

**CHIEF CONSTABLE FOR GWENT**

**STATEMENT OF ACCOUNTS**

**2013/2014**

<b>Contents</b>	<b>Page</b>
<b>Explanatory Foreword and Financial Review</b>	<b>1</b>
<b>Independent Auditor's Report</b>	<b>6</b>
<b>Statement of Responsibilities</b>	<b>8</b>
<b>Annual Governance Statement</b>	<b>9</b>
<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>17</b>
<b>Balance Sheet</b>	<b>18</b>
<b>Notes to the Accounts</b>	<b>20</b>
<b>Glossary of Terms</b>	<b>45</b>

# Explanatory Foreword and Financial Review

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## Introduction

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

## Police Reform and Social Responsibility Act 2011

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

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

The first election took place on the 15th November 2012 with the people of Gwent voting for Ian Johnston as their Commissioner, to oversee policing in their area. The Commissioner took up his office on the 22nd November 2012.

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

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

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

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

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

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

## Statement of Accounts

These are the second statutory accounts for the Chief Constable prepared under the new governance arrangements. Each corporation sole is required to produce their own single entity Statement of Accounts with the Commissioner producing a Statement of Accounts for the Group.

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

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

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

## Explanatory Foreword and Financial Review

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

### Stage 2 Transfer

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

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

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

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

### Statutory Framework for the Statement of Accounts

The Accounts and Audit (Wales) Regulations 2005 as amended, require local government bodies to prepare a Statement of Accounts in accordance with proper practices. The Code is identified as representing proper practices.

The Accounts and Audit (Wales) (Amendment) Regulations 2013 ensure that all the requirements contained in the 2005 Regulations apply to Commissioners and Chief Constables in Wales for the 2013/14 financial year and beyond.

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

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

The Chief Constable's Statement of Accounts for the financial year ended 31<sup>st</sup> March 2014, which are in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and consist of:

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

## Explanatory Foreword and Financial Review

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- **Balance Sheet** – which shows the value of the assets and liabilities (net worth) of the Chief Constable as at 31<sup>st</sup> March 2014;
- The Financial Statements do not contain a **Movement in Reserves Statement** as all reserves belong to the PCC. Similarly the Chief Constable does not hold any cash and therefore there is no **Cash Flow Statement** within the Chief Constable's Statement of Accounts.
- **Notes to the Financial Accounts** - which provide further analysis and explanations to the entries in the 'core' financial statements.

### Financial Performance of the Chief Constable

The budget for the Police and Crime Commissioner for Gwent, was set by the Commissioner, on the 10<sup>th</sup> January 2013 and was funded as follows:-

	£m
Home Office Police Grant	47.068
Welsh Government Revenue Support Grant	16.926
National Non-domestic Rates	15.325
Council Tax	40.997
<b>Total Funding (Net Revenue Expenditure)</b>	<b>120.316</b>

Adding other items of budgeted income such as specific grants £1.462m, Income from Fees and Charges of £13.089m, Investment Income of £0.215m and less use of Reserves of £0.622m gives a Gross Revenue Budget of £134.459m for 2013/14.

This gross budget is attributable to Policing Services under the direction and control of the Chief Constable. Table 1 below, provides a breakdown of performance against this budget. It should be noted that no income budgets are attributable to the Chief Constable as all income is recorded in the Police and Crime Commissioner's Statement of Accounts and the Police and Crime Commissioner's Group Statement of Accounts.

The amount of budget allocated to the Chief Constable is equal to that of the Police and Crime Commissioner Group less the cost of administering the Office of the Police and Crime Commissioner.

The table therefore shows that the budgeted cost of commissioned Police Services for 2013/14 was £131.902m. Actual Expenditure against this budget was £129.399m, giving an over spend for the year on the Commissioning of Police Services of £2.503m. This overspend has been transferred to reserves which are owned by the Police and Crime Commissioner.

## Gross Expenditure Attributed to the Chief Constable Compared to the Annual Budget of the Police and Crime Commissioner Group

POLICE AND CRIME COMMISSIONER GROUP				CHIEF CONSTABLE			
Approved Annual Budget	Revised Annual Budget	Actual Outturn	Variance (Overspend) / Underspend		Revised Annual Budget	Actual Outturn	Variance (Overspend) / Underspend
£000	£000	£000	£000		£000	£000	£000
71,850	71,696	70,655	1,041	Police Officer Pay	71,696	70,657	1,039
32,693	31,671	30,797	874	Police Staff Pay	30,991	30,148	843
2,119	2,095	2,329	(234)	Other Employee Costs	2,079	2,326	(247)
5,472	5,421	5,433	(12)	Premises Costs	5,419	5,429	(10)
3,563	3,601	3,002	599	Transport Costs	3,592	2,981	611
13,875	18,208	17,493	715	Supplies and Services Costs	16,358	15,783	575
684	684	744	(60)	Major Incidents	684	744	(60)
267	267	197	70	Proactive Operational Initiatives	267	197	70
573	573	543	30	Contributions to NPIA	573	543	30
500	500	591	(91)	Capital Charges	500	591	(91)
110	110	0	110	Development Reserve	110	0	110
(1,763)	(367)	0	(367)	Identified Recurring Savings	(367)	0	(367)
<b>129,943</b>	<b>134,459</b>	<b>131,784</b>	<b>2,675</b>	<b>Cost of Services</b>	<b>131,902</b>	<b>129,399</b>	<b>2,503</b>
(215)	(215)	(189)	(26)	Investment Income			
(8,099)	(13,089)	(13,603)	514	Other Income			
<b>(8,314)</b>	<b>(13,304)</b>	<b>(13,792)</b>	<b>488</b>	<b>(Surplus)/Deficit on provision of services</b>			
2,022	<b>3,600</b>	<b>3,600</b>	<b>0</b>	Previously Approved Transfers to Reserves			
<b>123,651</b>	<b>124,755</b>	<b>121,592</b>	<b>3,163</b>	<b>Net Expenditure</b>			
(123,651)	(124,755)	(124,572)	(183)	Funding and Specific Grant Income			
<b>0</b>	<b>0</b>	<b>(2,980)</b>	<b>2,980</b>	<b>(Underspend)/Overspend before Transfers to from/reserves</b>			

### Looking Ahead

On the 26th June 2013, the Chancellor announced the results from the 2013 Spending Round, setting out how the Government will spend £745 billion pounds of taxpayers' money between April 2015 and March 2016. In her response, the Home Secretary confirmed that throughout the Spending Round process, she had been absolutely clear that the police must have adequate funding to continue efforts to cut crime. In addition to making the police a priority within the Home Office, the settlement which she agreed with the Chancellor also protected counter-terrorism policing capabilities, reflecting the on-going threat to the UK from terrorism.

The Spending Round headline reduction in central government funding for policing in 2015/16 is a 3.2% reduction in 'cash' terms against that received in 2014/15. (When the effects of inflation are taken into account, the 'real' terms reduction will be 4.9%). However, when a similar figure (3.3% reduction) was quoted for the 2014/15 financial year as part of the same Spending Round, the actual reduction seen by individual Forces was nearly 4.8%. The difference being down to funding being redirected from Force allocations, to other areas of policing such as the Independent Police Complaints Commission (IPCC) and Her Majesty's Inspectorate of Constabulary (HMIC). In reality therefore, the headline reduction of 3.2% in 2015/16, will more likely be nearly 5% (in cash terms).

The reduction in these core Government grants continues the trend since the outset of the austerity measures which has seen core Government grant reductions in Gwent of 18.5% in cash terms between 2010/11 and 2014/15, which equates to nearly 30% in real terms. The Institute for Fiscal Studies has warned that spending cuts might have to continue until 2020, meaning the period of austerity could last a full decade.

Within Government, it is recognised that this on-going funding reduction will be challenging, but they state that the Police must play their part in helping to reduce the deficit. Nationally, the Police Service is seen to be proving that they are capable of doing more with less. Recorded crime is down by more than 10 per cent under this Government and the independent Crime Survey for England and Wales shows crime at its lowest level since records began.

This national picture is driven by reform at the local level. The Staying Ahead Programme, initiated in Gwent to address the budgetary difficulties stemming from the 2007 Comprehensive Spending Review, continues to be successful in delivering efficiency schemes. Between 2008/09 to 2018/19, Gwent Police will have faced a £50m recurrent financial deficit, however, by the end of 2013/14, the Staying Ahead Programme has delivered over £28m of efficiency schemes to combat this deficit, leaving just under £22m of savings remaining to be delivered. These schemes keep expenditure within reducing budgets, yet still managing to improve performance and service to the public. Historically, challenging in-year savings targets have been achieved ahead of time and as consequence, reserves have been generated for supporting investment in capital projects and pump-priming new initiatives.



**Nigel Stephens CPFA**  
**Assistant Chief Officer - Resources**

**Date: 18<sup>th</sup> September 2014**

### **Audit report of the Appointed Auditor to the Chief Constable for Gwent**

#### **Independent auditor's report to the Chief Constable for Gwent**

I have audited the accounting statements and related notes of the Chief Constable for Gwent for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

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

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 2013-14 based on International Financial Reporting Standards (IFRSs).

#### **Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8 the responsible financial officer is responsible for the preparation of the statement of accounts, 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 Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable for Gwent's 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 Explanatory Foreword 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.



## Independent Auditor's Report

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Chief Constable for Gwent as at 31 March 2014 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 2013-14.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared 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 Annual Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

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

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



**Anthony Barrett – Appointed Auditor**

**Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ**

**Date: 23 September 2014**

## Statement of Responsibilities

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

### The Chief Constable's Responsibility

The Chief Constable is required to:

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

I approve the Statement of Accounts for the financial year 2013/14.

Signature



**Jeff Farrar**  
**Chief Constable**

**Date: 18<sup>th</sup> September 2014**

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

The Assistant Chief Officer – Resources, is responsible for the preparation of the Chief Constable's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ("The Code of Practice"), is required to present a true and fair financial position of the Chief Constable at the accounting date and his income and expenditure for the year ended 31<sup>st</sup> March 2014.

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

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

The Assistant Chief Officer – Resources, has also:

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

I certify that the Statement of Accounts present a true and fair financial position of the Chief Constable at 31<sup>st</sup> March 2014 and his income and expenditure for the period then ended.

Signature:



**Nigel Stephens**  
**Assistant Chief Officer - Resources**

**Date: 18<sup>th</sup> September 2014**

# Chief Constable's Annual Governance Statement

## CORPORATE GOVERNANCE STATEMENT

The Accounts and Audit (Wales) Regulations 2005 require that an Annual Governance Statement ("Statement") accompanies the Statement of Accounts. As permitted, the Chief Constable has elected to publish his Statement with the Statement of Accounts in a single document.

The statement is a statutory document which explains the governance processes and procedures in place to enable the Chief Constable to carry out his functions effectively. The Statement highlights the Chief Constable's internal control environment, comments on its effectiveness and identifies future priorities.

On 22<sup>nd</sup> November 2012, the Gwent Police Authority (the "Authority") was abolished and replaced by the Commissioner. The Commissioner holds the Chief Constable to account for the delivery of an efficient and effective police service.

Good governance arrangements are the foundations on which the Chief Constable establishes his policies and the services he delivers to the community. At the same time, however, governance itself must adapt to changes in circumstances. Public bodies must be responsive to developments in services, expectations and the actions of other stakeholders. This Annual Governance Statement is the opportunity to ensure that the fundamentals of good governance remain in place and that he is responding to internal and external changes.

### 1. SCOPE OF RESPONSIBILITIES

The Chief Constable is responsible for maintaining the Queen's peace and has direction and control over the officers and staff within the Gwent Police (the Force). The Chief Constable is accountable in law for the exercise of policing powers and to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure. At all times the Chief Constable, his officers and staff remain operationally independent in the service of the public.

Prior to 22<sup>nd</sup> November 2012, the Gwent Police Authority (the Authority) was responsible for ensuring business was conducted in accordance with the law and proper standards and that public money was safeguarded. The Authority also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

On 22<sup>nd</sup> November 2012, the directly elected Police and Crime Commissioner for Gwent took up post. Both the Commissioner and the Chief Constable became corporations sole and the Policing Protocol Order 2011 (statutory instrument) sets out the new policing governance arrangements, clarifying the role and responsibilities of the Commissioner, the Chief Constable and the Police and Crime Panel and how they should work together to address crime and improve policing.

The Commissioner is responsible for performing his functions as set out in the Police Reform and Social Responsibility Act 2011 (the "2011 Act") and must hold the Chief Constable to account for the exercise of his functions and the functions of such persons as are under his direction and control. The Commissioner must secure the maintenance of the police force for the Gwent Police area and must secure that the police force is efficient and effective. Its business must be conducted in accordance with the law and proper standards

In discharging their respective responsibilities, both the Commissioner and the Chief Constable must put in place proper arrangements for the governance of their affairs and facilitating the exercise of their 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. In this respect, the Commissioner and the Chief Constable have developed a joint Manual of Corporate Governance.

The Chief Constable's Annual Governance Statement is, therefore, published alongside the Statement of Accounts and Annual Governance Statement of the Commissioner.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values in relation to which the Chief Constable is held accountable, and the activities through which accountability and engagement is addressed. It enables the Chief Constable to monitor the achievement of strategic objectives with a clear focus on performance and outcomes, whilst also ensuring that those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

## Annual Governance Statement

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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 process designed to identify and prioritise risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically; or to tolerate the risk if it falls within the risk appetite.

The Chief Constable must have a strong governance process to ensure that decisions are taken at the correct level with the appropriate audit trails.

### 3. THE GOVERNANCE FRAMEWORK

#### 3.1 Background to the Framework

The CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, and its subsequent *Addendum* published in 2012, sets the standard for governance in local government in the UK. Furthermore, the fully revised CIPFA *Guidance Note for Police* assists the policing sector in reviewing the effectiveness of their governance arrangements by reference to best practice and using self-assessment in relation to the CIPFA Framework.

Under the previous statutory arrangements, Authority members were responsible for the vision, strategic direction and priorities of the Authority, and were advised by the senior management team who also advised and supported members in influencing and shaping the strategic direction and priorities for the policing of Gwent.

Until 22 November 2012, committees met regularly to consider the strategic direction, plans and progress, and review specific policy areas of the Authority and the Force. This included Audit & Resources Committee, Human Resource & Equality Committee, Performance Committee, Professional Standards Committee and Service Delivery Committee. The decisions of these committees were presented to the full Police Authority.

Environmental scanning formed (and continues to form) an important part of the identification of local and national expectations.

Fundamentally, the processes through which the Police Authority monitored strategy and performance has been adopted by the Commissioner who, after 22 November 2012, has established the Strategy & Performance Board to which these issues are considered and these arrangements are explained further.

The Commissioner has made his commitments for policing clear in his manifesto, and his Police and Crime Reduction Plan (the "Plan") indicates how the Commissioner will take this forward. The Plan also pays due regard to the Strategic Policing Requirement<sup>1</sup>. The Chief Constable has developed the Force Delivery Plan which outlines how the Force will support and deliver the policing priorities in the Commissioner's Plan.

The Force's vision is public confidence, protection and reassurance and to achieve this goal its aim is to:

- deliver an excellent service to the public by making sure public confidence is at the heart of what it does;
- reduce crime and anti-social behaviour by increasing the number of offenders brought to justice;
- improve efficiency, reduce waste and duplication and increase productivity to deliver savings of over £37m by 2017, a programme that started in 2008;
- work with partners to keep people safe.

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel and for putting in place proper arrangements for the governance of the Force; the Commissioner (and previously the Authority) is required to hold the Chief Constable to account for the exercise of those functions and those of the persons under his direction and control. It therefore follows that the Commissioner must satisfy himself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

The corporate governance framework within which both corporations will govern, both jointly and separately consists of:

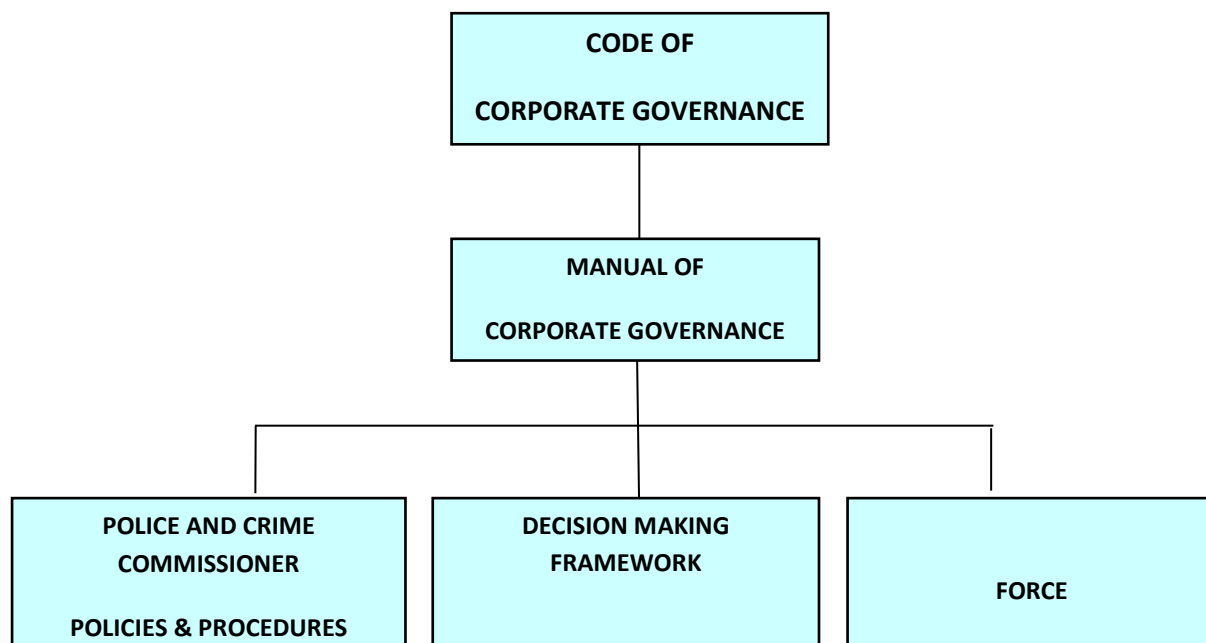
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<sup>1</sup> The Strategic Policing Requirement was issued in July 2012 in execution of the Home Secretary's statutory duty to set out what are, in her view, the national threats at the time of writing and the appropriate national policing capabilities required to counter those threats

## Annual Governance Statement

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- Statement of Corporate Governance – statutory framework and local policy,
- Code of Corporate Governance – statutory framework which sets out how the core principles will be implemented,
- Manual of Corporate Governance – defines the parameters within which the corporations soles will conduct their business,
- Separate policy and procedures for each corporation sole, with protocols where they operate jointly.



The Governance Framework is detailed within the Manual of Corporate Governance for the Commissioner and the Chief Constable of Gwent Police, which can be found on the Commissioner's website at:

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

The governance arrangements for the Chief Constable have therefore been developed in line with the 2011 Act, the Statutory Policing Protocol<sup>2</sup>, the Home Office Financial Management Code of Practice<sup>3</sup> and existing guidance on financial and governance matters which continue to apply, and support the Plan and the Force Delivery Plan.

### 3.2 Core Principles and their Application

The core principles, adopted by both corporations sole, abide by the Nolan principles for conduct in public life<sup>4</sup>, and are as follows:

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 their friends.
2. **Integrity:** The Chief Constable, his officers and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.
3. **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Chief Constable, their officers and staff will make choices on merit.
4. **Accountability:** The Chief Constable, his officers 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.

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<sup>2</sup> The Policing Protocol Order 2011

<sup>3</sup> This was issued pursuant to section 17 of the 2011 Act and section 39A of the Police Act 1996.

<sup>4</sup> The Policing Protocol also requires all parties to abide by the seven Nolan principles of conduct for those in public life.

## Annual Governance Statement

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5. **Openness:** The Chief Constable, his officers and staff will be as open as possible about all decisions and action they take. Reasons for decisions will be made available and information will be restricted only when so required by the wider public interest.
6. **Honesty:** The Chief Constable, his officers and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
7. **Leadership:** The Chief Constable, his officers and staff will promote and support these principles through leadership and by example.

This statement is also informed by the application of the Good Governance Standards for Public Services<sup>5</sup> in a policing context, and by audit and inspection opinions, as follows:

### **i) Focusing upon the purpose of the Chief Constable, and on outcomes for local people, and creating a vision for the local area:**

The Force play a key role in the lives of people who live, work and visit our area. Its prime purpose is 'Keeping Gwent Safe' and to have a positive impact on the communities it serves.

The Commissioner supports the Chief Constable's mission and vision and in support of this, focus is targeted on five priority areas which are:

- To deliver the best quality of service available;
- To reduce and prevent crime;
- To take more effective action to reduce anti-social behaviour;
- To protect people from serious harm; and
- To make the best use of resources and provide value for money.

The Force Delivery Plan outlines how the Force will support and deliver the policing priorities in the Commissioner's Plan.

### ***Collaboration agreements;***

The three southern Wales police forces have established a Southern Wales Collaboration Board (which replaces the All Wales Collaboration Board). This will develop strategic policing capabilities in Wales in support of the requirements of the 2011 Act and the Strategic Policing Requirement, with a view to increasing efficiency and effectiveness through collaboration, whilst also ensuring that suitable administrative, management and governance arrangements are in place to support the same.

A **medium term financial strategy** will be jointly developed and thereafter reviewed quarterly to support delivery of these plans.

### **ii) Working together to achieve a common purpose with clearly defined functions and roles:**

From 22<sup>nd</sup> November 2012, the governance arrangements for the Chief Constable (and the Commissioner) have been developed in accordance with the 2011 Act, the Statutory Policing Protocol, Home Office Financial Management Code of Practice (the 'Code') and existing guidance on financial and governance matters which continue to apply.

A Manual of Corporate Governance comprising of a scheme of delegation, financial regulations and standing orders relating to contracts has been developed in accordance with the Code to enable effective accountability and to govern the relationship between the Commissioner and the Chief Constable.

The Commissioner's Strategy & Performance Board, chaired by the Commissioner, holds the Chief Constable to account in securing the maintenance of an efficient and effective police service for Gwent. The terms of reference for the Board are incorporated in the Manual of Corporate Governance. The Commissioner will hold the Chief Constable to account on delivering the Police and Crime Plan effectively and efficiently, through scrutiny of monthly financial and performance reports from the Chief Constable and one off reports on specific areas of

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<sup>5</sup> 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, with a subsequent Addendum in 2012 which reflects Regulation 4(3) of the Accounts and Audit Regulations.

## Annual Governance Statement

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interest or concern. The Chief Constable holds his Chief Officers to account for their performance in the monthly Chief Officer meetings (referred to at paragraph 3.3 below)

The 2011 Act<sup>6</sup> sets out **the functions of the Police and Crime Commissioner and Chief Constable** and the protocol<sup>7</sup> sets out how these functions will be undertaken to achieve the outcomes of the Plan.

The Chief Constable has appointed the Assistant Chief Officer - Resources as the Chief Financial Officer to take on the responsibilities of 'Monitoring Officer' and 'Section 151 Officer'. This officer ensures compliance with relevant laws and regulations, internal policies and procedures, and ensure that expenditure is lawful.

The **Financial Management Code of Practice and Statement of Roles**<sup>8</sup> sets out the responsibilities of the Chief Financial Officer for the Chief Constable.

The **Manual of Corporate Governance** highlights the parameters for the key roles in both the corporations sole including delegations from the Commissioner, financial regulations and standing orders relating to contracts.

An independent **Joint Audit Committee** operates in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Financial Management Code of Practice<sup>9</sup>.

### **iii) Promoting the values of the Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**

Prior to November 2012, the Authority had a legal duty to investigate complaints against senior Police Officers, with any complaints made against other Police Officers, or police staff being investigated by the Force Professional Standards Department, or the Independent Police Complaints Commission (IPCC). The Authority's Professional Standards Committee monitored all complaints made against Gwent Police. Since November 2012, and with the exception of complaints made about the Chief Constable (responsibility for which remains with the Commissioner), responsibility for dealing with complaints in relation to all other police officers now rests with the Chief Constable.

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. They apply to all police staff.

The Policing Protocol 2011 requires all parties to abide by the seven **Nolan Principles**<sup>10</sup> and these will be central to the conduct and behaviour of all. It also highlights the expectation that the relationship between all parties will be based upon the principles of goodwill, professionalism, openness and trust.

In accordance with the Financial Management Code of Practice the Chief Constable will ensure that the **good governance principles** are embedded within the way the Force operates.

### **iv) Taking informed and transparent decisions, which are subject to scrutiny and managing risk:**

The Decision Making Framework sets out the way in which decisions will be taken by the Chief Constable. The Commissioner and the Chief Constable will ensure that information relating to decisions will be made readily available to local people.

The **Manual of Corporate Governance** sets out the parameters for decision making, including the delegations, consents, financial limits for specific matters and standing orders for contracts.

The joint **risk management strategy** of the Chief Constable and the Commissioner establish how risk is embedded throughout the various elements of corporate governance of the corporation sole. The Chief Finance Officer for the Force will ensure that in relation to any strategic business decisions of the Chief Constable, consideration is given to the immediate and longer term implications, opportunities and risks<sup>11</sup>.

The Joint Risk Register is reviewed and updated on a quarterly basis at the Chief Officer meeting to reflect the current risk environment. The design of the Register is being continually improved to provide information in a clearer, more straightforward format and to better align with the format of the Force. The joint risk register is presented to the Joint Audit Committee.

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<sup>6</sup> Police Reform and Social Responsibility Act 2011 (PRSR Act), section 5 – 8,

<sup>7</sup> Policing Protocol Order 2011

<sup>8</sup> Financial Management Code of Practice for the Police, section 4, & CIPFA statement on role of chief finance officers, 2011

<sup>9</sup> Financial Management Code of Practice for the Police, section 11.1.3

<sup>10</sup> Standards in public life, 2005

<sup>11</sup> This is set out in paragraph 4.2 of the 2012 Financial Management Code of Practice for the Police Service of England and Wales.

## Annual Governance Statement

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Risks are identified throughout the Force and recorded on a strategic risk register. These are then scored for likelihood and impact and allocated an owner. Monitoring and mitigation of risk is assured through the Force's Gold/Silver/Bronze governance structure.

Risk is a standing agenda item on all strategic meetings within the Force and detailed review is undertaken at the Business Co-ordinating and Tasking Group.

### **v) Developing the capacity and capability of all to be effective in their roles:**

The Chief Constable's learning and development strategy establishes the climate for continued development of individuals and supports the delivery of the Chief Constable's vision through a programme of statutory, corporate, and personal development training. This will in turn link with the Force Delivery Plan (and the Police and Crime Plan).

The Performance Development Review system operates to particular categories of officer or police staff member. This process allows for focused performance review, and for the cascading and targeting of key objectives which are directly linked to the Force Delivery Plan. It means that the system concentrates resources where most benefit will be derived.

### **vi) Engaging with local people and other stakeholders to ensure robust public accountability:**

The Force has a fundamental need to engage with local communities on policing issues in support of its vision 'to be the best at understanding and responding to our communities' needs'.

Engagement with the public is achieved through a variety of formal and informal mechanisms, such as: the use of surveys; commissioning specific research and consultative events and consultation with the Business Community.

The Chief Constable is continuing 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.

## **3.3 Decision Making and Accountability**

Meetings between the Commissioner and the Chief Constable are a key element of the governance framework, where the Commissioner holds the Chief Constable to account for performance against the Plan as outlined within the Force Delivery Plan, and ensures that the Chief Constable is effectively managing the budget allocated to him for the running of the Force.

The Strategy & Performance meetings are scheduled to occur on a monthly basis (in addition to other meetings) and reflect the commitment from both the Commissioner and the Chief Constable to the principles of openness, transparency and accountability in decision-making and they also occur in public.

The governance control within the Force itself is based on a Gold, Silver and Bronze framework which ensures that performance against the Force Delivery Plan is monitored and all cross cutting issues and risks are identified.

Chief Officer Team meetings are held on a monthly basis and are attended by all Chief Officers. At this meeting the Chief Constable holds his Chief Officers to account, and allows Chief Officers to agree the strategic direction of the Force in line with its Mission, Vision and Values; to monitor and facilitate performance against the Force Delivery Plan; and to monitor/expedite business with the Commissioner.

At Silver level, Chief Officers meet regularly with their respective senior managers holding them to account for the management of the business within their portfolio as outlined in their local delivery plans supporting the Force Delivery Plan.

Each department and workstream also holds their own management or Bronze meetings to discuss overall performance against their respective delivery plans.

## **4. REVIEW OF EFFECTIVENESS**

A corporate governance group will review the corporate governance framework on an annual basis and oversee its implementation at least on a quarterly basis. Membership will consist of the Commissioner, Chief Constable, Chief Executive and the respective Chief Finance Officers.



## Annual Governance Statement

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In conjunction with the Commissioner, the Chief Constable has established an independent Joint Audit Committee which is responsible for enhancing public trust and confidence in the governance of the Commissioner and the Chief Constable. It is made up of 5 members who meet on a regular basis to approve and monitor the annual audit programme, consider this Governance Statement, monitor governance and internal control, review the annual statement of accounts, and consider reports from other agencies that provide assurance on governance arrangements. This will provide a report to both corporation soles on the effectiveness of the internal control environment. The audit responsibilities of the Joint Audit Committee include:

- approval of the terms of reference within which internal audit operates
- approval of the internal audit strategy, which sets out:
- Internal audit objectives and outcomes
- How the head of the internal audit function (whether internal or external) will form and evidence his opinion on the control environment to support this Statement
- How Internal Audit's work will identify and address significant local and national issues and risks
- How the internal audit service will be provided and
- The resources and skills required to deliver the strategy.

The review of the effectiveness of the system of internal governance and its operation is also informed by the work of the internal auditors (Deloitte), the Wales Audit Office, other review agencies and executive managers within the Office of the Commissioner and the Force who have responsibility for the development and maintenance of the internal control environment.

This Governance Statement will, if appropriate, include an action plan to rectify any significant areas of weakness in corporate governance, and will be signed by the Chief Constable and the Chief Financial Officer for the Force.

### **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 both the Commissioner and the Chief Constable. The role and standards of Internal Audit are defined in the CIPFA Code of Practice for Internal Audit in Local Government in the UK. A revised 2006 edition of the Code defines the way in which Internal Audit undertakes its function. The Code requires Internal Audit to provide essential assurance to members and officers 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 audit work for the year is based on a risk based approach and focuses on significant financial and operational risks. The plan is agreed with the two Chief Finance Officers, discussed with the Wales Audit Office as External Auditor, and is presented to the Joint Audit Committee for consideration. Reports on the adequacy of controls in the systems audited are presented to meetings of the Committee (and previously to the Audit and Resources Committee).

During 2012/13 Deloitte carried out a total of 19 audits, covering core financial systems, business and operational systems and governance processes. For the period ended 31 March 2013, Deloitte gave an adequate<sup>12</sup> level of assurance in relation to the adequacy and effectiveness of Gwent Police's arrangements for governance, risk management and control.

### **Wales Audit Office**

The Wales Audit Office carries out a review of the effectiveness of Internal Audit against their professional standards and the CIPFA Code and expresses an opinion on the adequacy of internal audit work.

The Wales Audit Office in their Annual Audit Letter comment on the financial aspects of corporate governance which includes the legality of financial transactions, financial standing, systems of internal financial control and standards of financial conduct, fraud and corruption.

### **Her Majesty's Inspectorate of Constabulary**

HMIC has an important role in evaluating performance of the Force. HMIC in conjunction with the Wales Audit Office, also actively monitors the performance of forces in relation to their plans for ensuring the sustainability of an efficient police service in the light of the significant grant reductions announced in the Comprehensive

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<sup>12</sup> This confirms that there is basically a sound system of internal control in place although some non-compliance with the controls may put some of the system objectives at risk. The only category higher than this is 'substantial' in which such controls are consistently applied.

## Annual Governance Statement

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Spending Review. To date, reports on this area of inspection have been positive and encouraging and the publications can be found at the following web site.

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


### Welsh Government and Home Office

Both bodies require financial returns to monitor expenditure on revenue and capital. Grant returns are submitted for a number of grants received, but a number of grants require a Statement of Grant Expenditure to be submitted which is certified by the Chief Finance Officer of the Force and is not audited.

### 5. SIGNIFICANT GOVERNANCE ISSUES

- Embedding the new arrangements for the Commissioner and the Chief Constable will be necessary to ensure roles, responsibilities and accountabilities are clear across both corporations soles and with partner agencies and the public.
- Further changes arising as a result of the Stage 2 transfer of staff (and other assets) between the Commissioner and the Chief Constable as required by the 2011 Act and the direction from the Home Secretary. Such Stage 2 Transfer is to be completed by 31<sup>st</sup> March 2014. This may necessitate further changes in the governance frameworks of the two corporations sole.
- The Force's "Staying Ahead" Change Programme which is identifying organisational, structural and process options to address funding reductions and the continued and increased challenges of achieving required efficiencies to meet existing and planned grant reductions whilst maintaining and indeed improving performance.
- The Force's implementation of a new policing resource management system (NICHE) creates inherent risk in the implementation of a system that drives the workings and function of policing replacing a number of current systems.
- Estate Strategy, in particular, meeting the requirements of condition surveys and meeting the strategy for operational hubs to deliver step change in performance.
- Continued review of collaboration opportunities both within policing and within the public sector generally.
- Management of Police Information<sup>13</sup>/Police National Database<sup>14</sup> - the ability to successfully implement a number of essential mandatory developments through effective resource realignment and management.
- The implementation of an Integrated Human Resource and Payroll service which integrates to Duty Resource Management and the financial systems.

These areas continue to be progressed and monitored through the existing governance structures within the Force outlined above, and through continuing dialogue with the Commissioner. Action plans to address these issues are being developed to ensure these areas are addressed and the levels of control are strengthened.

Signatures  
  
Jeff Farrar  
Chief Constable

  
Nigel Stephens  
Assistant Chief Officer - Resources

Date: 18 September 2014

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<sup>13</sup> The Guidance for the Management of Police Information was produced by the National Policing Improvement Agency on behalf of the Association of Chief Police Officers, and it is updated according to legislative and policy changes

<sup>14</sup> The Police National Database is the project to develop a single view of data held in police intelligence, custody, crime, child and domestic abuse systems utilised by the police service across the UK

## Comprehensive Income and Expenditure Statement (CIES) for the Chief Constable for 2013/14

This statement reflects the resources of the PCC that were consumed by the Chief Constable during 2013/14. In practice all respective costs are paid for by the PCC and the CIES includes an Intra Group Adjustment to reflect this. This results in an overall nil cost for Total Comprehensive Income and Expenditure on Police Services.

2012/13				Notes	2013/14		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure		Gross Income	Net Expenditure	
£000	£000	£000	£000		£000	£000	
65,121	0	65,121	Local Policing		64,600	0	64,600
9,349	0	9,349	Dealing with the Public		9,615	0	9,615
8,538	0	8,538	Criminal Justice Arrangements		10,530	0	10,530
6,052	0	6,052	Roads Policing		5,856	0	5,856
10,053	0	10,053	Specialist Operations		10,191	0	10,191
7,734	0	7,734	Intelligence		6,932	0	6,932
28,482	0	28,482	Investigation		29,187	0	29,187
4,687	0	4,687	Investigative Support		4,875	0	4,875
1,702	0	1,702	National Policing		3,213	0	3,213
0	0	0	National Police Services undertaken Locally		0	0	0
0	0	0	Exceptional costs of Legal Settlements		0	0	0
0	0	0	Corporate and Democratic Core		46	0	46
0	0	0	Non-Distributed Costs		0	0	0
0	0	0	Intra Group Transfers		0	0	0
<b>141,718</b>	<b>0</b>	<b>141,718</b>	<b>Cost of Services</b>		<b>145,044</b>	<b>0</b>	<b>145,044</b>
0	0	0	Other Operating Expenditure		0	0	0
46,506	0	46,506	Financing, Investment Income & Expenditure	7	48,492	0	48,492
0	0	0	(Surplus)/Deficit on discontinued operations		0	0	0
0	0	0	Taxation and non-specific grant income		0	0	0
(188,224)	0	(188,224)	Intra Group Transfers	8	(193,536)	0	(193,536)
<b>0</b>	<b>0</b>	<b>0</b>	<b>(Surplus)/Deficit on provision of services</b>		<b>0</b>	<b>0</b>	<b>0</b>
		0	(Surplus)/Deficit on the revaluation of non-current assets				0
		0	(Surplus)/Deficit on the revaluation of Available for Sale financial assets				0
		122,617	Actuarial (gains) / losses on pension assets / liabilities	18			(75,904)
		(122,617)	Intra Group Transfers	8			75,904
		<b>0</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>0</b>
		<b>0</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>0</b>

### Balance Sheet of the Chief Constable

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

<b>31st March 2013</b>		<b>31st March 2014</b>
<b>£000</b>	<b>Notes</b>	<b>£000</b>
0	Property, Plant & Equipment	0
0	Investment Property	0
0	Intangible Assets	0
0	Assets Held For Sale	0
0	Long Term Investments	0
1,127,088	Long Term Debtors	1,103,984
<b>1,127,088</b>	<b>Total Long Term Assets</b>	<b>1,103,984</b>
0	Short Term Investments	0
0	Assets Held For Sale	0
456	Inventories	454
0	Short Term Debtors	0
0	Cash & Cash Equivalents	0
9,395	Intra Group Adjustment	9,123
<b>9,851</b>	<b>Total Current Assets</b>	<b>9,577</b>
0	Cash & Cash Equivalents	0
0	Short Term Borrowing	0
<b>(9,851)</b>	Short Term Creditors	<b>(9,577)</b>
0	Receipts in Advance	0
0	Capital Grants Received in Advance	0
0	Provisions	0
0	Liabilities in Disposal Groups	0
<b>(9,851)</b>	<b>Total Current Liabilities</b>	<b>(9,577)</b>
0	Long Term Creditors	0
0	Provisions	0
0	Long Term Borrowing	0
<b>(1,127,088)</b>	Net Pension Liability	<b>(1,103,984)</b>
0	Finance Lease Liability	0
0	Donated Assets Account	0
<b>(1,127,088)</b>	<b>Total Long Term Liabilities</b>	<b>(1,103,984)</b>
<b>0</b>	<b>Net Assets</b>	<b>0</b>
	Financed by:	
0	Useable Reserves	0
0	Unusable Reserves	0
<b>0</b>	<b>Total Reserves</b>	<b>0</b>

### **Movement In Reserves Statement**

The Chief Constable does not hold any reserves and therefore a Movement in Reserves Statement is not produced in this Statement of Accounts.

### **Cash Flow Statement**

The Chief Constable does not hold any cash or operate a separate bank account to that of the PCC. All cash balances, payments and receipts, are accounted for in the Statement of Accounts of the PCC Group.

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

This set of notes represents the consolidated notes for the Statement of Accounts for 2013/14.

#### 1. Accounting Policies

##### 1.1 General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2013/14 financial year and his position at the year-end of 31<sup>st</sup> March 2014. The Chief Constable is required to prepare an annual Statement of Accounts by the Police Reform and Social Responsibility Act 2011 and the Accounts and Audit (Wales) Regulations 2005. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the UK 2013/14 and the Service Reporting Code of Practice 2013/14, 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.

##### 1.2 Accruals of Income and Expenditure

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

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

##### 1.3 Employee Benefits

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

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

###### *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 pension asset/liability.

## Notes to the Accounts

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

### ***The Police Pension Scheme 1987***

Prior to 1<sup>st</sup> April 2006 the pension scheme for Police Officers operated in accordance with the 1987 Regulations and was an unfunded, defined benefit scheme and was not the subject of an assessment by an actuary. It did not have a 'percentage of pensionable pay' type of employer's contribution; rather pensions and benefits due in the year were paid by the former Police Authority and the cost, less pension contributions received from Police Officers, was charged to the Income and Expenditure Account as part of the net expenditure for the year on a "pay as you go" basis.

### ***The Police Pension Scheme 2006***

From 1<sup>st</sup> April 2006 the scheme remains unfunded but is no longer on a 'pay-as-you-go' basis. Under the new scheme the Police and Crime Commissioner pays an employer's pension contribution based on a percentage of pay into the Pension Fund. This, together with employees' contributions, which are also paid into the Fund, is used to meet the cost of pensions and benefits during the year. The amount by which the amounts receivable by the Fund exceed the amounts payable is paid over to the Home Office and conversely a pension top-up grant is made by the Home Office where the amount payable from the Pension Fund exceeds the amount receivable, thereby maintaining a nil balance on the Fund.

### ***The Local Government Pension Scheme***

The local Government Scheme is accounted for as a defined benefits scheme:

- (i) The liabilities of the Greater Gwent (Torfaen) Pension Fund attributable to the Chief Constable are included in the Balance Sheet of the Police and Crime Commissioner and the Police and Crime Commissioner Group on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- (ii) Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- (iii) The assets of the Greater Gwent (Torfaen) Pension Fund attributable to the Chief Constable are also included in the Balance Sheet at their fair value.

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

### ***Discretionary Benefits***

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

### ***Injury Benefits***

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

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

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

## Notes to the Accounts

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value of these stocks at the end of the year is recorded in the accounts at current cost, with the exception of vehicle parts which are recorded at historical cost.

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

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

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

##### **Local Policing**

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

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

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

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

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

##### **Roads Policing**

- Traffic Units
- Traffic Wardens
- Vehicle Recovery
- Casualty Reduction Partnership
- **Specialist Operations**
- 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

##### **Intelligence**

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

##### **Investigation**

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

##### **Investigative Support**

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

##### **National Policing**

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

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

### **1.6 Leases**

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

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

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



## Notes to the Accounts

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

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

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

The Core Financial Statements have therefore been prepared exclusive of this tax.

### **1.9 Events after the Reporting Period**

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

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

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

The following International Accounting Standards that are in force have yet to be adopted by the Code:

#### IFRS 10 Consolidated Financial Statements

This standard introduces a new definition of the principle of control and establishes control, as the basis for consolidation for the purpose of group accounts. The Police and Crime Commissioner currently prepares group accounts on the basis that the Chief Constable is a wholly owned subsidiary following the implementation of the Police Reform and Social Responsibility Act 2011.

#### IFRS 11 Joint Arrangements:

This standard addresses the accounting for joint arrangements where two or more parties have joint control. These are classified as joint operations and joint ventures. The Chief Constable currently has no joint operations or joint ventures.

#### IFRS 12 Disclosure of Interests in Other Entities:

This standard applies to entities that have an interest in a subsidiary, a joint arrangement, an association or an unconsolidated structured entity. The Chief Constable does not have any interests in subsidiaries, joint arrangements, associations or unconsolidated entities.

#### IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures

These standards prescribe the accounting and disclosure requirements for investments held in subsidiaries, joint ventures and associates when an entity provides separate financial statements. The Chief Constable does not have any investments in joint ventures or associates.

#### IAS 32 Financial Instruments: Presentation

This standard outlines the accounting requirements for the presentation of financial instruments as liabilities or equity and offsetting financial assets and financial liabilities. If applicable the gains and losses are to be separately identified in the Comprehensive Income and Expenditure Statement.

### 3. Critical judgments in applying accounting policies

The Chief Constable did not have to make any critical judgements in applying the accounting policies set out in Note 1.

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

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

The items in the Chief Constable's balance sheet as at 31<sup>st</sup> March 2014 for which there is a significant risk, of material adjustment, in the forthcoming financial years, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Police pensions liability	Estimation of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) have been engaged to provide the PCC with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the rate of increase in salaries would have a 2.5% of £25.0m increase in the Police Pension Scheme Liability.</p> <p>A one year increase in the life expectancy of Police Pensioners would result in the Police Pension Liability increasing by 1.8% or £18.0m.</p> <p>However, the assumptions interact in complex ways. During 2013/14, GAD advised that the net pensions' liability had decrease by £26.46m as a result of estimates being corrected as a result of experience and decreased by £36.73m attributable to updating of the assumptions.</p>
Accumulated Absences	Estimation of the liability with respect to untaken annual leave, flexi balances, rest days for recovery and overtime on the card requires the use of sampling techniques to form a reliable estimate of the outstanding liability. Sample size and methodology can all impact on the final estimated liability.	The effect of a 5% increase in untaken accumulated absences results in a £0.063m increase in the estimated liability. Similarly a decrease in untaken accumulated absences results in a £0.063m decrease in the estimated liability.

### 5. Material items of Income & Expenditure

There were no material, items of income and expenditure in the year considered material to the readers' understanding of the Statement to Accounts that have not been disclosed separately on the face of the Comprehensive Income and Expenditure Statement or in the notes to the Statement of Accounts.

### 6. Events after the Balance Sheet date

The Statement to Accounts were authorised by the Chief Constable on the 30<sup>th</sup> June 2014. Events taking place after this date are not reflected in the Statement of Accounts or related notes. Where events taking place before this date provide information about conditions that exist at the balance sheet date the figures in the Statement of Accounts and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. Financing and Investment Income and Expenditure

Financing, investment income, and expenditure, arising from involvement in financial instruments and similar transactions, involving interest.

2012/2013	2013/2014
£000	£000
0	0
Interest payable and similar charges	
46,506	48,492
Pension interest cost and expected return on pension assets	
0	0
Interest receivable and similar income	
0	0
Impairment of financial assets	
<b>46,506</b>	<b>48,492</b>

## 8. Intra Group Adjustments

Intra-Group Adjustments are required in the Comprehensive Income and Expenditure Statement as the Chief Constable cannot hold any reserves and therefore any surplus or deficit on the provision of services must be transferred to the PCC.

*Comprehensive Income and Expenditure Statement Intra-Group Transfers*

2012/13	2012/13	2012/13		2013/14	2013/14	2013/14
£000	£000	£000		£000	£000	£000
0	141,718	141,718	Net Cost of Services	0	145,044	145,044
			Financing, Investment			
0	46,506	46,506	Income & Expenditure	0	48,492	48,492
188,224	(188,224)	0	Intra-Group Adjustment	193,536	(193,536)	0
<b>188,224</b>	<b>0</b>	<b>188,224</b>	<b>Total</b>	<b>193,536</b>	<b>0</b>	<b>193,536</b>
			Actuarial (gains) / losses			
			on pension assets /			
0	122,617	122,617	liabilities	0	(75,904)	(75,904)
122,617	(122,617)	0	Intra-Group Adjustment	(75,904)	75,904	0
<b>122,617</b>	<b>0</b>	<b>122,617</b>	<b>Total</b>	<b>(75,904)</b>	<b>0</b>	<b>(75,904)</b>

Similarly, 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. The intragroup adjustment account is shown below.

## Notes to the Accounts

### Balance Sheet Intra-Group Transfers

PCC 2012/13 £000	Chief Constable 2012/13 £000	PCC Group 2012/13 £000		PCC 2013/14 £000	Chief Constable 2013/14 £000	PCC Group 2013/14 £000
0	456	456	Inventories	0	454	454
0	(9,851)	(9,851)	Creditors	0	(9,577)	(9,577)
(9,395)	9,395	0	Intra-Group Adjustment	(9,123)	9,123	0
<b>(9,395)</b>	<b>0</b>	<b>(9,395)</b>	<b>Total</b>	<b>(9,123)</b>	<b>0</b>	<b>(9,123)</b>

### 9. Inventories

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

	Balance at 1 April 2013 £000	Purchases £000	Issues £000	Other Adjustments £000	Balance at 31 March 2014 £000
Consumable Stores	363	1,400	(1,411)	0	352
Maintenance Materials	93	153	(144)	0	102
<b>Total</b>	<b>456</b>	<b>1,553</b>	<b>(1,555)</b>	<b>0</b>	<b>454</b>

### 10. Short-Term Creditors

2012/2013 £000		2013/2014 £000
(2,116)	Central Government Bodies	(1,920)
(3,228)	Other Police Bodies / Local Authorities	(3,084)
(12)	NHS Bodies	0
(10)	Public Corporations and Trading Funds	(74)
(4,485)	Other Entities and Individuals	(4,499)
<b>(9,851)</b>	<b>Total</b>	<b>(9,577)</b>

### 11. Net Pension Liability

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

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

## Notes to the Accounts

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>(960,602)</b>	<b>Balance as at 1 April</b>	<b>(1,127,088)</b>
<b>(122,617)</b>	Actuarial gains or losses on assets and liabilities	75,904
<b>(73,066)</b>	Reversal of items debited or credited to the (Surplus)/Deficit on the provision of services in the CIES	<b>(81,370)</b>
17,808	Employer's contributions and direct payments to pensioners in the year	16,729
11,389	(Surplus)/Deficit on Police Pension Fund	11,841
<b>(1,127,088)</b>	<b>Balance as at 31 March</b>	<b>(1,103,984)</b>

### 12. Members Allowances

The PCC Group paid the following amounts to Joint Audit Committee Members during the year ended 31 March 2014. The comparative amounts relate to the former Police Authority members up to 21st November 2012 and Joint Audit Committee members between 22nd November 2012 and 31st March 2013.

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Salaries	0	0
Allowances	2	3
Expenses	1	0
<b>Total</b>	<b>3</b>	<b>3</b>

### 13. Police Officer and Police Staff Remuneration

#### Police and Police Staff Numbers

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

<b>Police Officer and Staff (numbers)</b>	<b>2012/13</b>	<b>2013/14</b>
<b>Police Officers</b>		
Above the rank of Constable	336	313
Constable	1,066	1,042
	<b>1,402</b>	<b>1,355</b>
<b>Police Staff</b>		
Full Time	770	678
Part Time	254	242
	<b>1,024</b>	<b>920</b>

#### Remuneration Received

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

<b>Remuneration Band</b>	<b>£</b>	<b>2012/13</b>	<b>2013/14</b>
£60,000 - £64,999		12	4
£65,000 - £69,999		4	5
£70,000 - £74,999		5	5
£75,000 - £79,999		4	1
£80,000 - £84,999		6	3
£85,000 - £89,999		2	1
£90,000 - £94,999		0	2
£95,000 - £99,999		1	0
£100,000 - £104,999		0	2
£105,000 - £109,999		0	0
£110,000 - £114,999		1	0
£115,000 - £119,999		1	0
£120,000 - £124,999		0	0
£125,000 - £129,999		0	0
£130,000 - £134,999		0	0
£135,000 - £139,999		0	1
£140,000 - £144,999		0	0
£145,000 - £149,999		1	0

### **Remuneration Disclosure**

The following table on page 30 sets out the remuneration disclosure for relevant Police Officers (above the rank of Superintendent) and senior employees whose salary is equal to or more than £60,000 per year. The regulation requires individuals whose salary exceeds £150,000 per year, to be identified by name.

Expense allowances include "essential user" car lump sum allowance and benefit in kind includes the money value of benefits received otherwise than in cash e.g. private use of a Force asset. Other payments include those allowances only relevant to Police Officers such as rent allowance and compensatory grant. During the year no amounts were paid in respect of compensation for loss of employment. Equivalent disclosure is provided for the comparative year 2012/13 on page 31.

## Notes to the Accounts

### Relevant Senior Police Officers and Senior Police Staff Remuneration

Relevant Senior Police Officers and Police Staff Remuneration for the year ended 31 March 2014.

Post Holder Information (Post Title)	Notes	Salary	Bonus	Expenses	Benefits in Kind	Other Payments	Total Employers Pension		Total Remuneration including Pension Contributions
							Remuneration excluding Pension Contributions	Contributions	
		£	£	£	£	£	£	£	£
Chief Constable (1)	1	91,811	0	0	1,101	0	92,912	5,367	98,279
Chief Constable (2)	2	111,214	0	0	5,186	3,371	119,771	26,914	146,685
Deputy Chief Constable (1)	2	18,297	0	0	1,037	674	20,008	4,428	24,436
Deputy Chief Constable (2)	3	48,551	0	0	2,087	2,047	52,685	11,092	63,777
Deputy Chief Constable (3)	4	0	0	0	0	0	0	0	0
Assistant Chief Constable (1)	5	94,301	0	2,238	0	5,071	101,610	22,821	124,431
Assistant Chief Constable (2)	3	29,706	0	0	1,670	7,551	38,927	7,846	46,773
Assistant Chief Officer Resources		101,143	0	0	0	0	101,143	15,981	117,124

#### Notes

- Chief Constable (1) left office on the 7th June 2013. Salary includes payment in lieu of notice and holidays.
- Deputy Chief Constable (1) was appointed Chief Constable (2) on the 8th June 2013.
- Assistant Chief Constable (2) was appointed and took office on the 1st July 2013. From the 11th November 2013 Assistant Chief Constable (2) became the acting Deputy Chief Constable (2). Other Payments includes relocation expenses.
- Deputy Chief Constable (3) was appointed and took office on the 22nd April 2014 with an annualised salary of £110,880.
- Temporary Assistant Chief Constable (1) left office on the 31st March 2014.
- The employer's pension contributions in respect to of the Assistant Chief Officer - Resources were paid at the rate of 15.8%. The rate in respect of all other Senior Police Officers shown above was 24.2%.



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

Relevant Senior Police Officers and Police Staff Remuneration for the year ended 31 March 2013.

Post Holder Information (Post Title)	Notes	Salary	Bonus	Expenses	Benefits in Kind	Other Payments	Total Employers Pension		Total Remuneration including Pension Contributions
							Remuneration excluding Pension Contributions	Contributions	
		£	£	£	£	£	£	£	£
Chief Constable		133,068	6,653	0	5,376	0	145,097	32,202	177,299
Deputy Chief Constable		109,782	0	0	4,781	4,046	118,609	26,567	145,176
Assistant Chief Constable (1)	1	99,976	0	0	6,946	4,046	110,968	24,275	135,243
Assistant Chief Constable (2)	1	7,813	0	0	0	152	7,965	1,891	9,856
Assistant Chief Officer Resources		97,686	0	0	0	0	97,686	15,434	113,120

Notes

1. Assistant Chief Constable (1) left office on the 31st March 2013. Assistant Chief Constable (2) was appointed on the 1st March 2013 on a temporary basis.
2. The employer's pension contributions in respect to of the Assistant Chief Officer - Resources were paid at the rate of 15.8%. The rate in respect of all other Senior Police Officers shown above was 24.2%.

### 14. External Audit Costs

The PCC and the Chief Constable jointly incurred external audit fees with the Wales Audit Office. In 2013/14 the costs are split equally between the PCC Group Statement of Accounts and the Chief Constable's Statement of Accounts.

In 2012/13 the external audit fees incurred were only recorded in the PCC Group Statement of Accounts.

<b>Chief Constable</b>	<b>PCC Group</b>		<b>Chief Constable</b>	<b>PCC Group</b>
<b>2012/13</b>			<b>2013/14</b>	
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
		External Audit		
0	80	Services	43	86
<b>0</b>	<b>80</b>	<b>Total</b>	<b>43</b>	<b>86</b>

The Wales Audit Office are no longer allowed to maintain reserves, and therefore after the year end a distribution of £0.016m was made to the PCC Group. This has not been reflected in the audit fees shown in the above table.

### 15. Related Parties

IAS 24 requires the Chief Constable to disclose all material transactions with related parties, that is bodies or individuals that have the potential to influence the Chief Constable or to be controlled and influenced by the Chief Constable. Disclosure of these transactions allows the reader to access the extent to which the Chief Constable might have been constrained in his ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Chief Constable. This disclosure note has been prepared on the basis of specific declarations obtained between April 2014 and June 2014, in respect of related party transactions.

Central Government and the Welsh Government are able to influence the Chief Constable. They both provide the Statutory framework within which the Chief Constable operates as well as providing substantial resources in the form of Grants which are paid to the Police and Crime Commissioner. Similarly the 5 Unitary Authorities in Gwent are able to influence the Chief Constable and collect the Police Precept on his behalf.

Grants Received from the Home Office, Welsh Government and Precepts collected on behalf of and paid to the Police and Crime Commissioner are detailed in the Statement of Accounts for the Police and Crime Commissioner and the Statement of Accounts for the Police and Crime Commissioner Group. The Chief Constable does not earn or collect any income or other funding other than the funding that is given to him by the PCC.

During 2013/14 the PCC Group had a number of material transactions with other public bodies such as the Unitary Authorities and the Greater Gwent (Torfaen) Pension Fund. There are disclosed below.

## Notes to the Accounts

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>(44,676)</b>	Home Office - Police Revenue Grant	<b>(47,068)</b>
<hr/>		
<b>(32,961)</b>	Welsh Assembly Government - Revenue Support Grant and Business Rates	<b>(32,251)</b>
<hr/>		
Unitary Authorities - Council Tax Precepts		
<b>(3,826)</b>	Blaenau Gwent County Borough Council	<b>(3,891)</b>
<b>(11,229)</b>	Caerphilly County Borough Council	<b>(11,636)</b>
<b>(8,392)</b>	Monmouthshire County Council	<b>(8,739)</b>
<b>(10,393)</b>	Newport City Council	<b>(10,612)</b>
<b>(5,977)</b>	Torfaen County Borough Council	<b>(6,119)</b>
<b>(117,454)</b>	<b>Total</b>	<b>(120,316)</b>

The former Chief Constable sat as the Chief Constable volunteer representative on the Police Mutual Assurance Committee of Management. During 2013/14 the PCC paid over £794,485 of Police Officers' and Police Staff contributions from pay to Police Mutual Assurance (PMAS). Police Officers and Police Staff who pay contributions are entitled to financial help, advice and also benefit from a range of financial products provided by PMAS.

### Police Staff Pensions

Police staff pensions and benefits are provided from the Greater Gwent (Torfaen) Pension Fund which is administered by Torfaen County Borough Council to whom the following amounts were paid over for 2013/14.

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
3,646	Employer's Contributions	3,511
1,506	Employees' Contributions	1,445
<b>5,152</b>	<b>Total</b>	<b>4,956</b>

### 16. Leases

The Chief Constable has not entered into any lease arrangements as Lessor or Lessee. Leases between the PCC and third parties are shown in the PCC Group Statement of Accounts.

## 17. Termination Benefits

A schedule of exit packages as at 31 March 2014 is shown in the table below:

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 £
£0 - £20,000	0	7	7	32,715
£20,001 - £40,000	1	0	1	24,843
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
£150,001 - £250,000	0	0	0	0
	<b>1</b>	<b>7</b>	<b>8</b>	<b>57,558</b>

In comparison, a schedule of exit packages as at 31 March 2013 is shown in the table below:

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 £
£0 - £20,000	9	20	29	239,526
£20,001 - £40,000	4	10	14	338,327
£40,001 - £60,000	1	0	1	40,824
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
£150,001 - £250,000	0	0	0	0
	<b>14</b>	<b>30</b>	<b>44</b>	<b>618,677</b>

## 18. 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.

### Revisions to IAS19

The 2013-14 CIPFA LG Code adopted the amendments made to IAS19 Employee Benefits. The amendments mean that there are a number of changes in terminology but also a difference in the method used to calculate the expected rate of return on assets. This is now calculated using the discount rate set by the Actuary.

The change in this calculation means that there are a number of changes to classification of costs. Interest costs and the expected rate of return are no longer shown separately, instead the interest is now calculated as one figure and the difference between actual and expected return is now included as an actuarial movement. As set out in Note 2 of the 2012-13 statements, this will increase the IAS19 pension costs charged to expenditure.

IAS8 requires that, where material, changes in accounting standards are applied retrospectively. Changes in terminology have been reflected in this note for both the Local Government Pension Scheme (for police staff) and the police officer scheme. The change in the calculation of the rate of return on assets does not have an impact on the police officer scheme as this is unfunded. Restated 2012-13 comparative figures for the police staff scheme have not been shown in this note as they are not material.

There is no net impact on the Total Comprehensive Expenditure or the deficit in the Balance Sheet. There is also no impact on the General Fund as IAS19 charges to expenditure continue to be reversed through the Statement of Movement in Reserves and replaced with the actual cost to GP/the Commissioner of providing pension benefits.

### Transactions relating to Post-employment Benefits

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

The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

	Police Pension		Local Government	
	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<i>Cost of Services:</i>				
Current service cost	22,700	28,300	3,650	4,385
Past service cost	30	40	0	0
Curtailments and Settlements	0	0	180	64
Administration Expenses	0	0	0	89
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	45,570	46,970	4,679	1,522
<b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>	<b>68,300</b>	<b>75,310</b>	<b>8,509</b>	<b>6,060</b>
<i>Other post-employment benefits chargeable to the comprehensive income &amp; expenditure statement:</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	0	0	(3,743)	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	2,742
Actuarial gains and losses arising on changes in financial assumptions	164,330	(36,730)	6,257	(9,733)
Experience gain/loss	(47,970)	(26,460)	0	(5,723)
<b>Total post-employment benefits charged to the comprehensive income &amp; expenditure statement</b>	<b>184,660</b>	<b>12,120</b>	<b>11,023</b>	<b>(6,654)</b>
<b>Movement in Reserves Statement:</b>				
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(68,300)	(75,310)	(4,766)	(6,060)
<i>Actual amount charged against the police fund balance for pensions in year:</i>				
Employer's contributions payable to the scheme	12,532	11,995	3,646	3,511
Retirement benefits payable to pensioners	1,697	1,869	0	0
	<b>14,229</b>	<b>13,864</b>	<b>3,646</b>	<b>3,511</b>

## Notes to the Accounts

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

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

	Police Pension		Local Government	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	1,090,680	1,077,880	110,475	107,857
Fair Value of plan assets	0	0	(74,067)	(81,753)
Sub-total	1,090,680	1,077,880	36,408	26,104
Other movements in the liability (asset)	0	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>1,090,680</b>	<b>1,077,880</b>	<b>36,408</b>	<b>26,104</b>

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

	Local Government	
	2012/13 £000	2013/14 £000
Opening fair value of scheme assets	61,101	74,067
Interest income	0	3,327
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	3,743	0
Experience gains/(losses) on assets	6,119	1,339
Contributions from employer	3,727	3,650
Contributions from employees into scheme	1,510	1,445
Benefits paid	(2,133)	(1,986)
Admin Expenses		(89)
<b>Closing fair value of scheme assets</b>	<b>74,067</b>	<b>81,753</b>

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

	Police Pension		Local Government	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening balance as at 1st April	931,490	1,090,680	90,213	110,475
Current service cost	22,700	28,300	3,650	4,385
Interest cost	45,570	46,970	4,679	4,849
Contributions by scheme participants	6,360	6,650	1,510	1,445
Remeasurement (gains) and losses:				
Actuarial (gains)/losses arising from changes in demographic assumptions	0	0	0	2,742
Actuarial (gains)/losses arising from changes in financial assumptions	164,330	(36,730)		(9,733)
Experience gain/loss	(47,970)	(26,460)		(4,384)
Other	0	0	12,376	0
Past service costs	30	40	0	0
Losses/(gains) on curtailment	0	0	180	64
Benefits paid	(31,830)	(31,570)	(2,133)	(1,986)
<b>Closing balance as at 31st March</b>	<b>1,090,680</b>	<b>1,077,880</b>	<b>110,475</b>	<b>107,857</b>

The liabilities show the underlying commitments that the PCC Group has in the long run to pay retirement benefits. The total liability of £1,104m 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 £1,029m.

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



## Notes to the Accounts

The significant assumptions used by the actuary in the calculations have been:

	Police Pension		Local Government	
	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity Investments	-	-	7.00%	7.00%
Government Bonds	-	-	2.80%	3.40%
Other Bonds	-	-	3.90%	4.30%
Property	-	-	5.70%	6.20%
Cash/Liquidity	-	-	0.50%	0.50%
Other	-	-	7.00%	-
<b>Mortality Assumptions:</b>				
<i>Longevity at 65 for current pensioners:</i>				
Men	23.4	23.4	21.7	23.0
Women	25.8	25.9	23.9	25.4
<i>Longevity at 65 for future pensioners:</i>				
Men	25.7	25.6	23.2	25.2
Women	27.9	28.0	26.5	27.8
Rate of CPI inflation	2.50%	2.50%	2.40%	2.40%
Rate of increase in salaries	4.75%	4.50%	3.90%	3.90%
Rate of increase in pensions	2.50%	2.50%	2.40%	2.40%
Rate for discounting scheme liabilities	4.30%	4.40%	4.40%	4.60%

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 Scheme	
	Increase in Assumption	Decrease in Assumption
	£000	£000
Longevity (increase or decrease in 1 year)	18,400	(18,400)
Rate of increase in salaries (increase or decrease by 1%)	56,000	(56,000)
Rate of increase in pensions (increase or decrease by 1%)	183,200	(183,200)
Rate for discounting scheme liabilities (increase or decrease by 1%)	239,200	(239,200)

### **19. Contingent Assets and Contingent Liabilities**

The PCC Group has one contingent liability in relation to Regulation A19. This is concerned with potential successful 'stayed' employment tribunals being brought against the PCC from former Police Officers who were retired under Regulation A19. The amount of the contingent liability cannot be reliably estimated.

### **20. Collaboration / Police Authority Wales**

#### **Police Authority Wales**

The Police Authorities of Wales (PAW) was a statutory joint committee formed in July 2007 representing the four police authorities in Wales. The strategic goal of this organisation was to develop strategic policing capabilities in Wales and to increase efficiency and effectiveness through collaboration. It prepared its own Statement of Accounts. For accounting purposes, PAW was a Joint Venture accounted for in accordance with IAS 31. In summary, it did not have the power to directly employ staff, enter into contracts, or own assets.

PAW in effect ceased from April 2012, with transitional issues on-going to November 2012. Its constituent police authorities were abolished in November 2012. The collaborative services and their funding continue under revised Commissioner and Force Governance arrangements.

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 Commissioners for each Police Force are responsible for ensuring the Strategic Policing Requirement is met. As part of this, the PCC for Gwent works 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.

In addition to the reform changes outlined in November 2012, the formation of a Joint Firearms Unit, for the three southern forces, also in November 2012 was implemented, the costs of which are for a part year period. No comparative information is available for the actual costs of the separate arrangements in 2011/12. The agreement was however based on an agreed business case which resulted in agreed funding contributions.

A summary of the Expenditure and Income Statement for 2013/14 and the prior year for the main activities of the continuing units are as follows:

**CTIU / TARIAN (former PAW activities)**

2013/14	Police Authority Wales		Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Regional Organised Crime Unit	Regional Task Force	Wales Central Team	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Service Classification	CDC	National Policing	Intelligence	Intelligence	Intelligence	re-allocated		
Pay Expenditure	0	3,049	483	2,564	2,048	0		<b>8,144</b>
Non Pay Expenditure	0	1,094	36	1,041	766	0		<b>2,937</b>
<b>Gross Expenditure</b>	<b>0</b>	<b>4,143</b>	<b>519</b>	<b>3,605</b>	<b>2,814</b>	<b>0</b>		<b>11,081</b>
Specific Grant Income	0	(4,090)	(519)	(2,262)	(642)	0		<b>(7,513)</b>
Income	0	(53)	0	(5)	(29)	0		<b>(87)</b>
<b>Total Income &amp; Grants</b>	<b>0</b>	<b>(4,143)</b>	<b>(519)</b>	<b>(2,267)</b>	<b>(671)</b>	<b>0</b>		<b>(7,600)</b>
South Wales Police	0	0	0	(628)	(1,157)	0		<b>(1,785)</b>
Dyfed Powys Police	0	0	0	(239)	(450)	0		<b>(689)</b>
Gwent Police	0	0	0	(326)	(536)	0		<b>(862)</b>
North Wales Police	0	0	0	(144)	0	0		<b>(144)</b>
<b>Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,338)</b>	<b>(2,143)</b>	<b>0</b>		<b>(3,481)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>

Other

2013/14	Scientific Investigation Unit	Joint Firearms Unit	Total
	£000	£000	£000
Service Classification	Investigative Support	Specialist Operations	
Pay Expenditure	5,926	10,442	16,368
Non Pay Expenditure	713	1,164	1,877
<b>Gross Expenditure</b>	<b>6,639</b>	<b>11,606</b>	<b>18,245</b>
Specific Grant Income			0
Income	(4)	(61)	(65)
<b>Total Income &amp; Grants</b>	<b>(4)</b>	<b>(61)</b>	<b>(65)</b>
South Wales Police	(4,249)	(5,612)	(9,862)
Dyfed Powys Police	0	(3,189)	(3,189)
Gwent Police	(2,385)	(2,744)	(5,129)
North Wales Police	0	0	0
<b>Force Contributions</b>	<b>(6,635)</b>	<b>(11,545)</b>	<b>(18,180)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

1. Any capital items/ fixed assets are accounted for as procured and financed from use of grants and force revenue contributions. No assets are recognised in this note and which otherwise would be accounted for through unusable capital reserves. There are no charges for depreciation. Assets are so recognised on Force/ Commissioner Balance Sheets, CIES and MIRS statements.

## CTIU / TARIAN (former PAW activities)

2012/13	Police Authority Wales £000	Counter Terrorism Intelligence Unit £000	Regional Intelligence Unit £000	Regional Asset Recovery Team £000	Regional Task Force £000	Witness Protection £000	Wales Central Team £000	Total £000
Service Classification	CDC	National Policing	Intelligence	Intelligence	Intelligence	Intelligence re-allocated		
Pay Expenditure	47	3,525	656	776	2,441	15	71	7,531
Non Pay Expenditure	21	1,096	181	276	804	6	1	2,385
<b>Gross Expenditure</b>	<b>68</b>	<b>4,621</b>	<b>837</b>	<b>1,052</b>	<b>3,245</b>	<b>21</b>	<b>72</b>	<b>9,916</b>
Specific Grant Income	0	(4,545)	(514)	(1,045)	(642)	0	0	(6,746)
Income	0	(76)	(6)	(7)	0	0	0	(89)
<b>Total Income &amp; Grants</b>	<b>0</b>	<b>(4,621)</b>	<b>(520)</b>	<b>(1,052)</b>	<b>(642)</b>	<b>0</b>	<b>0</b>	<b>(6,835)</b>
South Wales Police	(17)	0	(145)	0	(1,410)	(7)	0	(1,579)
Dyfed Powys Police	(17)	0	(45)	0	(560)	(7)	0	(629)
Gwent Police	(17)	0	(64)	0	(663)	(7)	0	(751)
North Wales Police	(17)	0	0	0	0	0	0	(17)
<b>Force Contributions</b>	<b>(68)</b>	<b>0</b>	<b>(254)</b>	<b>0</b>	<b>(2,633)</b>	<b>(21)</b>	<b>0</b>	<b>(2,976)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>63</b>	<b>0</b>	<b>(30)</b>	<b>0</b>	<b>72</b>	<b>105</b>

Other

2012/13	Scientific Investigation Unit	Joint Firearms	Firearms Training	Total
	£000	£000	£000	£000
Service Classification	Investigative Support	Specialist Operations	Support to Specialist Operations	
Pay Expenditure	5,765	3,908	1,239	<b>10,912</b>
Non Pay Expenditure	896	426	618	<b>1,940</b>
<b>Gross Expenditure</b>	<b>6,661</b>	<b>4,334</b>	<b>1,857</b>	<b>12,852</b>
Specific Grant Income	0	0	0	<b>0</b>
Income	0	0	(38)	<b>(38)</b>
<b>Total Income &amp; Grants</b>	<b>0</b>	<b>0</b>	<b>(38)</b>	<b>(38)</b>
South Wales Police	(4,288)	(2,051)	(1,026)	<b>(7,365)</b>
Dyfed Powys Police	0	(1,039)	(468)	<b>(1,507)</b>
Gwent Police	(2,372)	(1,244)	(326)	<b>(3,942)</b>
North Wales Police	0	0	0	<b>0</b>
<b>Force Contributions</b>	<b>(6,660)</b>	<b>(4,334)</b>	<b>(1,820)</b>	<b>(12,814)</b>
<b>(Surplus) or Deficit</b>	<b>1</b>	<b>0</b>	<b>(1)</b>	<b>0</b>

## Glossary of Terms

Term	Definition
2013/14	This refers to the period covered by these accounts - 1 April 2013 to 31 March 2014.
2012/13	This refers to the period following that covered for comparative purposes by these accounts – 1 April 2012 to 31 March 2013.
Accounting policies	These are a set of rules and codes of practice the 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 paid.
Actuarial gains and losses	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• Events have not coincided with the actuarial assumptions made in the last valuation ;or</li> <li>• The actuarial assumptions have changed.</li> </ul>
Amortisation	Intangible assets should be amortised on a systematic basis over their economic lives.
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 or construction of assets, 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 is the value of the asset included 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	These exist where: <ul style="list-style-type: none"> <li>• a possible obligation arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Group's control; or</li> <li>• a present obligation arises from past events but is not recognised because: <ol style="list-style-type: none"> <li>i. it is not probable that a transfer of economic benefits will be required to settle the obligation, or</li> <li>ii. the amount of the obligation cannot be measured with sufficient reliability.</li> </ol> </li> </ul>
Corporate and democratic core costs	These represent the costs of delivering public accountability and representation in policy-making and meeting the Commissioner's statutory reporting obligations.

## Glossary of Terms

Term	Definition
Creditors	Individuals or organisations to which the PCC Group owes money at the end of the financial year
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.
Current service cost (pensions)	The increase in the present value of a defined benefit scheme’s liability expected to arise from employee service in the current period.
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.
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	The measure of the cost or re-valued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
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 accountancy profession and the Accounting Standards Board. These include Statements of Standard Accounting Practice (SSAPs).
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.



## Glossary of Terms

Term	Definition
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
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.
Net book value	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.
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 risk and rewards of ownership.
Past service cost	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
PCC	The abbreviation for the Police and Crime Commissioner. The PCC is a separate corporation sole which was established on the 22 <sup>nd</sup> November under the Police and Social Responsibility Act 2011. Also referred to as the Office of the Police and Crime Commissioner.
Provisions	The PCC Group may set aside amounts as provisions to meet liabilities or losses that are likely to arise in the future.
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.
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.
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 authorities) and fixed each year in relation to authorities' 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 and statutory Chief Officers.
SerCOP	CIPFA Service Reporting Code of Practice which shows the Net Cost of Police Services including support services by mandatory categories of policing activities