933,508.

The PCC Group receives funding from the Welsh Government, via specific grant payments (2015/16 £648,074), to meet the costs of the unitary charge payments. However, the scheduling of the funding is such that it differs annually, during the period of the PFI contract, from that applying to the payments to the contractor. Whilst the unitary charge payments increase annually over the period of the contract, the Welsh Government funding reduces annually over the same period.

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

The PCC Group is committed to make the following future payments in respect of this contract:

2014/15 £000		2015/16 £000
929	Within 1 year	934
3,718	Years 2 to 5 inclusive	3,735
4,647	Years 6 to 10 inclusive	4,669
4,647	Years 11 to 15 inclusive	4,669
4,647	Years 16 to 20 inclusive	3,735
-	Year 21 onwards	-
18,588	**Total**	**17,742**

37. Impairment Losses

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

(i) £271,000 loss with respect to past service costs and curtailments on the Local Government Pension Scheme (Greater Torfaen Pension Fund). It should be noted that this is not a charge to the Group but rather an accounting entry in order to comply with IAS19 and forms part of the analysis in the Movement in Reserves Statement so as not to have an impact on the Police Fund balance.

(ii) £80,000 loss with respect to past service costs on the Police Pension Scheme. It should be noted that this is not a charge to the Group but rather an accounting entry in order to comply with IAS19 and forms part of the analysis in the Movement in Reserves Statement so as not to have an impact on the Police Fund balance.

(iii) Notes 12 and 14 reconcile Property, Plant and Equipment impairment movements during the year which include the removal of carrying values in the Balance Sheet following the decommissioning or disposal of assets. ICT Hardware with a carrying value of £10,000 was decommissioned during the year resulting in an impairment charge in the CIES.

(iv) Property and vehicles with carrying values of £125,000 and £149,253 respectively have been written off during the year. However a sum of £125,000 and £306,436 was received on disposal of these assets, resulting in an overall gain on disposal totalling £157,183. The overall profit/(loss) on disposal of assets is recognised in Note 9. – Other Operating Income and Expenditure.

38. Capitalisation of Borrowing Costs

The PCC Group has not capitalised any borrowing costs.

39. Collaboration

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

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

2015/16										
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	16.71%	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
Gross Expenditure	**100.00%**	**5,684**	**2,561**	**441**	**4,951**	**2,785**	**1,261**	**6,897**	**11,240**	**35,820**
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)
Total Income		**(5,684)**	**(2,561)**	**(441)**	**(3,381)**	**(599)**	**(123)**	**(15)**	**(17)**	**(12,821)**

As a result of the requirement of IFRS11, gross expenditure in the CIES has been increased by £2.194m and gross income has been increased by £2.137m. A net increase, in expenditure of £0.057m. This net increase has been reversed in the Movement in Reserves Statement with no impact on the Police Fund.

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

2014/15										
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	16.80%	796	593	81	832	550	-	-	3,143	5,995
Gwent	18.80%	891	663	91	931	655	-	2,429	2,892	8,552
North Wales	22.40%	1,062	-	108	-	-	-	-	-	1,170
South Wales	42.00%	1,991	1,481	203	2,080	1,415	1,218	4,196	5,766	18,350
Gross Expenditure	**100.00%**	**4,740**	**2,737**	**483**	**3,843**	**2,620**	**1,218**	**6,625**	**11,801**	**33,067**
Dyfed-Powys	16.80%	(796)	(593)	(81)	(584)	(111)	-	-	-	(2,165)
Gwent	18.80%	(891)	(663)	(91)	(653)	(132)	-	(12)	-	(2,442)
North Wales	22.40%	(1,062)	-	(108)	-	-	-	-	-	(1,170)
South Wales	42.00%	(1,991)	(1,481)	(203)	(1,460)	(285)	(121)	(20)	-	(5,561)
Total Income	**100.00%**	**(4,740)**	**(2,737)**	**(483)**	**(2,697)**	**(528)**	**(121)**	**(32)**	**-**	**(11,338)**

Collaborative Working with Torfaen County Borough Council and Monmouthshire Council

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. 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 2015/16 expenditure incurred was fully covered by the contributions from the partners.

40. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The PCC Group participates in two post-employment schemes:

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

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

Transactions relating to Post-employment Benefits

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

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

40. Defined Benefit Pension Schemes (cont.)

	Police Pension		Local Government						PCC Group	
			PCC	Chief Constable	PCC Group	PCC	Chief Constable	PCC Group		
	2014/15 £000	2015/16 £000	2014/15 £000	2014/15 £000	2014/15 £000	2015/16 £000	2015/16 £000	2015/16 £000	2014/15 £000	2015/16 £000
Comprehensive Income & Expenditure Statement										
Cost of Services:										
Current service cost	24,090	21,610	114	3,520	3,634	157	4,430	4,587	27,724	26,197
Past service cost (including curtailments)	80	80	-	62	62	119	152	271	142	351
Administration expenses	-	-	3	84	87	3	80	83	87	83
Financing and Investment Income and Expenditure:										
Net interest expense	47,320	40,770	33	1,088	1,121	46	1,598	1,644	48,441	42,414
Total post employment benefits charged to the surplus or deficit on the provision of services	**71,490**	**62,460**	**150**	**4,754**	**4,904**	**325**	**6,260**	**6,585**	**76,394**	**69,045**
Other post employment benefits chargeable to the comprehensive income and expenditure statement:										
Remeasurement of the net defined benefit liability comprising:										
Actuarial gains and losses arising on changes in demographic assumptions	(53,710)	(18,660)	-	-	-	-	-	-	(53,710)	(18,660)
Actuarial gains and losses arising on changes in financial assumptions	198,540	(117,440)	728	25,505	26,233	(144)	(5,033)	(5,177)	224,773	(122,617)
Return on plan assets	(25,960)	7,730	(164)	(5,876)	(6,040)	162	5,626	5,788	(32,000)	13,518
Total post employment benefits charged to the comprehensive income & expenditure statement	**118,870**	**(128,370)**	**564**	**19,629**	**20,193**	**18**	**593**	**611**	**139,063**	**(127,759)**
Movement in Reserves Statement:										
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits	(71,490)	(62,460)	(150)	(4,754)	(4,904)	(325)	(6,260)	(6,585)	(76,394)	(69,045)
Actual amount charged against the police fund balance for pensions in year:										
Employer's contributions payable to the scheme	11,460	10,527	85	3,341	3,426	114	3,169	3,283	14,886	13,810
Retirement benefits payable to pensioners	2,120	2,608	-	91	91	215	223	438	2,211	3,046
	13,580	**13,135**	**85**	**3,432**	**3,517**	**329**	**3,392**	**3,721**	**17,097**	**16,856**

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Police Pension		Local Government						PCC Group	
			PCC	Chief Constable	PCC Group	PCC	Chief Constable	PCC Group		
	2014/15 £000	**2015/16 £000**	**2014/15 £000**	**2014/15 £000**	**2014/15 £000**	**2015/16 £000**	**2015/16 £000**	**2015/16 £000**	**2014/15 £000**	**2015/16 £000**
Present value of the defined benefit obligation	1,239,330	1,144,140	3,918	137,328	141,246	4,058	139,976	144,034	1,380,576	1,288,174
Fair Value of plan assets	-	-	(2,541)	(90,932)	(93,473)	(2,661)	(90,149)	(92,810)	(93,473)	(92,810)
Sub-total	**1,239,330**	**1,144,140**	**1,377**	**46,396**	**47,773**	**1,397**	**49,827**	**51,224**	1,287,103	1,195,364
Other movements in the liability (asset)	-	-	-	-	-	-	-	-	-	-
Net liability arising from defined benefit obligation	**1,239,330**	**1,144,140**	**1,377**	**46,396**	**47,773**	**1,397**	**49,827**	**51,224**	**1,287,103**	**1,195,364**

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

	Police Pension		Local Government						PCC Group	
			PCC	Chief Constable	PCC Group	PCC	Chief Constable	PCC Group		
	2014/15 £000	2015/16 £000	2014/15 £000	2014/15 £000	2014/15 £000	2015/16 £000	2015/16 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening fair value of scheme liabilities	1,077,880	1,239,330	2,950	104,907	107,857	3,918	137,328	141,246	1,185,737	1,380,576
Current service cost	24,090	21,610	114	3,520	3,634	157	4,430	4,587	27,724	26,197
Interest cost	47,320	40,770	136	4,791	4,927	136	4,719	4,855	52,247	45,625
Admin expenses	-	-	-	-	-	3	80	83	0	83
Contributions from scheme participants	6,660	6,070	51	1,353	1,404	54	1,291	1,345	8,064	7,415
Remeasurement (gains) and losses:										
Actuarial (gains)/losses arising from changes in demographic assumptions	(53,710)	(18,660)	-	-	-	-	-	-	(53,710)	(18,660)
Actuarial (gains)/losses arising from changes in financial assumptions	198,540	(117,440)	728	25,505	26,233	(144)	(5,033)	(5,177)	224,773	(122,617)
Experience (gain)/loss	(25,960)	7,730	-	-	-	-	-	-	(25,960)	7,730
Past service cost (including curtailments)	80	80	-	62	62	119	152	271	142	351
Benefits paid	(35,570)	(35,350)	(61)	(2,810)	(2,871)	(185)	(2,991)	(3,176)	(38,441)	(38,526)
Closing fair value of scheme liabilities	**1,239,330**	**1,144,140**	**3,918**	**137,328**	**141,246**	**4,058**	**139,976**	**144,034**	**1,380,576**	**1,288,174**

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits. The total liability of £1,195m (2014/15: £1,287m) has a substantial impact on the net worth of the PCC Group as recorded in the Balance Sheet, resulting in a negative overall balance of £1,116m (2014/15: £1,210m).

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

(i) The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of the employees, as assessed by the Scheme Actuary; and

(ii) Finance is only required to be raised to cover Police pensions when the pensions are actually paid.

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

	Local Government					
	PCC	Chief Constable	PCC Group	PCC	Chief Constable	PCC Group
	2014/15 £000	2014/15 £000	2014/15 £000	2015/16 £000	2015/16 £000	2015/16 £000
Opening fair value of scheme assets	**2,187**	**79,566**	**81,753**	**2,541**	**90,932**	**93,473**
Interest income	103	3,703	3,806	90	3,121	**3,211**
Remeasurement gain/(loss):						
The return on plan assets, excluding the amount included in the net interest	164	5,876	6,040	(162)	(5,626)	**(5,788)**
Contributions from employer	100	3,328	3,428	323	3,422	**3,745**
Contributions from employees into scheme	51	1,353	1,404	54	1,291	**1,345**
Benefits paid	(61)	(2,810)	(2,871)	(185)	(2,991)	**(3,176)**
Admin expenses*	(3)	(84)	(87)	-	-	**-**
Closing fair value of scheme assets	**2,541**	**90,932**	**93,473**	**2,661**	**90,149**	**92,810**

*In 2015/16 Admin expenses are disclosed under obligations (liabilities)

Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary have been:

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

*The expected return on assets are no longer required for IAS19 and FRS102 as the discount rate (3.6%) is now used by the Actuary to calculate the projected costs for next year and set the expected return on assets.

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

	Local Government (Group)			
	2014/15 £000	2014/15 %	2015/16 £000	2015/16 %
Asset Allocations				
Equity Securities	18,134	19.4%	17,908	19.3%
Investment Funds and Unit Trusts	72,301	77.3%	71,487	77.0%
Real Estate	2,524	2.7%	2,735	2.9%
Cash and Cash Equivalents	514	0.5%	680	0.7%
Total	**93,473**	**100%**	**92,810**	**100%**

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

	Police Pension		Local Government (Group)	
	2014/15 Years	2015/16 Years	2014/15 Years	2015/16 Years
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.30	23.10	23.00	23.00
Women	25.70	25.10	25.50	25.40
Longevity at 65 for future pensioners:				
Men	25.40	25.10	25.30	25.20
Women	27.90	27.20	27.90	27.80

Basis for Estimating Assets and Liabilities (cont.)

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

The effect of changes in assumptions

	Police Pension		Local Government			
	Approximate increase/(decrease) in assumption		Approximate % increase to Employer Liability		Approximate monetary amount	
			PCC	Chief Constable	PCC	Chief Constable
	%	£000	%	%	£000	£000
0.5% decrease in the Real Discount Rate	11.3%	124,600	15.0%	15.0%	603	21,197
1 year increase in member life expectancy	2.2%	24,700	3.0%	3.0%	122	4,199
0.5% increase in the Salary Increase Rate	1.2%	13,000	7.0%	7.0%	280	10,179
0.5% increase in the Pension Increase Rate	8.8%	97,300	8.0%	7.0%	308	10,475
1 year decrease in member service	0.2%	2,600	-	-	-	-

41. Contingent Assets and Liabilities

The PCC Group does not have any contingent assets.

The 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 have sought leave to appeal this decision and the Court of Appeal has granted leave to appeal. The matter has been set down for a hearing in January 2017. In the event that the initial ruling is upheld, the PCC Group would be liable for costs. The determination of the level of financial exposure cannot be evaluated with any certainty as it would depend on the individual circumstances of the Officer's involved.

(ii) The Government has introduced Employment and Support Allowance (ESA) in replacement of Incapacity Benefit. This may impact upon the calculation of Police Injury Award payments depending on whether ESA is deemed a relevant benefit for calculation purposes. The PCC Group currently deducts ESA from some pension payments and individual cases have been brought to the attention of the Pension Ombudsman. The Home Office have acknowledged that there has been an inconsistent approach adopted by Forces regarding the deduction and have confirmed that the Police (Injury Benefit) Regulations 2006 will be amended to express on the face of the legislation that ESA payments are to be deducted. However no implementation date has been agreed but it has been made clear that the change will have not have a retrospective effect. This remains a contingent liability for the PCC Group since deductions are being made and the PCC Group may be liable for deductions taken up to the implementation date.

(iii) On the 1st April 2015 the Police Pension Scheme 2015 came into effect. For new Police Officers joining the service on or after this date they would be automatically enrolled into this new scheme. However for existing Officers who were currently active members of the 1987 or 2006 Police Pension Schemes there were three possible outcomes which were dependent on the Police Officer's age and length of service. They were that Officers would continue active membership of the 1987 or 2006 Police Pension Schemes until normal retirement age; transfer to the new scheme with tapered protection between the 24th May 2015 and 31st March 2022; or transfer to the new scheme with immediate effect (no protection) on the 1st April 2015.

A legal challenge citing discrimination on the grounds of age, sex and ethnicity has been made by a firm of solicitors acting nationally on behalf of Police Officers who are new members of the Police Pension Scheme 2015. The National Police Chief's Council has set up a Police Pension Challenge Steering Group, to coordinate a national response to the claims. If the legal challenge is upheld there may be cost implications for the PCC Group, however the value of which is unknown and therefore is disclosed as a contingent liability.

42. Nature and Extent of Risks Arising from Financial Instruments

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

(i) Credit risk: The possibility that other parties might fail to pay amounts due to the PCC Group;

(ii) Liquidity risk: The possibility that the PCC Group might not have funds available to meet its commitments to make payments;

(iii) Re-financing risk: The possibility that the PCC Group might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and

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

Overall Procedures for Managing Risk

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

(i) By formally adopting the requirements of the Code of Practice;

(ii) By approving annually in advance prudential indicators for the following three years limiting:
- The PCC Group's overall borrowing;
- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum for exposures the maturity structure of its debt; and

- Its maximum annual exposures to investments maturing beyond a year.

(iii) By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Welsh Government Guidance;

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

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

Credit risk

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

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

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

Exposure to Credit Risk

	Amount at 31 March 2016 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2016 %	Estimated maximum exposure to default £000
Deposits with Banks and Financial Institutions	3,002	0.960%	0.960%	288
Money Market Funds	9,006	0.000%	0.000%	0
Local Authorities	34,038	0.000%	0.000%	0
Debt Management Office	0	0.000%	0.000%	0
Trade Debtors	1,615	0.076%	0.076%	12
Total	**47,661**			**300**

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

The PCC Group does not generally allow credit for its trade debtors, such that £0.651m of the £1.615m balance is past its due date for payment. The past due amount can be analysed by age as follows:

Outstanding Debts

	31 March 2016 £000	31 March 2015 £000
> 12 Months	69	56
9 to 12 Months	13	52
6 to 9 Months	59	11
3 to 6 Months	141	73
2 to 3 Months	369	137
1 Month	964	93
Total	**1,615**	**422**

Liquidity Risk

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

The PCC Group has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loan Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to Public Sector Bodies (although it will not provide funding to a body whose actions are unlawful). The PCC Group is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

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

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

(i) Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

(ii) Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the PCC Group’s day to day cash flow needs.

Maturity analysis of Financial Liabilities

	31 March 2016 £000	31 March 2015 £000
Less than 1 Year	161	161
Between 1 and 2 Years	162	161
Between 2 and 5 Years	623	485
More than 5 Years	3,960	4,260
Total	**4,906**	**5,067**

All trade and other payables are due to be paid in less than one year and are not shown in the table above. In addition all Financial Assets are due to be repaid in less than one year. For further disclosure see Note 15 – Financial Instruments.

Market Risk

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

Interest Rate Risk

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

All PWLB borrowing, £4.26m in total, is at fixed interest rates. If interest rates were to rise the fair value of these would fall.

£0.646m of transfer debt is at a variable interest rate, however, this variable interest rate is based on the managing Local Authority's average interest rate on its outstanding debt and therefore the degree of variability is very low for the PCC Group.

Investments of £37m are at fixed rates. If interest rates were to rise, the fair value of these will remain the same as they are all for less than one year in duration. A further £9m is deposited in Money Market Funds which are subject to variable interest rates or yields however the size, diversification and structure of the fund's assets mitigate risk.

Price Risk

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

Foreign Exchange Risk

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

43. Intra-Group Funding Adjustments

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

PCC	Chief Constable	PCC Group		PCC	Chief Constable	PCC Group
2014/15 £000	2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000	2015/16 £000
(31,599)	163,455	131,856	Net Cost of Services	(7,056)	132,799	125,743
509	48,408	48,917	Financing, Investment Income & Expenditure	601	42,368	42,969
211,863	(211,863)	-	Intra-group Adjustment	175,167	(175,167)	-
180,773	**-**	**180,773**	**Total**	**168,712**	**-**	**168,712**
564	138,499	139,063	Actuarial (gains) / losses on pension assets / liabilities	18	(127,777)	(127,759)
138,499	(138,499)	-	Intra-group adjustment	(127,777)	127,777	-
139,063	**-**	**139,063**	**Total**	**(127,759)**	**-**	**(127,759)**

PCC	Chief Constable	PCC Group		PCC	Chief Constable	PCC Group
2014/15 £000	2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000	2015/16 £000
-	507	507	Inventories	-	408	408
(10,344)	(13,423)	(23,767)	Creditors	(8,929)	(13,096)	(22,025)
(12,916)	12,916	-	Intra-Group Adjustment	(12,688)	12,688	-
(23,260)	**-**	**(23,260)**	**Total**	**(21,617)**	**-**	**(21,617)**

44. 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 9th 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 31st March 2016 GIFT (Gwent) had one PCC Group member of staff acting as Trustee/Director; Nigel Stephens, Assistant Chief Officer Resources. During the year David Young, Principal Financial Accountant and Shelley Bosson, Chief Executive to the Police and Crime Commissioner both tendered their resignation as Directors. The remaining Trustee, Rhodri Williams is an independent chair.

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

(i) By transfer to one or more other bodies established for exclusively charitable purposes within, the same as or similar to the Objects;

(ii) Directly for the Objects or charitable purposes within or similar to the Objects; or

(iii) In such other manner consistent with charitable status as the Commission approves in writing in advance.

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

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

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

Term	Definition
2015/16	This refers to the period covered by these accounts - 1 April 2015 to 31 March 2016.
2014/15	This refers to the period following that covered for comparative purposes by these accounts – 1 April 2014 to 31 March 2015.
Accounting Policies	These are a set of rules and codes of practice the PCC Group 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: • Events have not coincided with the actuarial assumptions made in the last valuation; or • The actuarial assumptions have changed.
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 Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.
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 PCC Group accounts.
Creditors	Individuals or organisations to which the PCC Group owes money at the end of the financial year split short-term (within 12 months) and long-term.
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 PCC Group money at the end of the financial year split short-term (within 12 months) and long-term.
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 PCC Group over more than one year.
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.
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 PCC Group. Examples include software, licenses and patents.
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.

Term	Definition
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 PCC Group is statutorily required to set aside from revenue funds to meet the repayment of borrowing undertaken to support capital investment.
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 22nd 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 PCC Group may set aside amounts as provisions to meet liabilities or losses that are likely to arise in the future.
Public Works Load Board (PWLB)	This is the Public Works Loan Board, which is an organisation financed by the Government. It lends money to police authorities on set terms so that they can buy capital items.
Related Parties	Central Government, Local Authorities (precepting), subsidiary and associated companies. Elected members, senior officers from Director and above and the Pension Funds. For individuals identified as related parties: members of the close family, or the same household; and partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.
Reserves	Balances that represent resources set aside for purposes such as general contingencies and cash flow management. Earmarked reserves are those set aside for specific policy purposes. The Movement in Reserve Statement shows the movement in the year on the reserves held by the PCC Group.

Glossary of Terms

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