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COMISIYNYDD
HEDDLU A THROSEDDU
DYFED-POWYS
POLICE AND CRIME
COMMISSIONER



Heddlu • Police
DYFED-POWYS

Diogelu ein Gyrrwod - Safonysu ein Cymuned

Police & Crime Commissioner for Dyfed Powys

*Statement of Accounts 2016/17
(Group Accounts)*

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Narrative Report

Introduction

The purpose of this Narrative Report is to offer interested parties an effective guide to the most significant matters reported in the accounts along with an explanation of the potential impact of the current economic climate on the services provided by the Police and Crime Commissioner and Chief Constable of Dyfed Powys.

On 15th November 2012 the public elected for the first time a Police and Crime Commissioner for Dyfed-Powys and the successful candidate, Mr Christopher Salmon, took up office on the 22nd November 2012, at which time Dyfed-Powys Police Authority ceased to exist. The primary role of the Commissioner is to secure the maintenance of an efficient and effective police force across Carmarthenshire, Pembrokeshire, Ceredigion and Powys and to hold the Chief Constable of Dyfed Powys to account for the exercise of operational police duties under the Police Act 1996.

During 2016/17 the first term of office for Police and Crime Commissioners came to an end and on 5th May 2016 Mr Dafydd Llywelyn was elected as the new Police and Crime Commissioner for Dyfed Powys. Mr Llywelyn will approve the Statement of Accounts that cover the whole of 2016/17 although he did not take office until after the start of the 2016/17 financial year.

Statement of Accounts

These are the fifth statutory accounts prepared under the new governance arrangements. Both the Commissioner and Chief Constable as separate legal entities (corporations sole) must produce their own Statement of Accounts, with the Commissioner also being responsible for production of the Group Accounts (within which the Commissioner's accounts are contained).

The following is an explanation of the statements that follow, their purpose and the relationship between them:

- **Statement of Responsibilities for the Statement of Accounts** - this statement sets out the responsibilities of the Commissioner and his Chief Finance Officer;
- **Annual Governance Statement** - this statement is not a part of the Statement of Accounts but is published alongside the Statement of Accounts. This statement describes how the Group conducts business in accordance with proper standards and presents the findings from the annual review of the effectiveness of the systems of internal control;
- **Independent Auditor's Report** - this sets out the opinion of the external auditor, the Wales Audit Office, on whether the Group accounts presented give a 'true and fair view' of the financial position and operations of the Commissioner for 2016/17;
- **Expenditure and Funding Analysis** – this is a new statement and shows how annual expenditure is used and funded by the Group from resources as reported by management, split across directorates/services and departments in comparison with those resources consumed or earned by the Group reported in accordance with generally accepted accounting practices;
- **Comprehensive Income and Expenditure Statement** - this statement summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year. It includes all day to day expenses and

related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year;

- **Movement in Reserves Statement** - this statement shows the movement in the year on the reserves held by the Group, analysed into "usable reserves" (monies which can be applied to fund capital expenditure or to reduce local taxation) and unusable reserves (monies that cannot be used to provide services and exist through the application of accounting standards, for example, the pension reserve that matches the pension liability);
- **Balance Sheet** – this shows the value as at the Balance Sheet date of assets and liabilities recognised by the Group. The net assets (assets less liabilities) are matched by the usable and unusable reserves;
- **Cash Flow Statement** – this statement summarises changes to cash and cash equivalents during the reporting period;
- **Police Pension Fund** - this summarises the income and expenditure during the reporting period relating to police pensions. The account shows the top up grant due from the Group to the Pension Fund Account. Subsequently the Home Office reimburses the Group for money paid over to the Pension Fund Account and effectively underwrites the deficit on the Pension Fund Account. This practice would work in reverse if the Pensions Fund Account were to show a surplus at the end of the year;
- **Notes to the Accounts** – these provide additional information that further explains items included within the main financial statements with an aim of improving the reader's understanding of the main financial statements;
- **Glossary of Terms** – this is not a part of the Statement of Accounts but is included to assist the reader's understanding of the Statement of Accounts.

Financial Performance of the Group

In January 2016, Mr Christopher Salmon set a revenue budget for the financial year 2016/17 of £93.341m. After receiving a Home Office Grant of £37.117m, National Non-Domestic Rates of £8.277m and a Revenue Support Grant of £4.617m, £43.330m was raised from Council Tax.

The Group Statement of Accounts shows the financial performance of the Group on the basis of proper accounting and meets the requirement of the Chartered Institute of Public Finance & Accountancy's Code of Practice. However, below is a summary of the most important income and expenditure elements of the accounts that are monitored on a day to day basis (the table excludes elements such as pension liabilities, which under statute do not need to be financed fully in year).

The table sets out the final out-turn position for 2016/17 compared with the revised budget for the Commissioner and Chief Constable. Overall the Group delivered a balanced budget.

| | Original Budget | Revised Budget | Actual | Variance against Revised Budget (Negative for Saving) |
|--|-----------------|----------------|----------------|--|
| | £'000 | £'000 | £'000 | £'000 |
| Commissioner's Expenditure | | | | |
| OPCC Office | 979 | 979 | 853 | -126 |
| Commissioning | 978 | 888 | 850 | -38 |
| Total Budget - Commissioner | 1,957 | 1,867 | 1,703 | -164 |
| | | | | |
| Chief Constable's Expenditure | | | | |
| Chief Constable's Office | 2,291 | 2,214 | 2,014 | -200 |
| Resources Directorate | 7,579 | 7,623 | 8,127 | 504 |
| Legal and Compliance Directorate | 1,753 | 1,753 | 1,757 | 4 |
| Finance Directorate | 5,941 | 5,917 | 5,752 | -165 |
| Neighbourhoods | 48,036 | 47,935 | 47,542 | -393 |
| Investigations | 21,836 | 22,391 | 22,887 | 496 |
| Scientific Support | 1,763 | 1,808 | 1,491 | -317 |
| Criminal Justice | 1,416 | 1,182 | 1,111 | -71 |
| Professional Standards | 959 | 968 | 1,021 | 53 |
| Staff Associations | 184 | 187 | 189 | 2 |
| Central Budget & Income | 2,678 | 2,568 | 2,092 | -476 |
| Total Budget – Force | 94,436 | 94,546 | 93,983 | -563 |
| | | | | |
| Other activities | | | | |
| Initiatives Funded from Reserves | 0 | 0 | 190 | 190 |
| Driver Retraining Income | 0 | 0 | -292 | -292 |
| Estates Activities Funded from Reserves | 0 | 0 | 343 | 343 |
| Total - Other | 0 | 0 | 241 | 241 |
| | | | | |
| Net contribution to/(from) Reserves | -3,052 | -3,072 | -2,586 | 486 |
| | | | | |
| Group Total (incl reserve) | 93,341 | 93,341 | 93,341 | 0 |
| | | | | |
| Funded by Grants and Precepts | -93,341 | -93,341 | -93,341 | 0 |

Explanations of the main variances are provided below:

Commissioner

- The Commissioner spent £126k less than budgeted on his office. The budget was originally set by Mr Christopher Salmon and inherited by Mr Dafydd Llywelyn. The variance arises as a result of the delay in recruiting to Mr Llywelyn's new office structure alongside a change in priorities over non office expenditure.

- The cost of commissioned services were in line with the budget with a small variance of £38k (3.9%) in the actual costs against that budgeted.

Chief Constable

- Chief Constable's Office: An underspend of £200K against budget was the result, predominantly, of savings achieved against the Force-wide police officer ill-health retirement budget.
- Resources Directorate: The Resources Directorate incorporates Estates, Business Support Unit, People's Services and Continuous Improvement Departments. In total, the Directorate overspent against the original budget by £504K. The Force experienced some significant cost pressures as a result of the implementation of the Living Wage in respect of Cleaning Contracts (£100K) and some payments of historic rates on collaborative buildings (£165K). In addition, the Force decided to employ or post additional staff on a temporary basis (£355K) to the Directorate to meet project and processing backlog pressures that emerged during the year. Additional income was received of £-116K across Estates and Business Support headings.
- Legal and Compliance Directorate: The Force incurred some additional temporary officer and staff costs against the original budget set for this Directorate (£228K) to meet some pressing processing requirements however this was offset by additional income and reductions in external legal expenses incurred during the year.
- Finance Directorate: This Directorate encompasses the Corporate Finance, Fleet, ICT and Procurement Departments of the Force. Additional staffing costs of £228K were agreed during the year to progress ICT project work which was offset by significant savings against fuel, other non-pay areas and additional income in respect of the sale of vehicles.
- Policing Neighbourhoods: This heading encompasses all spending incurred on local policing as well as Specialist Operational Support, Communications Centre and Offender Management functions. Officer salary budgets were £57K lower than the level anticipated in the budget however overtime overspent by £239K due to a number of significant operational challenges. Some significant savings were experienced against police staff roles, fuel costs and income which have contributed to a net under spend against this heading.
- Investigations: The Force invested in additional capacity during the year into cyber-crime capabilities and into Investigative Units working to protect vulnerable children and adults which were funded from recurring savings generated by the Force through its "Spending Wisely" programme. The Force also incurred additional in-year overtime costs as a result of staff shortages, major operations and payments in respect of historic on-call working in compliance with Police Regulations. The Force also incurred additional costs in relation to the provision of medical support at its Custody Suites.
- Scientific Support Department: The significant underspend against this heading occurred against forensic and other non-pay budgets due to collaborative procurement savings and lower than anticipated volume levels in respect of submissions.
- Criminal Justice Department: A non-recurring under spend against the budget of £71K occurred predominantly against non-pay and income headings.

- Professional Standards Department: A non-recurring over spend against the budget of £53K occurred against non-pay and ICT headings which were funded from savings made elsewhere in the Force.
- Staff Associations: The small overspend occurred in respect of premises cost headings.
- Central Budget and Income: An under spend of £476K was experienced against this centrally managed spending and income heading. This was predominantly due to additional income from escort duties in respect of windfarms. Savings arising in year against staffing budgets were also recorded against these headings which were largely netted off by corresponding additional payments against collaboration projects for the year.

Other Activities

- Initiatives funded From Reserves include the Commissioner's Fund (£81k) and Road to Safety Grant Scheme (£76k) being sums of money offered to local organisations to spend on projects that support the Commissioner's priorities. Funds were allocated via a bidding process. The whole £190k was funded from reserves including some ring-fenced reserves such as those generated via the Proceeds of Crime Act and from income generated from the driver retraining courses.
- The Chief Constable provides the administration of the driver retraining courses on behalf of the Commissioner. The income generated was greater than that budgeted and once the Chief Constable's administrative costs had been taken into account, a balance of £292k was transferred to reserves.
- In 2016/17, the Commissioner ran the estates capital programme. £343k of the actual costs of this programme were deemed to be revenue (rather than capital) in nature and therefore they are recorded here for completeness although they were funded from reserves as initially intended.

Further details relating to the Chief Constable's operations are provided in the Chief Constable Statement of Accounts 2016/17.

Reserves

During the 2016/17 financial year, usable reserves reduced by £5.561m from £32.9m to £27.3m. The two most significant usage of reserves were:

- Revenue Support – the original budget included a transfer from reserves of £3.052m to fund day to day activities. This transfer was as a result of a decision made by Mr Christopher Salmon to cut the precept in 2015/16 and to use reserves to fund an element of the revenue budgets from 2015/16 to 2018/19. Due to a net revenue underspend in the year, the actual transfer from reserves in 2016/17 was £2.502m.
- Capital Programme – As a result of the planned capital programme, £3.500m was utilised from the Capital Reserve (against a projected utilisation of £5.321m).

The final reserves figure for the year of £27.3m is split into a sum of £16.1m to support future capital investments, a general reserve of £4.5m for unforeseen events and a sum of £6.7m to support the revenue budget in 2017/18 and 2018/19.

Capital Expenditure and Capital Financing

In addition to revenue expenditure, money is incurred on capital assets such as buildings and vehicles which have a long term value to the Commissioner.

Each year the Commissioner approves a capital programme which details where capital expenditure will be incurred. In 2016/17 a capital budget of £7.857m was adopted by the Commissioner.

During 2016/17 actual capital expenditure amounted to £4.218m. The main variations from the budget are shown below:

| Capital Expenditure | Budget | Actual | (Over) / Under | Reason for over/under spend |
|---------------------------------|--------------|--------------|----------------|---|
| | £'000 | £'000 | £'000 | £'000 |
| Land and Buildings | 2,700 | 1,316 | 1,384 | A delay in identifying and purchasing land for the Carmarthenshire custody project resulted in there being virtually no spend on that project during the year. A programme to refurbish existing stations is underway and progressing with some delays. |
| Vehicles | 1,264 | 1,411 | -147 | Delays in the purchase of vehicles in the previous year (due to slippage) led to this overspend in 2016/17. |
| IT and other strategic projects | 3,893 | 1,491 | 2,402 | There have been delays in delivering numerous projects. These include IP999 upgrade (£438k), WAN (£238k) and the in-car video (£250k) projects. |
| Total | 7,857 | 4,218 | 3,639 | |

This capital expenditure was financed as follows:

| Capital Financing | Budget | Actual | (Over) / Under | Reason for over/under spend |
|---------------------------------|--------------|--------------|----------------|---|
| | £'000 | £'000 | £'000 | |
| Capital Receipts | 1,500 | 37 | 1,463 | It was predicted that surplus assets would be sold during the year but due to delays including those in relation to registering buildings with the Land Registry, the predicted sales did not occur. A small amount of income was received on the sale of vehicles. |
| Direct Revenue Financing | 422 | 415 | 7 | Actual result was very close to the budgeted position. |
| NPAS Capital Credit | 114 | 114 | 0 | |
| Capital Reserves | 5,321 | 3,109 | 2,212 | Due to the delays in capital programmes, it was not necessary to utilise reserves to the extent predicted when the budget was set. |
| Capital Grant and Contributions | 500 | 543 | -43 | Some additional grants were received which were not included in original budget. |
| Total | 7,857 | 4,218 | 3,639 | |

Balance Sheet

The Balance Sheet provides a snap shot of the Police and Crime Commissioner's assets and liabilities on the balance sheet date (31st March 2017).

The Group Balance Sheet is dominated by the long term liability of £1,313m in relation to future pension liabilities for police officers and staff. This represents the amount that the Police and Crime Commissioner would need to set aside at the balance sheet date to cover all predicted future payments of pensions to current servicing and retired officers and staff.

This figure has been calculated independently on an actuarial basis and takes account of all relevant factors including future salary levels, inflation and mortality rates. The overall liability has risen by £303m during the year, predominantly as a result of a change in the discount rate assumption applied. The discount rate used is based on the average yield on corporate bonds. In 2016/17 the discount rate assumption applied was 2.6% compared to a discount rate assumption of 3.6% for 2015/16. Such a change in this one assumption accounts for an increase of £296m in the overall liabilities across both the police and staff pension funds with £261m of the increase relating to the Police Pension Scheme. All current and future police (but not staff) pension costs will be paid for by the Government.

The next largest item on the Balance Sheet is the £73.709m of property, plant & equipment owned by the Police and Crime Commissioner. In addition to these long term assets, the Police and Crime Commissioner held £22.6m of short term assets – predominantly fixed term investments - at the 31st March 2017.

Looking Ahead

The grant settlement for the 2016/17 financial year was somewhat better than expected with a reduction of 0.6% in cash terms in the core grant. However concerns still exist of the potential impact of a formula funding review. A consultation on a new formula began during 2015/16 but was halted after errors were discovered in the Home Office's formula. A new review of the formula commenced in 2016/17 and we are now awaiting the result of that review. We do not currently know whether a new formula will be introduced or the timescales involved. A change in the formula could significantly affect the level of funding that the Commissioner currently receives.

There has been stability in relation to pay and inflationary pressures over recent years, however, current forecasts show an increase in inflation and this prediction along with the, as yet largely unknown, impact of Brexit presents a challenge to the Police and Crime Commissioner when looking at the medium term financial plan.

Mr Dafydd Llywelyn launched his new Police & Crime Plan at the end of 2016/17. In his plan he sets out his four key priorities:

- Keeping communities safe;
- Safeguarding the vulnerable;
- Protecting our communities;
- Connecting with communities.

The Chief Constable has developed a Delivery Plan to support the Commissioner's Plan and plans to invest in those activities that help deliver the Commissioner's priorities. Given the financial pressures discussed above, it will be imperative to continue identifying opportunities to work more effectively and efficiently across the whole business in order to focus funds on these core priorities.

There is also a need to invest significant sums of money in the estate and in technology over the coming years. The current plan shows an investment programme of about £30m over the next four years. However, funding this programme is a challenge. The capital grant received from the Home Office is only circa £300k per annum and, even taking into account expected receipts from selling assets that are surplus to requirements, there remains a capital funding shortfall of approximately £10m within existing resources over the 2017/18 to 2020/2021 period.

Statement of Responsibilities

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

The Commissioner's responsibilities

The Commissioner is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs, that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

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



25/07/17

Police & Crime Commissioner for Dyfed Powys

Date

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Group/Commissioner at the reporting date and of its expenditure and income for the year ended 31st March 2017.



Chief Finance Officer

Date

25/07/17

Annual Governance Statement

This Annual Governance Statement (AGS) has been prepared to report on the extent to which the Police and Crime Commissioner of Dyfed-Powys complies with his code of governance and explains how this is consistent with the good governance principles in the Chartered Institute of Public Finance & Accountancy's new guidance (CIPFA) *Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales 2016 Edition*. This report includes a description of how the effectiveness of the governance arrangements has been monitored in the year and explains any planned changes in the coming period.

The new Guidance recognises 7 core principles:

- Core Principle A – behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
- Core Principle B – ensuring openness and comprehensive stakeholder engagement;
- Core Principle C – defining outcomes in terms of sustainable economic, social and environmental benefits;
- Core Principle D – determining the interventions necessary to optimise the achievement of the intended outcomes;
- Core Principle E – developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Core Principle F – managing risks and performance through robust internal control and strong public financial management;
- Core Principle G – implementing good practices in transparency, reporting and audit to deliver effective accountability.

This report has been structured using each of the headings suggested in the new Guidance. This report also meets the requirements of regulation 5(4) of the Accounts and Audit (Wales) Regulations 2014 in relation to the publication of a statement of internal control.

Responsibilities

Both the Commissioner and the Chief Constable are Corporations Sole and the Policing Protocol Order 2011 sets out the policing governance arrangements, clarifying the role and responsibilities of the Commissioner, the Chief Constable (CC) and the Police and Crime Panel and how they should work together to address crime and improve policing.

The Commissioner

The Commissioner is responsible for performing his functions as set out in the Police Reform and Social Responsibility Act 2011 and must hold the CC to account for the exercise of his functions. This includes ensuring that a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

At the start of the 2016/17 financial year, Christopher Salmon was the Police and Crime Commissioner for Dyfed-Powys (Commissioner). However, on 12th May 2016 Dafydd Llywelyn took office as the new Commissioner. Therefore, unless indicated otherwise, all further references to the Commissioner refer to Dafydd Llywelyn's term of office. Before commencing in office, the Commissioner took an oath to represent all of the people of Dyfed-Powys impartially, without fear or favour and in making his decisions, he signs off that he has no personal or prejudicial interest in the matter. Both

Commissioners and the Deputy Commissioner of Christopher Salmon (Dafydd Llywelyn does not have a deputy) have agreed to abide by a Code of Conduct providing guidance on ethical standards and behaviour.

During 2013/2014 a joint Code of Corporate Governance was written. This was adopted on 1st April 2014 and is included within the Corporate Governance Framework (CGF). This has since been updated to reflect the needs of the new Commissioner and CC and is reviewed annually to ensure it remains fit for purpose.

The Commissioner is responsible for setting his strategic direction and priorities and in March 2017, the Commissioner issued a five year Police and Crime Plan (Plan). The Plan is updated annually and outlines the vision, police and crime objectives and the strategic direction for policing. The Plan identifies four priorities focusing on communities and the vulnerable. The Plan was launched via a series of events to ensure that the Commissioner's vision was clearly communicated to the Force, partners and to the public.

Copies of both the CGF and Plan are available on the Commissioner's website or can be obtained from the Office for the Dyfed-Powys Police and Crime Commissioner at PO Box 99, Llangunnor, Carmarthen SA31 2PF.

The Chief Constable (CC)

At the start of the 2016/17 financial year, Simon Prince QPM was CC and on the 19th December 2016, Mark Collins took office as the new CC. The CC is responsible for maintaining the Queen's Peace and has direction and control over the Force's officers and staff. He holds Office under the Crown, and is accountable to the law for the exercise of police powers, and to the Commissioner for the delivery of efficient and effective policing and for the management of resources and expenditure by the Police Force. At all times the CC, remains operationally independent.

A Memorandum of Understanding between the Commissioner and CC defines the nature of their relationship, providing details of respective responsibilities and expected conduct. This is contained within the Corporate Governance Framework.

Police and Crime Panel

The Police and Crime Panel scrutinises and supports the work of the Commissioner on an ongoing basis. The Panel comprises twelve County Councillors and two Independent Members. The Panel carries out its work through public meetings that are recorded with the agenda and minutes made available to the public via the Commissioner's website. The Panel reviews complaints against the Commissioner. Further information about the Police and Crime Panel, including its terms of reference are available online.

Joint Audit committee

The Joint Audit Committee (JAC) currently comprises of four members and exists to provide independent assurance that there are adequate controls in place to mitigate key risks and to provide assurance that the Commissioner and CC are operating effectively. The JAC met four times during 2016/2017 and their judgements are informed by the results of scrutiny activity by Internal Audit, Wales Audit Office, Her Majesty's Inspectorate of Constabulary (HMIC) and other ad-hoc reviews or inspections. The JAC's terms of reference are available on the Commissioner's website.

Internal Audit

The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. Their reviews cover operations falling under both Corporations Sole's responsibilities. The internal auditors adopt a risk based approach in determining the audit needs each year. This includes reviewing our risk registers and risk management framework plus reviewing previous internal audit work, external audit recommendations together with key corporate documentation. This allows them to propose a three year plan. The JAC has responsibility for approving each year's internal audit plan.

Wales Audit Office

The Wales Audit Office (WAO) in carrying out its review of the financial statements provides comments on the system of internal controls that are in place. They also confirmed that the Commissioner and CC had appropriate arrangements in place in the year to secure economy, efficiency and effectiveness in their use of resources. Again, the result of their work is summarised below under Review of Effectiveness.

Corporate Governance Group

The Corporate Governance Group has delegated responsibility for undertaking the process of maintaining and reviewing the effectiveness of the governance framework. Membership currently includes the Chair of the JAC, the Deputy Chief Constable, the Commissioner's Monitoring Officer and both the Chief Finance Officers for the Commissioner, the Director of Resources and the Director of Legal & Compliance.

The Corporate Governance Group has developed a matrix that summarises the governance structures/tools in place for both Corporations Sole to demonstrate how the requirements of each of the 7 key principles are met. This matrix forms the evidence base for this AGS. The matrix also summarises further actions that we wish to undertake to further strengthen the governance framework. These actions form the action plan that is included below in this document.

Her Majesty's Inspectorate of Constabulary (HMIC)

HMIC independently assess police forces and policing activity from neighbourhood teams to serious crime. HMIC decides on the depth, frequency and areas to inspect based on their judgements about what is in the public interest. HMIC's annual inspection programme is subject to the approval of the Home Secretary in accordance with the Police Reform and Social Responsibility Act 2011.

Assessment of the effectiveness of key elements of the governance framework

Many of the key elements of the governance framework are discussed above under "Responsibilities". Each of the groups/individuals noted above plays a key role in ensuring that appropriate and fit for purpose governance arrangements and system of internal controls are in place. Where weaknesses in the effectiveness of these elements are identified, they are strengthened to ensure that the governance framework remains robust.

In addition to the above, the following key elements also exist to further strengthen the effectiveness of governance arrangements:

Corporate Governance Framework (CGF)

The CGF comprises the systems and processes, culture and values by which the force is directed and controlled by the CC and its activities through which it accounts to, engages with and leads its communities. It enables the Commissioner to monitor the achievement of his strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

Whilst the CGF has been in place since 2014/15, and is reviewed annually, the arrival of a new Commissioner and new CC necessitates a more significant review of the document to ensure that it adequately reflects the changing structures and operating models within both organisations. Now that the new Police & Crime Plan has been published, the CGF will be updated to ensure that it continues to support the needs and provide adequate assurance arrangements for both Corporations Sole.

Policing Board/Police Accountability Board

Policing Board is an internal system providing a robust process for the Commissioner to hold the CC to account in delivering the Police and Crime Plan. The Commissioner has introduced a risk based approach to scrutiny and the Policing Board meets on a fortnightly basis with meetings largely following a thematic approach. In addition, the Police Accountability Board meets quarterly and allows more formal monitoring of Force performance against the four priorities identified in the Police and Crime Plan. These meetings ensure that the Force is regularly challenged leading to an environment of continuous improvement.

Previously both the Policing Board and the Police Accountability Board meetings were held more frequently. However, it was felt that the timings of the meetings didn't align with the frequency of issues to be considered and therefore the new meetings, although less frequent, provide for a more effective and focussed monitoring regime. The success of the new system will be observed and amended if necessary.

The Policing Board charter is published as section 6 (Decision Making) of the Corporate Governance Framework.

Public Decision Logs

The Commissioner produces a public log of decisions made. Each decision is signed by the Commissioner who agrees to abide by the seven principles set out in the Standards in Public Life – the NOLAN Principles – in making his decisions.

These logs provide transparency to the public on all significant decisions that the Commissioner makes and they are also reviewed quarterly by the Police & Crime Panel.

The Plan and Delivery Plan

Christopher Salmon's Police & Crime Plan (Plan) was in place for the whole of 2016/17 with Dafydd Llywelyn publishing his new Plan at the end of March 2017. In support of the new Plan, the CC has developed a Delivery Plan that demonstrates how Force activities support and deliver the Commissioner's Plan. This will be a key document used to ensure that Force activities are aligned with the Commissioner's priorities and a positive step forward in strengthening governance arrangements across the two Corporations Sole for the forthcoming year.

Risk Framework

Both the Commissioner and CC have developed both a corporate and dynamic risk register and these are now fully embedded into the organisations. The Commissioner has just developed a risk based scrutiny plan at the end of 2016/17 in order to ensure that scrutiny activities take account of and are driven by inherent risks. This risk based approach will begin in earnest in the 2017/18 financial year but is recognised as a positive step forward to ensure that focus is placed on the areas of greatest need based on risk.

Opinion on the level of assurance that the governance arrangement can provide

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. As detailed above, the Corporate Governance Group has delegated responsibility for reviewing the corporate governance framework and also oversees its implementation. The review of effectiveness was carried out by the Corporate Governance Group and has been informed by:

- Police and Crime Panel views;
- Joint Audit Committee views;
- Internal Audit work;
- Wales Audit Office review and work;
- Policing Board discussions and actions;
- HMIC reviews and reports;
- Other reviews;
- National issues;
- Risks as identified on the corporate and dynamic risk registers;
- Issues raised in the Chief Officer Group meetings;
- Complaints recorded by the Public Services Bureau.

The following evidence is of particular note:

WAO - The WAO issued unqualified opinions on the 2015/16 financial statements of both the Police & Crime Commissioner and the Chief Constable for Dyfed Powys Police. They also confirmed that the Commissioner and CC had appropriate arrangements in place in the year to secure economy, efficiency and effectiveness in their use of resources.

Internal Audit - The primary role of internal audit is to give an assurance to the Commissioner and CC on the effectiveness of the controls in place to manage risks. To this end the Internal Auditor delivers an annual opinion of the effectiveness of the controls reviewed by the internal audit team during the year. This annual opinion, set

out in the annual report of the Internal Auditor, is one of the key sources of evidence in support of the Annual Governance Statement. With reference to 2016/17 the internal auditor, TIAA Ltd expressed the following opinion;

"I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Dyfed Powys Police's risk management, control and governance processes. In my opinion, the Police and Crime Commissioner and Chief Constable of Dyfed Powys Police has adequate and effective management, control and governance processes to manage the achievement of its objectives."

The Joint Audit Committee received two reports providing a limited assurance rating in relation to internal controls and these were in respect of the Public Service Bureau and Creditor Payments. All other audits conducted during 2016/17 received an overall assurance rating of reasonable or substantial and all of the highest priority agreed actions have been completed. Progress with implementing Audit recommendations is monitored by the Joint Audit Committee.

HMIC – During 2016/17 the Force experienced a significant level of inspections by HMIC. The Police Effectiveness, Efficiency and Legitimacy Programme have all concluded that the Force is graded as "Requiring Improvement" overall and against each area. These reports have been discussed by the Commissioner and CC and the Force has put in place additional arrangement to co-ordinate and manage all HMIC related work. It is the aim of both the Commissioner and CC to see these gradings rise to "good" in the near future and these actions are included on the action plan below.

Conclusion

Whilst recognising that there is further work to be carried out (as summarised in the action plan below), current governance arrangements are assessed to be adequate to provide assurance to both Corporations Sole.

Agreed action plan

The following actions will be progressed during 2017/18:

| Action | Link to Principle |
|---|-------------------|
| Determine how well understood the Code of Ethics and referral process is along with the transparency of feedback | A |
| Ensure ethics and integrity is reinforced through process | A |
| Establish Professional Reference Group | B |
| Increase community engagement at corporate level | B |
| Consider sustainable development principles in all new business cases and ideas | C |
| Develop a process for discussing and implementing new ideas/ business plans/ legislation (front door process) | C |
| Develop and embed performance structures to support the Delivery Plan | D |
| Create a repository of staff skills and qualifications to facilitate best utilisation of available resources and skill sets | E |
| Develop Leadership Strategy | E |
| Roll out Transformational Leadership Programme | E |
| Achieve a rating of "good" from HMIC in the PEEL Efficiency inspection | F |
| Achieve a rating of "good" from HMIC in the PEEL Effectiveness inspection | F |
| Achieve a rating of "good" from HMIC in the PEEL Legitimacy inspection | F |
| Establish and publish a plan of our own audit of processes and systems and compliance testing | G |
| Link corporate governance action plan to the risk register | G |

How issues in the previous year's AGS have been resolved

- CGF - The new joint CGF was introduced on the 1st April 2014. An updated version was introduced at the beginning of 2015/16 after the CGF was reviewed to assess its suitability and success. The CGF is now embedded within the organisation and is reviewed, as a minimum, on an annual basis. The review due to be carried out in 2016/17 has been delayed until the new Plan is issued thus allowing arrangements within the CGF to be aligned with the Plan and the CC's Delivery Plan. This work will begin early in 2017/18.
- Risk management – During 2014/15 a new risk framework was developed with both the Commissioner and CC adopting a corporate risk register and then dynamic risk registers to record and manage risks within the organisation. The Force has adopted the new risk management arrangements and developed its Force wide risk appetite during 2015/16. The Commissioner has now also firmly embedded its registers into the organisation and has progressed further by developing a risk based scrutiny approach to holding the CC to account.

- Partnership Working – The CC has completed the development of internal governance arrangements for collaborations.
- Business Continuity – Internal Audit have raised a priority 1 (urgent) action point in relation to business continuity. This action has been completed during 2016/17.
- HMIC carried out a significant number of inspections during 2015/16 (and more during 2016/17) - In particular, the HMIC Police Effectiveness, Efficiency and Legitimacy (PEEL) inspections that took place in 2015 and 2016 assessed the Force as "Requires improvement". The Force has action plans in place to deliver improvements and this work is still ongoing in 2017/18.
- During 2015/16, the Force received negative press coverage in relation to the scale of relocation expenses paid under the Police Authority's previous policy in accordance with Police Regulations. These policies have now been amended and the review of chief officer packages has been undertaken and this action is now complete.
- An allegation has been referred to the Independent Police Complaints Commission (IPCC) and deemed suitable for local investigation by the West Mercia Constabulary concerning the consequences or otherwise of a former relationship between senior Force personnel on internal force matters. The matter has concluded and the subjects of the review have now both left the organisation and this matter is closed.
- The IPCC has an investigation underway following referral by the Force into allegations received against the Director of Legal and Compliance. The allegations relate to payments made by Dyfed Powys Police for legal services over a number of years to a barrister's chamber where her then husband worked. The IPCC is investigating what role the Director of Legal and Compliance had in instructing the chambers, in signing off any invoices and whether a potential conflict of interest was declared, when required, in line with force policies and procedures. The investigation has concluded and a judgement that there is no case to answer for misconduct has been issued. This matter is now closed.
- The Force has self-referred details of information security breaches to the Information Commissioner's Office involving the unintended release of confidential personal data to a third party by the Force. This arose as a result of human error and weaknesses in Force systems involving auto population of email addresses. As a result the Force has taken steps to address these significant issues however a fine of £120,000 was paid in 2016/17. The outcome of further investigations into the other security breaches have yet to be determined and will be reviewed when available. If appropriate, an action plan will be drawn up to address any issues raised.
- The Wales Audit Office issued unqualified opinions on the 2015/16 financial statements of both the Police & Crime Commissioner and the Chief Constable for Dyfed Powys Police. They also confirmed that the Commissioner and CC had appropriate arrangements in place in the year to secure economy, efficiency and effectiveness in their use of resources. They also noted that whilst progress had been

made on developing plans to manage the financial pressures over the medium and longer term, further work was required. This work has continued over the course of 2016/17 with sensitivity analyses being carried out during the budget setting process and a report on efficiency being submitted to HMIC at the end of 2016/17. This report pulls together a number of important issues relating to ongoing financial pressures and the work undertaken to date to alleviate some of those pressures.

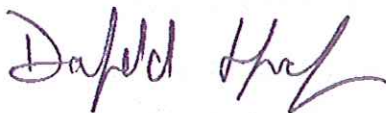
Conclusion

Having carried out the review, we believe that the governance arrangements that are in place continue to be regarded as fit for purpose in accordance with the governance framework. A number of issues previously identified have been successfully addressed and closed as detailed above. That said, the review has also highlighted a number of new issues that must be specifically addressed over the coming financial year.

These issues and related actions will be monitored by the Corporate Governance Group and the Joint Audit Committee over the next twelve months to ensure that governance arrangements are monitored and further strengthened.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:




Dafydd Llywelyn
Police and Crime
Commissioner

Signed:



Carys Morgans
Chief of Staff

Signed:



Jayne Woods
Chief Finance Officer

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

I have audited the accounting statements and related notes of:

- Police and Crime Commissioner for Dyfed Powys;
- Police and Crime Commissioner for Dyfed Powys Group; and
- Dyfed Powys Police Pension Fund

for the year ended 31st March 2017 under the Public Audit (Wales) Act 2004.

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

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

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

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts as set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for Dyfed Powys' Group accounting statements and the Dyfed Powys Police Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of the Police and Crime Commissioner for Dyfed Powys

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Dyfed Powys as at 31st March 2017 and of his income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Dyfed Powys Group as at 31st March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of the Dyfed Powys Police Pension Fund

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

- give a true and fair view of the financial transactions of the Dyfed Powys Police Pension Fund during the year ended 31st March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

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

Matters on which I report by exception

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

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

Certificate of completion of audit

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



For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ
25th July 2017

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

Expenditure and Funding Analysis 2016/17

This is a new Statement which reflects a key accounting change introduced by the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*. The Expenditure and Funding Analysis shows how annual expenditure is used and funded by the Group from resources (government grants, rents and council tax) in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Group's Directorates/Services/Departments. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| | Net Expenditure Chargeable to the General Fund | Adjustments between Funding and Accounting Basis – please refer to Note 8 for further information | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|--|---|---|
| | £'000 | £'000 | £'000 |
| Office of the Police and Crime Commissioner | 1,982 | 38 | 2,020 |
| Chief Constable's Office | 2,015 | 153 | 2,168 |
| Central Budgeting/Financing | 5,379 | (2,945) | 2,434 |
| Resources Directorate | 8,141 | 887 | 9,028 |
| Legal and Compliance Directorate | 1,758 | 126 | 1,884 |
| Finance Directorate | 5,751 | 338 | 6,089 |
| Neighbourhoods | 47,544 | 6,529 | 54,073 |
| Investigations | 22,883 | 2,616 | 25,499 |
| Scientific Support | 1,491 | 87 | 1,578 |
| Criminal Justice | 1,109 | 110 | 1,219 |
| Professional Standards | 1,021 | 110 | 1,131 |
| Staff Associations | 190 | 22 | 212 |
| Holding Accounts/Self funded areas | 80 | 0 | 80 |
| Exceptional Items - | | | |
| Non-current assets revaluation | 0 | 1,008 | 1,008 |
| PFI Contract Termination | 0 | 0 | 0 |
| Icelandic Banks Impairment | 0 | 0 | 0 |
| NET COST OF SERVICES | 99,344 | 9,079 | 108,423 |
| Other Income and Expenditure | (93,341) | 20,513 | (72,828) |
| SURPLUS OR DEFICIT (Before Reserve Transfers) | 6,003 | 29,592 | 35,595 |
| Transfers from Earmarked Reserves | (6,003) | | |
| SURPLUS OR DEFICIT FOR THE YEAR | 0 | | |
| Opening General Fund Balance as at 1 st April 2016 | (4,500) | | |
| Less Deficit on General Fund Balance in Year | 0 | | |
| Closing General Fund Balance as at March 2017 | (4,500) | | |

Expenditure and Funding Analysis 2015/16

| | Net Expenditure Chargeable to the General Fund | Adjustments between Funding and Accounting Basis— please refer to Note 8 for further information | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|--|--|---|
| | £'000 | £'000 | £'000 |
| Office of the Police and Crime Commissioner | 999 | 6 | 1,005 |
| Chief Constable's Office | 1,590 | 170 | 1,760 |
| Central Budgeting/Financing | 15,823 | (10,730) | 5,093 |
| Resources Directorate | 8,192 | 1,147 | 9,339 |
| Legal and Compliance Directorate | 1,747 | 121 | 1,868 |
| Finance Directorate | 5,343 | 108 | 5,451 |
| Neighbourhoods | 50,338 | 8,296 | 58,634 |
| Investigations | 16,554 | 2,491 | 19,045 |
| Scientific Support | 1,553 | 91 | 1,644 |
| Criminal Justice | 957 | 133 | 1,090 |
| Professional Standards | 927 | 127 | 1,054 |
| Staff Associations | 226 | 31 | 257 |
| Holding Accounts/Self funded areas | 174 | (70) | 104 |
| Exceptional Items - | | | |
| Non-current assets revaluation | 0 | (34) | (34) |
| PFI Contract Termination | 1,469 | 0 | 1,469 |
| Icelandic Banks impairment | (40) | 0 | (40) |
| NET COST OF SERVICES | 105,852 | 1,887 | 107,739 |
| Other Income and Expenditure | (93,332) | 20,921 | (72,411) |
| SURPLUS OR DEFICIT (Before Reserve Transfers) | 12,520 | 22,808 | 35,328 |
| Transfers from Earmarked Reserves | (12,520) | | |
| SURPLUS OR DEFICIT FOR THE YEAR | 0 | | |
| Opening General Fund Balance as at 1 st April 2015 | (4,500) | | |
| Less Deficit on General Fund Balance in Year | 0 | | |
| Closing General Fund Balance as at March 2016 | (4,500) | | |

Comprehensive Income and Expenditure Statement 2016/17

This Statement has been completed in accordance with the new reporting requirements introduced by the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*.

| Group | | | | Note | Commissioner | | |
|-------------------|--------------|-----------------|---|-------|-------------------|--------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | |
| 2,993 | (973) | 2,020 | Office of the Police and Crime Commissioner | | 6,139 | (4,119) | 2,020 |
| 2,289 | (121) | 2,168 | Chief Constable's Office | | 0 | (121) | (121) |
| 6,694 | (4,260) | 2,434 | Central Budgeting/Financing | | 0 | (4,260) | (4,260) |
| 9,516 | (488) | 9,028 | Resources Directorate | | 0 | (488) | (488) |
| 2,085 | (201) | 1,884 | Legal and Compliance Directorate | | 0 | (201) | (201) |
| 6,345 | (256) | 6,089 | Finance Directorate | | 0 | (256) | (256) |
| 54,644 | (571) | 54,073 | Neighbourhoods | | 648 | (571) | 77 |
| 25,710 | (211) | 25,499 | Investigations | | 0 | (211) | (211) |
| 1,578 | 0 | 1,578 | Scientific Support | | 0 | 0 | 0 |
| 1,310 | (91) | 1,219 | Criminal Justice | | 0 | (91) | (91) |
| 1,134 | (3) | 1,131 | Professional Standards | | 0 | (3) | (3) |
| 212 | 0 | 212 | Staff Associations | | 0 | 0 | 0 |
| 6,460 | (6,380) | 80 | Holding Accounts/Self funded areas | | 0 | (6,380) | (6,380) |
| | | | <i>Exceptional Items -</i> | | | | |
| 1,008 | 0 | 1,008 | Non-current assets revaluation | | 1,008 | 0 | 1,008 |
| 121,978 | (13,555) | 108,423 | Cost of Services | | 7,795 | (16,701) | (8,906) |
| 0 | (14,345) | (14,345) | Other operating income/expenditure | 13 | 0 | (14,345) | (14,345) |
| 36,781 | (1,513) | 35,268 | Financing and investment income and expenditure | 14 | 868 | (1,513) | (645) |
| 0 | (93,751) | (93,751) | Taxation and non-specific grant income | 15 | 0 | (93,751) | (93,751) |
| 0 | 0 | 0 | Commissioning Costs (intra-group transfer) | | 153,242 | 0 | 153,242 |
| 158,759 | (123,164) | 35,595 | (Surplus)/deficit on Provision of services | | 161,905 | (126,310) | 35,595 |
| | | (7,742) | Surplus or deficit on revaluation of non-current assets | | | | (7,742) |
| | | 271,601 | Actuarial (gains)/losses on pension assets/liabilities | | | | 178 |
| | | 0 | Commissioning Costs (intra-group transfer) | | | | 271,423 |
| | | 263,859 | Other comprehensive income and expenditure | | | | 263,859 |
| | | 299,454 | Total comprehensive income and expenditure | | | | 299,454 |

Comprehensive Income and Expenditure Statement 2015/16 (Restated)

The 2015/16 Statement has been restated to reflect the new reporting requirements introduced by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

| Group | | | Note | Commissioner | | |
|-------------------|--------------|-----------------|---|-------------------|--------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 2,344 | (1,339) | 1,005 | Office of the Police and Crime Commissioner | 5,393 | (4,388) | 1,005 |
| 1,783 | (23) | 1,760 | Chief Constable's Office | 0 | (23) | (23) |
| 7,645 | (2,552) | 5,093 | Central Budgeting/Financing | 0 | (2,552) | (2,552) |
| 9,761 | (422) | 9,339 | Resources Directorate | 0 | (422) | (422) |
| 2,036 | (168) | 1,868 | Legal and Compliance Directorate | 0 | (168) | (168) |
| 5,676 | (225) | 5,451 | Finance Directorate | 0 | (225) | (225) |
| 60,059 | (1,425) | 58,634 | Neighbourhoods | 638 | (1,425) | (787) |
| 19,383 | (338) | 19,045 | Investigations | 0 | (338) | (338) |
| 1,650 | (6) | 1,644 | Scientific Support | 0 | (6) | (6) |
| 1,512 | (422) | 1,090 | Criminal Justice | 0 | (422) | (422) |
| 1,057 | (3) | 1,054 | Professional Standards | 0 | (3) | (3) |
| 257 | 0 | 257 | Staff Associations | 0 | 0 | 0 |
| 4,030 | (3,926) | 104 | Holding Accounts/Self funded areas | 0 | (3,926) | (3,926) |
| | | | Exceptional Items - | | | |
| (34) | 0 | (34) | Non-current assets revaluation | (34) | 0 | (34) |
| 1,469 | 0 | 1,469 | PFI Contract Termination | 1,469 | 0 | 1,469 |
| (40) | 0 | (40) | Icelandic Banks Impairment | (40) | 0 | (40) |
| 118,588 | (10,849) | 107,739 | Cost of Services | 7,426 | (13,898) | (6,472) |
| 0 | (11,806) | (11,806) | Other operating income/expenditure | 13 | 0 | (11,806) |
| 34,622 | (1,275) | 33,347 | Financing and investment income and expenditure | 14 | 546 | (729) |
| 0 | (93,952) | (93,952) | Taxation and non-specific grant income | 15 | 0 | (93,952) |
| 0 | 0 | 0 | Commissioning Costs (intra-group transfer) | | 148,287 | 0 |
| 153,210 | (117,882) | 35,328 | (Surplus)/deficit on Provision of services | | 156,259 | (120,931) |
| | | (346) | Surplus or deficit on revaluation of non-current assets | | | (346) |
| | | (66,641) | Actuarial (gains)/losses on pension assets/liabilities | | | (100) |
| | | 0 | Commissioning Costs (intra-group transfer) | | | (66,541) |
| | | (66,987) | Other comprehensive income and expenditure | | | (66,987) |
| | | (31,659) | Total comprehensive income and expenditure | | | (31,659) |

Movement in Reserves Statement
Financial Year 2016/17

| | Statement /Note | General Fund Balance | Earmarked Revenue Reserves | Earmarked Capital Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Deferred Capital Receipts Reserve | Available for Sale Financial Instruments Reserve | Accumulated Absences Account | Pensions Reserves | Total Unusable Reserves | Total Reserves |
|--|-----------------|----------------------|----------------------------|---------------------------|--------------------------|--------------------------|-----------------------|---------------------|----------------------------|-----------------------------------|--|------------------------------|-------------------|-------------------------|----------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 st March 2016 carried forward | | 4,500 | 9,174 | 18,683 | 0 | 505 | 32,862 | 13,253 | 59,282 | 205 | 165 | (503) | (1,011,819) | (939,417) | (906,555) |
| Movement in reserves during 2016/17: | | | | | | | | | | | | | | | |
| Surplus or (deficit) on the provision of services | CIES | (35,595) | 0 | 0 | 0 | 0 | (35,595) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (35,595) |
| Other Comprehensive Income and Expenditure | CIES | 0 | 0 | 0 | 0 | 0 | 0 | 7,742 | 0 | 0 | 0 | 0 | (271,601) | (263,859) | (263,859) |
| Total Comprehensive Income and Expenditure | | (35,595) | 0 | 0 | 0 | 0 | (35,595) | 7,742 | 0 | 0 | 0 | 0 | (271,601) | (263,859) | (299,454) |
| Adjustments between accounting basis and funding basis under Regulations | 11 | 29,592 | 0 | 0 | (1) | 374 | 29,965 | (285) | (357) | (114) | (81) | 135 | (29,263) | (29,965) | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | (6,003) | 0 | 0 | (1) | 374 | (5,630) | 7,457 | (357) | (114) | (81) | 135 | (300,864) | (293,824) | (299,454) |
| Transfers to/from earmarked reserves | 12 | 6,003 | (2,502) | (3,500) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/(Decrease) in 2016/17 | | 0 | (2,502) | (3,500) | (1) | 374 | (5,630) | 7,457 | (357) | (114) | (81) | 135 | (300,864) | (293,824) | (299,454) |
| Balance at 31 st March 2017 carried forward | | 4,500 | 6,671 | 15,183 | (1) | 879 | 27,233 | 20,709 | 58,925 | 91 | 84 | (368) | (1,312,684) | (1,233,242) | (1,206,009) |

Financial Year 2015/16

| | Statement /Note | General Fund Balance | Earmarked Revenue Reserves | Earmarked Capital Reserve | Capital Grants Unapplied | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Deferred Capital Receipts Reserve | Available for Sale Financial Instruments Reserve | Accumulated Absences Account | Pensions Reserves | Total Unusable Reserves | Total Reserves |
|--|-----------------|----------------------|----------------------------|---------------------------|--------------------------|-----------------------|---------------------|----------------------------|-----------------------------------|--|------------------------------|-------------------|-------------------------|----------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 st March 2015 carried forward | | 4,500 | 22,849 | 17,528 | 627 | 45,504 | 13,191 | 50,908 | 0 | 0 | (534) | (1,047,283) | (983,718) | (938,214) |
| Movement in reserves during 2015/16: | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Surplus or (deficit) on the provision of services | CIES | (35,328) | 0 | 0 | 0 | (35,328) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (35,328) |
| Other Comprehensive Income and Expenditure | CIES | 0 | 0 | 0 | 0 | 0 | 347 | 0 | 0 | 0 | 0 | 66,641 | 66,988 | 66,988 |
| Total Comprehensive Income and Expenditure | | (35,328) | 0 | 0 | 0 | (35,328) | 347 | 0 | 0 | 0 | 0 | 66,641 | 66,988 | 31,659 |
| Adjustments between accounting basis and funding basis under Regulations | 0 | 22,808 | 0 | 0 | (122) | 22,686 | (285) | 8,374 | 205 | 165 | 31 | (31,177) | (22,686) | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | (12,520) | 0 | 0 | (122) | (12,642) | 62 | 8,374 | 205 | 165 | 31 | 35,464 | 44,301 | 31,659 |
| Transfers to/from earmarked reserves | | 12,520 | (13,675) | 1,155 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/(Decrease) in 2015/16 | | 0 | (13,675) | 1,155 | (122) | (12,642) | 62 | 8,374 | 205 | 165 | 31 | 35,464 | 44,301 | 31,659 |
| Balance at 31 st March 2016 carried forward | | 4,500 | 9,174 | 18,683 | 505 | 32,862 | 13,253 | 59,282 | 205 | 165 | (503) | (1,011,819) | (939,417) | (906,555) |

Balance Sheet

| Group 2015/16 | Commissioner 2015/16 | | Note | Group 2016/17 | Commissioner 2016/17 |
|--------------------------|---------------------------------|-------------------------------|-------------|--------------------------|---------------------------------|
| £'000 | £'000 | | | £'000 | £'000 |
| 66,655 | 66,655 | Property, plant & equipment | 16 | 73,729 | 73,729 |
| 4,579 | 4,579 | Investment property | 17 | 4,232 | 4,232 |
| 260 | 260 | Intangible assets | 19 | 177 | 177 |
| 1,040 | 1,040 | Surplus Assets | | 1,497 | 1,497 |
| 0 | 0 | Assets held for sale | 25 | 0 | 0 |
| 0 | 0 | Long term investments | | 6,580 | 6,580 |
| 91 | 91 | Long term debtors | 20 | 23 | 23 |
| 72,625 | 72,625 | Long term assets | | 86,238 | 86,238 |
| 36,220 | 36,220 | Short term investments | 21 | 22,341 | 22,341 |
| 368 | 0 | Inventories | 22 | 429 | 0 |
| 6,489 | 6,149 | Short term debtors | 23 | 7,126 | 6,835 |
| 1,921 | 1,921 | Cash and cash equivalents | 24 | 2,209 | 2,209 |
| 0 | 708 | Intra-group transfer | | 0 | 720 |
| 44,998 | 44,998 | Current assets | | 32,105 | 32,105 |
| (157) | (157) | Short term borrowing | 21 | (172) | (172) |
| (8,078) | (2,471) | Short term creditors | 26 | (7,731) | (2,551) |
| (939) | (939) | Provisions | 27 | (782) | (782) |
| 0 | (5,607) | Intra - group transfer | | 0 | (5,180) |
| (9,174) | (9,174) | Current liabilities | | (8,685) | (8,685) |
| 0 | (1,011,919) | Long term creditors | | 0 | (1,312,506) |
| (2,312) | (2,312) | Long term borrowing | 21 | (2,138) | (2,138) |
| (1,011,819) | 100 | Other long term liabilities | 21 | (1,312,684) | (178) |
| (873) | (873) | Provisions | 27 | (845) | (845) |
| (1,015,004) | (1,015,004) | Long term liabilities | | (1,315,667) | (1,315,667) |
| (906,555) | (906,555) | Net assets/liabilities | | (1,206,009) | (1,206,009) |
| (32,862) | (32,862) | Usable reserves | 28 | (27,233) | (27,233) |
| 939,417 | 939,417 | Unusable reserves | 29 | 1,233,242 | 1,233,242 |
| 906,555 | 906,555 | Total reserves | | 1,206,009 | 1,206,009 |

Cash Flow Statement

| Group 2015/16 | Commissioner 2015/16 | | Note | Group 2016/17 | Commissioner 2016/17 |
|------------------|-------------------------|---|------|------------------|-------------------------|
| £'000 | £'000 | | | £'000 | £'000 |
| 35,328 | 35,328 | Net (surplus) or deficit on the provision of services | | 35,595 | 35,595 |
| (33,753) | (33,753) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | | (32,243) | (32,243) |
| (317) | (317) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | (426) | (426) |
| 1,258 | 1,258 | Net cash flows from Operating Activities | 30 | 2,926 | 2,926 |
| 2,109 | 2,109 | Investing Activities | 31 | (4,341) | (4,341) |
| 1,139 | 1,139 | Financing Activities | 32 | 1,127 | 1,127 |
| 4,506 | 4,506 | Net increase or decrease in cash and cash equivalents | | (288) | (288) |
| 6,427 | 6,427 | Cash and cash equivalents at the beginning of the reporting period | | 1,921 | 1,921 |
| 1,921 | 1,921 | Cash and cash equivalents at the end of the reporting period | 24 | 2,209 | 2,209 |

Police Pension Fund

| Group 2015/16 | Commissioner 2015/16 | Fund Account | Group 2016/17 | Commissioner 2016/17 |
|------------------|-------------------------|---|------------------|-------------------------|
| £'000 | £'000 | | £'000 | £'000 |
| | | Contributions receivable: | | |
| (10,348) | 0 | • Employer contributions | (10,236) | 0 |
| (168) | 0 | • Other income | (373) | 0 |
| (5,865) | 0 | Officers' contributions | (5,770) | 0 |
| (16,381) | 0 | | (16,379) | 0 |
| (772) | 0 | Transfers in from other pension funds | 78 | 0 |
| | | Benefits payable: | | |
| 22,557 | 0 | • Pensions | 23,273 | 0 |
| 7,281 | 0 | • Commutations and lump sum retirement benefits | 7,286 | 0 |
| 29,066 | 0 | | 30,637 | 0 |
| | | Payments to and on account of leavers: | | |
| (476) | 0 | • Transfers out to other pension funds | (58) | 0 |
| 0 | 0 | • Refunds of contributions | 5 | 0 |
| 319 | 0 | • Other expenditure | 20 | 0 |
| (157) | 0 | | (33) | 0 |
| 12,528 | (12,528) | Net amount payable for the year | 14,225 | (14,225) |
| (12,528) | 12,528 | Additional contribution from the Police Fund (re Home Office Grant) | (14,225) | 14,225 |
| 0 | 0 | | 0 | 0 |

| Group 2015/16 | Commissioner 2015/16 | Net Assets Statement | Group 2016/17 | Commissioner 2016/17 |
|------------------|-------------------------|----------------------------|------------------|-------------------------|
| £'000 | £'000 | | £'000 | £'000 |
| | | Current Assets | | |
| 49 | 0 | Deficit due | 0 | 0 |
| 49 | 0 | | 0 | 0 |
| | | Current Liabilities | | |
| (49) | 0 | Surplus owed | 0 | 0 |
| (49) | 0 | | 0 | 0 |
| 0 | 0 | | 0 | 0 |

Funding Shortfall to be met by Police Fund

Employer Police Officer Pension scheme contributions reduced from 24.2% to 21.3%. The difference of 2.9% has been retained by the exchequer which represents the funding shortfall to be met by Police Fund.

Notes to the Accounts

1. Accounting policies

General Principles

The Statement of Accounts summarises the Group's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Commissioner is required to prepare an annual Statement of Accounts for himself and the Group by the Accounts and Audit (Wales) Regulations 2005 (as amended), which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the financial position or financial performance of the Group. 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 prior period.

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Group transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Revenue from the provision of services is recognised when the Group can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Group.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the

relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Group's arrangements for accountability and financial performance.

Exceptional Items

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

Events after the Balance Sheet date

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 events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after 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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Property, plant and equipment

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it incurred.

Expenditure falling below a de-minimis level of £6,000 per item is treated as Revenue and charged when it is incurred.

Assets are initially measured at cost and are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction – depreciated historical cost;
- Operational Buildings – Depreciated Replacement Cost;
- Surplus assets / Assets Held For Sale – Fair value – reviewed annually;
- Investment Properties – fair value (reviewed annually every five years);
- All other assets – fair value (revalued every five years), determined as the amount that would be paid for the asset in its existing use.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since

1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the CIES.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. The useful economic lives and residual value of assets are summarised in the Property, Plant and Equipment note.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Group has applied the following de-minimis limits, below which, the component is not separately quantified:

| Life of component (years) | 0-10 | 10-15 | 15-20 | 20-30 | 30-40 | Over 40 |
|---------------------------|------|-------|-------|-------|-------|---------|
| De-minimis (£'000) | 50 | 100 | 200 | 300 | 750 | 1,000 |

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Surplus Assets

Surplus assets are those that are not being actively used in the business (such as vacant properties) and that cannot be classed as "assets held for sale". Surplus assets will be measured at fair value at each reporting date, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to

sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES.

Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts reserve, and can only be used for new capital investment (or set aside to reduce the Group's underlying need to borrow – the capital financing requirement).

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

Depreciation attributable to the assets used by the relevant service.

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

Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Intangible assets

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

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

Amortisation of intangible fixed assets attributable to the service

The Group is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in his overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Financial Instruments

Financial Liabilities

These are initially measured at fair value and are carried at their amortised cost. Annual charges to the Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the

instrument. The amount presented in the Balance Sheet is the outstanding principal plus accrued interest.

Financial Assets

Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Group has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest.

Foreign currency translation

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Inventories

Inventories are included in the balance sheet at current cost price. International Accounting Standard (IAS) 2 states that Inventories should be measured at the lower of cost and net realisable value. The policy does not therefore comply with IAS 2 but the difference is not material.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are short term, highly liquid investments held at the balance sheet date that are readily convertible to known amounts of cash on the balance sheet date and which are subject to an insignificant risk of changes in value.

Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. Revenue reserves are available to finance expenditure. Certain capital reserves created as a result of the capital accounting scheme are not available to meet current expenditure and include:

- Revaluation Reserve which records the accumulated gains on the fixed assets held by the Group arising from increases in value, to the extent that these gains have not been consumed by subsequent downward movements in value;
- Capital Adjustment Account, which provides a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital controls system, by accumulating:
 - On the debit side – the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal;
 - On the credit side – the resources that have been set aside to finance capital expenditure.

Collaborative Arrangements

CIPFA issued new guidance on "Accounting for Collaboration" applicable for the 2014/15 financial year onwards. This required the Commissioner and Force to assess all collaborative activity and categorise these into either joint operations or joint ventures and account for their fair share of expenditure, income, assets and liabilities in their individual accounts. Further details can be found under the Collaborative Arrangements note.

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 wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which the employees render service. An accrual is made for the cost of holiday entitlements (including time off in lieu and flexi leave) 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 salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Commissioner and Chief Constable to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post-Employment Benefits

Police officers and police staff have the option of belonging to one of two separate pension schemes relevant to them:

- Police Officers Pension Scheme, administered through a Police Pension Fund
- Local Government Pensions Scheme, administered by Carmarthenshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Group.

This Police Officer Pension scheme is "unfunded" which means that no investment assets are built up to pay pensions and other benefits in the future, and therefore no provision to meet the liability for future payments of benefits is included in the balance sheet. The liabilities of the Local Government Scheme that are attributable to the Group are included in the Balance Sheet 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 earnings for current employees.

Discretionary Benefits

The Commissioner and Chief Constable also have 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 Pension Scheme.

Government grants and contributions

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Leases

The rentals payable/receivable are charged to the CIES on an accruals basis.

Private Finance Initiatives (PFI) and Similar Contracts

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Group.

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

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

However during the year the Group's PFI was terminated. Further details on the accounting treatment of the termination of the PFI and subsequent recognition of the asset in the accounts is provided under the "Private Finance initiatives and similar contracts" note.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs by the Group. VAT receivable is excluded from income.

2. Previous period adjustments

Expenditure and Funding Analysis

A new statement has been introduced by the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*. The Expenditure and Funding Analysis shows how annual expenditure is used and funded by the Group from resources (government grants, rents and council tax) in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Group's Directorates/Services/Departments. A requirement of the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* was to also include this new statement for the 2015/16 Comparative year.

Note 16 – Property Plant and Equipment

Following the reclassification of Land and Buildings to a surplus asset in 2015/16 an error was made regarding the split between land and buildings. The total amount of this was £50k. An adjustment to the valuation between land and buildings has been made to the March 2016 valuation. This has had no effect on the total value of Fixed Assets.

Buildings

| Previous Amount £'000 | | Restated Amount £'000 | Difference £'000 |
|--------------------------|---|--------------------------|---------------------|
| 57,149 | Net Book Value at 1 st April 2015 | 57,149 | 0 |
| 55,741 | Net Book Value at 31 st March 2016 | 55,791 | 50 |

Land

| Previous Amount £'000 | | Restated Amount £'000 | Difference £'000 |
|--------------------------|---|--------------------------|---------------------|
| 4,370 | Net Book Value at 1 st April 2015 | 4,370 | 0 |
| 4,370 | Net Book Value at 31 st March 2016 | 4,320 | (50) |

An issue has been identified regarding a note to the accounts whereby the historic gross book value of vehicles and plant included in a note have not been reduced as required on disposal.

This has had no impact on the Balance Sheet carrying value. This has been restated for 2015/16.

The impact of this is illustrated below:-

| Previous Amount £'000 | Vehicles | Restated Amount £'000 | Difference £'000 |
|--------------------------|--|--------------------------|---------------------|
| 8,176 | Cost or Valuation at 1 st April 2015 | 8,176 | 0 |
| 1,356 | Additions | 1,356 | 0 |
| (870) | Derecognition – disposals | (2,026) | (1,156) |
| (20) | Assets reclassified | (20) | 0 |
| 8,642 | Cost or Valuation at 31 st March 2016 | 7,486 | (1,156) |
| (5,328) | Accumulated depreciation and impairment at 1 st April 2015 | (5,328) | 0 |
| (963) | Depreciation Charge | (963) | 0 |
| 836 | Derecognition - disposals | 1,992 | 1,156 |
| (5,455) | Accumulated Depreciation and impairment at 31 st March 2016 | (4,299) | 1,156 |
| 3,187 | Net Book value at 31 st March 2016 | 3,187 | 0 |

3. Accounting standards that have been issued but have not yet been adopted

The Code requires the Police and Crime Commissioner to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The following changes will be required from 1 April 2017:

- Amendment to the reporting of pension fund scheme transaction costs:
 - the total amount of transaction costs of all major asset classes, including an explanation to enable users to understand the nature of the transaction costs and how they arise for different types of investment;
- Amendment to the reporting of investment concentration
 - Details of any single investment exceeding 5% of the net assets available for benefits

In the Financial Statements for 2017/18, the effect of the changes will be assessed and where necessary, the comparative figures restated, however, it is anticipated that the changes will not have a material impact.

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Future funding position

There is a high degree of uncertainty about future levels of funding for the Police and Crime Commissioner for Dyfed Powys. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Undercover Policing Inquiry

On 12 March 2015 the then Home Secretary established an inquiry into undercover policing under the Inquiries Act 2005. The purpose of this inquiry is to investigate and report on undercover police operations conducted by English and Welsh police forces in England and Wales since 1968. The inquiry will examine the contribution undercover policing has made to tackling crime, how it was and is supervised and regulated, and its effect on individuals involved – both police officers and others who came into contact with them.

The work of the Inquiry ranges across the full scope of undercover policing work and will look at the work of the Special Demonstration Squad, the National Public Order Intelligence Unit and police forces across England and Wales. The inquiry will also examine whether people may have been wrongly convicted in cases involving undercover police officers, and refer any such cases to a separate panel for consideration.

At this stage, the inquiry is not far enough progressed to establish whether or not the Police and Crime Commissioner for Dyfed-Powys will have a liability.

- Municipal Mutual Insurance (MMI)

MMI is a former insurer of public bodies which ceased trading in 1992. At the time that the company ceased trading, a number of health related claims were outstanding and in common with many other local authorities, the Authority and subsequently the Commissioner, is in a scheme of arrangement to meet all outstanding claims. This scheme is still in place and its claim Director originally advised that the maximum liability to fall on the Commissioner would be £608,900.

The Scheme Administrator wrote to the Commissioner on the 13th May 2013, stating that following the triggering of MMI's Scheme of Arrangement, he determined that initially, a Levy rate of 15% would be required, and as such, an amount of £91,335 was paid in 2013/14. A further amount of £60,890 was paid in 2015/16 at a levy rate of 10%. Despite correspondence suggesting that the provision in the accounts can be reduced, a prudent approach has been adopted and the Commissioner has included a long-term provision of £456,675 in the 2016/17 accounts. This is made up of the maximum liability amount of £608,900, less the two payments that have been made.

- Police Pension Legal Challenge - Career Average Revalued Earnings.

The Chief Constable of Dyfed Powys, along with other Chief Constables and the Home Office, initially had 14 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

5. Assumptions made about future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Commissioner 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 Balance Sheet at 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---------------------------------|---|--|
| Property, plant and equipment | <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Commissioner will be able to sustain his current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Estimates of remaining useful life were obtained in 16/17 and depreciation calculations rely on these estimations. The Commissioner has used depreciated historical cost as a proxy for furniture, plant and equipment.</p> | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the total annual depreciation charge for buildings would increase by £68k if the useful life of each building was reduced by 1 year.</p> |
| Accumulated Absences Fund | <p>In determining the liability in respect of accumulated absences, information in respect of annual leave and flexi leave was obtained from the system.</p> <p>A sampling approach was adopted in order to arrive at the liability. A representative sample of employees was selected and electronic records obtained detailing the number of days carried forward from the previous year. The average number of days carried forward was used to calculate the required liability, based on the number of employees at the previous year end and the average salary in the following financial year, adjusted to include employer's national insurance and pension contributions.</p> | <p>The largest category of accumulated absences at the 31st March 2017 is police officer annual leave. If the average number of days carried forward from the previous year was increased by one day per officer, this would increase the liability by approximately £160k.</p> |
| Insurance Provision | <p>The Commissioner has provided £388k for insurance claims incurred at the 31st March which are likely to be paid. The assessment is made based on the likely settlement and the probability of a known claim against the Commissioner being successful.</p> | <p>The average amount provided per claim amounts to £12.5k with the maximum exposure per claim being £50k. Any amount above £50k is met by the Commissioner's insurance company.</p> |
| Pensions liability | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.</p> | <p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, an increase of 0.1% in pay award for the police officer pension scheme would result in an increase to the pension liability of £1.080 million.</p> |
| Ill Health Retirement Provision | <p>The Commissioner has provided £185k for three Officers who are on long term sick leave as at 31st March where it is 'probable' or 'more likely than not' that they will retire due to ill health.</p> | <p>If the number of officers retiring due to ill health was one less than anticipated, the liability would be approximately £62k less.</p> |

6. Material items of income and expense

The following are included as material exceptional items, included on the face of the Comprehensive Income and Expenditure Statement.

Revaluation and Impairment of non-current assets

The Commissioner carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. A full revaluation of all land and buildings was

undertaken in 2016/17. The net effect of these revaluations was an increase in valuation of £6.8m.

The accounting entries in respect of the revaluations are as follows:

| | 2016/17 £'000 |
|---|------------------|
| Comprehensive Income & Expenditure Statement | |
| Surplus/Deficit on Provision of Services (Exceptional Item) | -948 |
| Movement in Reserves Statement | |
| Surplus/Deficit on Revaluation | 7,748 |
| Balance Sheet | |
| Land and Buildings | 6,800 |
| Capital Adjustment Account | 948 |
| Revaluation Reserve | -7748 |

An additional £60k has been credited to the Comprehensive Income and Expenditure Statement to account for the reclassification of a surplus asset to operational.

7. Events after the Balance Sheet Date

There are no events after the balance sheet date that would affect the Group's financial position for 2016/17.

8. Note to the Expenditure and Funding Analysis

This is an additional note which reflects a key accounting change introduced by the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*. The note presents further detail in support of the Expenditure and Funding Analysis and provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2016/17

| ADJUSTMENTS FROM GENERAL FUND TO ARRIVE AT THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT AMOUNTS | Adjustments for Capital Purposes (Note 1) | Net change for the Pensions Adjustments (Note 2) | Other Differences (Note 3) | Total Adjustments |
|---|---|--|----------------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Office of the Police and Crime Commissioner | 0 | 38 | 0 | 38 |
| Chief Constable's Office | 65 | 88 | 0 | 153 |
| Central Budgeting/Financing | (3,394) | 585 | (136) | (2,945) |
| Resources Directorate | 275 | 289 | 323 | 887 |
| Legal and Compliance Directorate | 57 | 69 | 0 | 126 |
| Finance Directorate | 183 | 155 | 0 | 338 |
| Neighbourhoods | 2,255 | 4,274 | 0 | 6,529 |
| Investigations | 766 | 1,850 | 0 | 2,616 |
| Scientific Support | 47 | 40 | 0 | 87 |
| Criminal Justice | 37 | 73 | 0 | 110 |
| Professional Standards | 34 | 76 | 0 | 110 |
| Staff Associations | 6 | 16 | 0 | 22 |
| Holding Accounts/Self funded areas | 0 | 0 | 0 | 0 |
| <i>Exceptional Items -</i> | | | | |
| Non-current assets revaluation | 1,008 | 0 | 0 | 1,008 |
| PFI Contract Termination | 0 | 0 | 0 | 0 |
| Icelandic Banks Impairment | 0 | 0 | 0 | 0 |
| NET COST OF SERVICES | 1,339 | 7,553 | 187 | 9,079 |
| Other Income and Expenditure | (957) | 21,711 | (241) | 20,513 |
| SURPLUS OR DEFICIT | 382 | 29,264 | (54) | 29,592 |

2015/16

| ADJUSTMENTS FROM GENERAL FUND TO ARRIVE AT THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT AMOUNTS | Adjustments for Capital Purposes (Note 1) | Net change for the Pensions Adjustments (Note 2) | Other Differences (Note 3) | Total Adjustments |
|---|---|--|----------------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Office of the Police and Crime Commissioner | (41) | 47 | 0 | 6 |
| Chief Constable's Office | 51 | 119 | 0 | 170 |
| Central Budgeting/Financing | (12,101) | 727 | 644 | (10,730) |
| Resources Directorate | 261 | 356 | 530 | 1,147 |
| Legal and Compliance Directorate | 54 | 67 | 0 | 121 |
| Finance Directorate | (19) | 127 | 0 | 108 |
| Neighbourhoods | 2,328 | 5,968 | 0 | 8,296 |
| Investigations | 557 | 1,934 | 0 | 2,491 |
| Scientific Support | 48 | 43 | 0 | 91 |
| Criminal Justice | 32 | 101 | 0 | 133 |
| Professional Standards | 31 | 96 | 0 | 127 |
| Staff Associations | 7 | 24 | 0 | 31 |
| Holding Accounts/Self funded areas | (70) | 0 | 0 | (70) |
| <i>Exceptional Items -</i> | | | | |
| Non-current assets revaluation | (34) | 0 | 0 | (34) |
| PFI Contract Termination | 0 | 0 | 0 | 0 |
| Icelandic Banks impairment | 0 | 0 | 0 | 0 |
| NET COST OF SERVICES | (8,896) | 9,609 | 1,174 | 1,887 |
| Other Income and Expenditure | 723 | 21,568 | (1,370) | 20,921 |
| SURPLUS OR DEFICIT | (8,173) | 31,177 | (196) | 22,808 |

Note 1 - Adjustments for Capital Purposes

- For Services – adds in depreciation, impairment and revaluation gains and losses. Statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from services as these are not chargeable under generally accepted accounting practices. Capital grants are adjusted for income not chargeable under generally accepted accounting practices.
- For Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Note 2 - Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- For Services – this represents the removal of the employer pension contributions made by the Group as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.
- For Other Operating income and expenditure – the Home Office Pensions 'Top Up' Grant is credited to the CIES.

Note 3 – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Services – adjusted by the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.
- For Financing and investment income and expenditure – adjusted by the amount by which finance costs charged to the Comprehensive Income and Expenditure Statement in relation to Financial Instruments differ from finance costs chargeable in the year in accordance with statutory requirements.
- A number of presentational adjustments have also been made between Services and Other Income and Expenditure (i.e. above and below the line). Overall, these adjustments have a nil effect.

9. Segmental Income

This note is a new requirement in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*. The note provides a segmental analysis of significant revenues received from from external customers:

| | 2015/16 | 2016/17 |
|---|----------------------|----------------------|
| | Income from Services | Income from Services |
| | £'000 | £'000 |
| Office of the Police and Crime Commissioner | (696) | (292) |
| Chief Constable's Office | 0 | 0 |
| Central Budgeting/Financing | 0 | (750) |
| Resources Directorate | (1,170) | (1,067) |
| Legal and Compliance Directorate | (160) | (181) |
| Finance Directorate | (149) | (191) |
| Neighbourhoods | 0 | 0 |
| Investigations | 0 | 0 |
| Scientific Support | 0 | 0 |
| Criminal Justice | (362) | (321) |
| Professional Standards | 0 | 0 |
| Staff Associations | 0 | 0 |
| Holding Accounts/Self funded areas | 0 | 0 |
| Total (significant) revenues received from External Customers. | (2,537) | (2,802) |

10. Expenditure and Income Analysed by Nature

This note is an additional requirement in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* and shows how the Group's expenditure and income is analysed:

| | 2015/16 | 2016/17 |
|---|----------------|----------------|
| | £'000 | £'000 |
| EXPENDITURE | | |
| Employee Costs | 87,972 | 92,135 |
| Pension Current Service Cost | 7,834 | 5,945 |
| Interest Cover | 34,097 | 35,936 |
| Premises Costs | 3,478 | 3,869 |
| Transport Costs | 2,010 | 1,945 |
| Supplies and Services | 8,556 | 8,727 |
| Agency and Contracted Services | 3,856 | 4,912 |
| | | |
| Exceptional Items: | | |
| Non-Current Asset Revaluations | (34) | 1,008 |
| PFI Termination | 1,469 | 0 |
| Icelandic Bank Impairments | (40) | 0 |
| | | |
| Capital Financing Costs | (165) | (295) |
| Depreciation and amortisation | 3,688 | 3,795 |
| Gain/Loss on disposal of non-current assets | 723 | (120) |
| Interest payments | 325 | 224 |
| Total Expenditure | 153,769 | 158,081 |

| | 2015/16 | 2016/17 |
|---|------------------|------------------|
| | £'000 | £'000 |
| INCOME | | |
| Fees, Charges & Other Income | (5,501) | (7,213) |
| Government Grants & Contributions | (69,907) | (71,943) |
| Income from Council Tax | (43,033) | (43,330) |
| Total Income | (118,441) | (122,486) |
| SURPLUS/DEFICIT ON PROVISION OF SERVICES | 35,328 | 35,595 |

11. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group/Commissioner in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Commissioner to meet future capital and revenue expenditure.

| 2016/17 | General Fund Balance | Capital Grants Unapplied | Capital Receipts Reserve | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Deferred Capital Receipts Reserve | Available for Sale Financial Instruments Reserve | Accumulated Absences Account | Pensions Reserve | Total Unusable Reserves | Total Reserves |
|---|----------------------|--------------------------|--------------------------|-----------------------|---------------------|----------------------------|-----------------------------------|--|------------------------------|------------------|-------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account | | | | | | | | | | | | |
| Reversal of items debited or credited to the CIES: | | | | | | | | | | | | |
| Charges for depreciation and impairment of non-current assets | 3,712 | 0 | 0 | 3,712 | (285) | (3,427) | 0 | 0 | 0 | 0 | (3,712) | 0 |
| Revaluation losses on property, plant and equipment | 1,008 | 0 | 0 | 1,008 | 0 | (1,008) | 0 | 0 | 0 | 0 | (1,008) | 0 |
| Amortisation of Intangible assets | 83 | 0 | 0 | 83 | 0 | (83) | 0 | 0 | 0 | 0 | (83) | 0 |
| Capital grants and contributions applied | (470) | 0 | 0 | (470) | 0 | 470 | 0 | 0 | 0 | 0 | 470 | 0 |
| Movement in the Donated Assets Account | (35) | 0 | 0 | (35) | 0 | 35 | 0 | 0 | 0 | 0 | 35 | 0 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 92 | 0 | 0 | 92 | 0 | (92) | 0 | 0 | 0 | 0 | (92) | 0 |
| Insertion of items not debited or credited to the CIES: | | | | | | | | | | | | |
| Capital expenditure charged against the General Fund | (3,544) | 0 | 0 | (3,544) | 0 | 3,544 | 0 | 0 | 0 | 0 | 3,544 | 0 |
| Adjustments primarily involving the Capital grants unapplied account | | | | | | | | | | | | |
| Capital grants and contributions unapplied credited to CIES | (426) | 426 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | (52) | 0 | (52) | 0 | 52 | 0 | 0 | 0 | 0 | 52 | 0 |
| Adjustments primarily involving the Capital receipts reserve | | | | | | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | (37) | 0 | 151 | 114 | 0 | 0 | (114) | 0 | 0 | 0 | (114) | 0 |
| Use of Capital receipts reserve to finance new capital expenditure | 0 | 0 | (152) | (152) | 0 | 152 | 0 | 0 | 0 | 0 | 152 | 0 |
| Adjustments involving the Financial Instruments Adjustment Account | | | | | | | | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 61 | 0 | 0 | 61 | 0 | 0 | 0 | (61) | 0 | 0 | (61) | 0 |
| Adjustments primarily involving the Pensions reserve | | | | | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (14,225) | 0 | 0 | (14,225) | 0 | 0 | 0 | 0 | 0 | 14,225 | 14,225 | 0 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 43,488 | 0 | 0 | 43,488 | 0 | 0 | 0 | 0 | 0 | (43,488) | (43,488) | 0 |
| Adjustments primarily involving the Accumulated balances account | | | | | | | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (135) | 0 | 0 | (135) | 0 | 0 | 0 | 0 | 135 | 0 | 135 | 0 |
| Total adjustments | 29,592 | 374 | (1) | 29,965 | (285) | (357) | (114) | (81) | 135 | (29,263) | (29,965) | 0 |

12. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

| Reserve | Note | Balance at 31 st March 2016 | Reclassifications 2016/17 | Transfers out 2016/17 | Transfers in 2016/17 | Balance at 31 st March 2017 |
|--|------|--|---------------------------|-----------------------|----------------------|--|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue Reserves – Police and Crime Commissioner for Dyfed-Powys | 28 | 8,869 | 0 | (2,823) | 337 | 6,383 |
| Revenue Reserves – 'Go Safe' * | 28 | 305 | 0 | (16) | 0 | 289 |
| Capital Reserves – Police and Crime Commissioner for Dyfed-Powys | 28 | 18,140 | 0 | (3,467) | 0 | 14,673 |
| Capital Reserves – 'Go Safe' * | 28 | 543 | 0 | (33) | 0 | 510 |
| Total | | 27,857 | 0 | (6,339) | 337 | 21,855 |

*Reserves held on behalf of the 'Go Safe' Partnership. Originally transferred from Flintshire County Council and adjusted for any surplus/deficit on activities in the year. Please refer to Note 33 'Agency Services' for further information

13. Other operating expenditure

This line contains corporate items of income and expenditure that cannot reasonably be allocated or apportioned to services.

| Group 2015/16 | Commissioner 2015/16 | | Group 2016/17 | Commissioner 2016/17 |
|-----------------|----------------------|---|-----------------|----------------------|
| £'000 | £'000 | | £'000 | £'000 |
| 723 | 723 | (Gain)/Loss on the disposal of non-current assets | (120) | (120) |
| (12,529) | (12,529) | Home Office Police Officers Pensions top-up grant | (14,225) | (14,225) |
| (11,806) | (11,806) | Total | (14,345) | (14,345) |

14. Financing and investment income and expenditure

This line contains corporate items of income and expenditure arising from involvement in financial instruments and similar transactions involving interest.

| Group 2015/16 | Commissioner 2015/16 | Note | Group 2016/17 | Commissioner 2016/17 |
|---------------|----------------------|---|---------------|----------------------|
| £'000 | £'000 | | £'000 | £'000 |
| 325 | 325 | Interest payable and similar charges | 224 | 224 |
| 34,097 | 21 | Net interest on the net defined benefit liability | 35,936 | 23 |
| 0 | 0 | Other Investment Expenditure – Helicopter Deferred Capital Receipt | 114 | 114 |
| (218) | (218) | Interest receivable and similar income | (222) | (222) |
| (617) | (617) | Income and expenditure in relation to investment properties and changes in their fair value | (323) | (323) |
| (75) | (75) | Specific capital grants available during the year | (542) | (542) |
| (165) | (165) | Loss on revaluation (available for sale financial instruments) | 81 | 81 |
| 33,347 | (729) | Total | 35,268 | (645) |

15. Taxation and non-specific grant incomes

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure.

| Group 2015/16 | Commissioner 2015/16 | | Note | Group 2016/17 | Commissioner 2016/17 |
|------------------|-------------------------|------------------------------------|------|-----------------|-------------------------|
| £'000 | £'000 | | | £'000 | £'000 |
| (43,033) | (43,033) | Council tax income | | (43,330) | (43,330) |
| (11,362) | (11,362) | National Non Domestic Rates (NNDR) | | (8,277) | (8,277) |
| (38,937) | (38,937) | Non ring fenced government grants | 37 | (41,734) | (41,734) |
| (620) | (620) | Capital grants and contributions | 37 | (410) | (410) |
| (93,952) | (93,952) | Total | | (93,751) | (93,751) |

16. Property, plant and equipment

Movement on balances in financial year 2016/17:

| | Note | Property Plant and Equipment | | | | | | | Investment Properties | | | | Surplus Assets | Assets Held for Sale | Intangible | Total | |
|---|------|------------------------------|---------------|------------|------------|--------------|---------------|--------------|-----------------------|--------------|----------------|------------|----------------|----------------------|----------------|-------|-------|
| | | Land | Buildings | Boat | Helicopter | Vehicles | Equipment | Masts | Houses | Buildings | Surplus Assets | Intangible | | | | | Total |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation at 1 st April 2016 | | 4,320 | 58,458 | 192 | 0 | 7,486 | 20,218 | 3,101 | 320 | 1,843 | 1,040 | 0 | 584 | 0 | 97,562 | | |
| Additions | | 0 | 1,131 | 122 | 0 | 1,289 | 1,526 | 0 | 0 | 0 | 186 | 0 | 0 | 0 | 4,254 | | |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | | 0 | 7,562 | 0 | 0 | 0 | 0 | 4 | 0 | 30 | 152 | 0 | 0 | 0 | 7,748 | | |
| Revaluation increases/(decreases) recognised in surplus/deficit on the Provision of Services | | (75) | (536) | 0 | 0 | 0 | 0 | (88) | 0 | (157) | (92) | 0 | 0 | 0 | (948) | | |
| Derecognition – disposals | | 0 | 0 | 0 | 0 | (1,214) | (2,500) | 0 | 0 | 0 | 0 | 0 | (314) | 0 | (4,028) | | |
| Other movements in cost or valuation | | 25 | 22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (115) | 0 | 0 | 0 | (68) | | |
| Assets reclassified | | (75) | (116) | 0 | 0 | 0 | 0 | (135) | 0 | 0 | 326 | 0 | 0 | 0 | 0 | | |
| Write off of Accumulated Depreciation on revaluation | | 0 | (4,217) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4,217) | | |
| At 31st March 2017 | | 4,195 | 62,304 | 314 | 0 | 7,561 | 19,244 | 3,017 | 185 | 1,716 | 1,497 | 0 | 270 | 0 | 100,303 | | |
| Accumulated depreciation and impairment at 1 st April 2016 | | 0 | (2,667) | (24) | 0 | (4,299) | (17,029) | (500) | (185) | 0 | 0 | 0 | (324) | 0 | (25,028) | | |
| Depreciation charge | | 0 | (1,265) | (14) | 0 | (1,119) | (1,027) | 0 | 0 | 0 | 0 | 0 | (83) | 0 | (3,508) | | |
| Depreciation written out to Revaluation Reserve | | 0 | (285) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (285) | | |
| Write off of accumulated depreciation on revaluation | | 0 | 4,217 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,217 | | |
| Impairment (losses)/ reversals recognised in the Revaluation Reserve | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Derecognition disposals | | 0 | 0 | 0 | 0 | 1,183 | 2,439 | 0 | 0 | 0 | 0 | 0 | 314 | 0 | 3,936 | | |
| Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Accumulated depreciation and impairment at 31 st March 2017 | | 0 | 0 | (38) | 0 | (4,235) | (15,617) | (500) | (185) | 0 | 0 | 0 | (93) | 0 | (20,668) | | |
| Net book value - at 31 st March 2017 | | 4,195 | 62,304 | 276 | 0 | 3,326 | 3,627 | 2,517 | 0 | 1,716 | 1,497 | 0 | 177 | 0 | 79,635 | | |
| Net book value - at 31 st March 2016 | | 4,320 | 55,791 | 168 | 0 | 3,187 | 3,189 | 2,601 | 135 | 1,843 | 1,040 | 0 | 260 | 0 | 72,534 | | |

Movement on balances in financial year 2015/16:

| | Note | Property Plant and Equipment | | | | | | | Investment Properties | | | | | Intangible | Total | |
|--|------|------------------------------|-----------|-------|------------|----------|-----------|-------|-----------------------|-----------|----------------|----------------------|-------|------------|---------|-------|
| | | Land | Buildings | Boat | Helicopter | Vehicles | Equipment | Masts | Houses | Buildings | Surplus Assets | Assets Held for Sale | | | | |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation at 1st April 2015: | | 4,370 | 58,468 | 172 | 3,253 | 8,176 | 19,139 | 2,992 | 480 | 1,793 | 0 | 430 | 0 | 365 | 99,638 | |
| Additions | | 0 | 168 | 0 | 98 | 1,356 | 1,079 | 0 | 0 | 0 | 0 | 0 | 0 | 219 | 2,920 | |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | | 0 | (69) | 0 | 0 | 0 | 0 | 78 | 0 | 255 | 13 | 0 | 0 | 0 | 277 | |
| Revaluation increases/(decreases) recognised in surplus/deficit on the Provision of Services | | 0 | 0 | 0 | 0 | 0 | 0 | 31 | 10 | 0 | 63 | 0 | 0 | 0 | 104 | |
| Derecognition – disposals | | 0 | 0 | 0 | (3,351) | (2,026) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5,377) | |
| Assets reclassified | | (50) | (109) | 20 | 0 | (20) | 0 | 0 | (170) | (205) | 954 | (430) | 0 | 0 | 0 | |
| Write off of Accumulated Depreciation on revaluation | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| At 31st March 2016 | | 4,320 | 58,458 | 192 | 0 | 7,486 | 20,218 | 3,101 | 320 | 1,843 | 1,040 | 0 | 584 | 97,562 | | |
| Accumulated depreciation and impairment at 1st April 2015 | | 0 | (1,319) | (10) | (2,286) | (5,328) | (15,784) | (500) | (185) | 0 | 0 | 0 | (314) | (25,726) | | |
| Depreciation charge | | 0 | (1,063) | (14) | (108) | (963) | (1,245) | 0 | 0 | 0 | 0 | 0 | (10) | (3,403) | | |
| Depreciation written out to Revaluation Reserve | | 0 | (285) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (285) | | |
| Impairment (losses)/ reversals recognised in the Revaluation Reserve | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Derecognition disposals | | 0 | 0 | 0 | 2,394 | 1,992 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,386 | | |
| Impairment (losses)/ reversals recognised in the Surplus/ Deficit on the Provision of Services | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Accumulated depreciation and impairment at 31st March 2016 | | 0 | (2,667) | (24) | 0 | (4,299) | (17,029) | (500) | (185) | 0 | 0 | 0 | (324) | (25,028) | | |
| Net book value - at 31st March 2016 | | 4,320 | 55,791 | 168 | 0 | 3,187 | 3,189 | 2,601 | 135 | 1,843 | 1,040 | 0 | 260 | 72,534 | | |
| Net book value - at 31st March 2015 | | 4,370 | 57,149 | 162 | 967 | 2,848 | 3,355 | 2,492 | 295 | 1,793 | 0 | 430 | 51 | 73,912 | | |

Depreciation

| Category of Asset | Depreciation 2015/16 | | | Depreciation 2016/17 | | |
|-----------------------------|----------------------|----------------|--------------|----------------------|----------------|--------------|
| | Years | Residual Value | Charge | Years | Residual Value | Charge |
| | | | £'000 | | | £'000 |
| <u>Property</u> | | | | | | |
| • Land | No Depreciation | | 0 | No Depreciation | | 0 |
| • Operational Buildings | Over Remaining Life | | 1,348 | Over Remaining Life | | 1,550 |
| • Assets Under Construction | No Depreciation | | 0 | No Depreciation | | 0 |
| • Investment Properties | No Depreciation | | 0 | No Depreciation | | 0 |
| <u>Helicopter :</u> | | | | | | |
| • Airframe | 20 | Nil | 79 | 0 | Nil | 0 |
| • Main Gear box | 5 | Nil | 21 | 0 | Nil | 0 |
| • Helicopter Engines | 8.75 | Nil | 0 | 0 | Nil | 0 |
| • Helicopter Equipment | 5 | Nil | 8 | 0 | Nil | 0 |
| <u>Boat:</u> | | | | | | |
| • Hull | 32 | Nil | 3 | 0 | Nil | 3 |
| • Engine | 12 | Nil | 11 | 0 | Nil | 11 |
| <u>Vehicles</u> | | | | | | |
| • Rapid Response / Other | 3 | Nil | 181 | 0 | Nil | 403 |
| • Other | 5 | Nil | 782 | 0 | Nil | 715 |
| <u>Equipment</u> | | | | | | |
| Computer /other equipment | 5 | Nil | 1,245 | 0 | Nil | 1,027 |
| <u>Intangible assets</u> | 0 | 0 | 0 | 3 | Nil | 73 |
| <u>Intangible assets</u> | 0 | 0 | 0 | 5 | Nil | 10 |
| Total | | | 3,678 | | | 3,792 |

Revaluations

The Commissioner carries out a programme that ensures assets required to be measured at fair value are normally measured once every five years for each class of asset. A full revaluation of Land and Buildings was carried out by external valuers and was effective from 31/03/17.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

| | Property Plant and Equipment | | | | | | | Investment Properties | | | | Intangible | Total |
|-----------------------------|------------------------------|-----------|---------------------------|------------|----------|-----------|-------|-----------------------|--------|-----------|----------------|------------|---------|
| | Land | Buildings | Assets Under Construction | Helicopter | Vehicles | Equipment | Boat | Masts | Houses | Buildings | Surplus Assets | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Carried at historical cost: | 4,270 | 52,983 | 0 | 0 | 3,379 | 3,592 | 276 | 5,835 | 0 | 1,786 | 1,858 | 177 | 73,854 |
| Valued at fair value at: | | | | | | | | | | | | | |
| 31 st March 2017 | (75) | 7,233 | 0 | 0 | 0 | 0 | 0 | (84) | 71 | (127) | (218) | 0 | 6,800 |
| 31 st March 2016 | 0 | (69) | 0 | 0 | 0 | 0 | 0 | 109 | 10 | 255 | 76 | 0 | 381 |
| 31 st March 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 st March 2014 | 0 | (1,202) | 0 | 0 | 0 | 0 | 0 | 244 | (25) | 17 | 60 | 0 | (906) |
| 31 st March 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (329) | 0 | (329) |
| 31 st March 2012 | 0 | 509 | 0 | 0 | (15) | 35 | 0 | 0 | 0 | 0 | 50 | 0 | 579 |
| 31 st March 2011 | 0 | 2,288 | 0 | 0 | 0 | 0 | 0 | (315) | 16 | (215) | 0 | 0 | 1,774 |
| 31 st March 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 st March 2009 | 0 | 562 | 0 | 0 | (37) | 0 | 0 | (3,272) | (72) | 0 | 0 | 0 | (2,819) |
| 31 st March 2008 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total cost or valuation: | 4,195 | 62,304 | 0 | 0 | 3,327 | 3,627 | 276 | 2,517 | 0 | 1,716 | 1,497 | 177 | 79,334 |

17. Investment properties

Some of the Commissioner's property, such as masts, is being held solely to earn rentals and/or for capital appreciation purposes rather than for use in administrative purposes.

| 2015/16 | | 2016/17 |
|---------|--|---------|
| £'000 | | £'000 |
| 817 | Rental income from investment property | 681 |
| (200) | Direct operating expenses arising from investment property | (357) |
| 617 | Net gain/(loss) | 324 |

The following table summarises the movement in the fair value of investment properties over the year:

| 2015/16 | | 2016/17 |
|---------|--|---------|
| £'000 | | £'000 |
| £'000 | Balance at start of year: | 4,579 |
| 4,580 | Additions: | 0 |
| 0 | Purchases | 0 |
| 374 | Net gains/losses from fair value adjustments | (212) |
| | Transfers: | |
| (170) | • (To)/from property, plant and equipment | 0 |
| (205) | • To Surplus Assets | (135) |
| 4,579 | Balance at end of year | 4,232 |

Investment Properties are measured at Fair value based on market evidence.

Details of the Commissioners investment properties and information about the fair value hierarchy as at 31 March 2017 and 31st March 2016 are as follows:-

31st March 2017

| | Quoted Prices in active markets for identical assets (Level 1) | Other significant observable inputs (level 2) | Significant unobservable inputs (level 3) | Fair Value as at 31 st March 2017 |
|------------------|--|---|---|--|
| | £'000 | £'000 | £'000 | £'000 |
| Radio Mast Sites | 0 | 2,517 | 0 | 2,517 |
| Office Units | 0 | 1,715 | 0 | 1,715 |
| Houses | 0 | 0 | 0 | 0 |

31st March 2016

| | Quoted Prices in active markets for identical assets (Level 1) | Other significant observable inputs (level 2) | Significant unobservable inputs (level 3) | Fair Value as at 31 st March 2016 |
|------------------|--|---|---|--|
| | £'000 | £'000 | £'000 | £'000 |
| Radio Mast Sites | 0 | 2,601 | 0 | 2,601 |
| Office Units | 0 | 1,843 | 0 | 1,843 |
| Houses | 0 | 135 | 0 | 135 |

There were no transfers between level 1 and 2 during the year.

Valuation Techniques used to determine level 2 and 3 Fair Values for Investment Properties

Significant observable inputs – level 2.

The fair value for the Radio Mast Units and Office Units has been based on the market approach using current market conditions, the duration of leases and rental income.

18. Capital Commitments

As at 31 March 2017 the Commissioner has entered into some commitments associated with building schemes and major projects undertaken as part of the Capital Programme. The most significant of these commitments is:

- Urgent works package – Remaining works are predominantly in Ammanford Station – value £569k
- Building Works across Police Stations in the Force Area – value £634k

19. Intangible assets

The Commissioner accounts for software and licenses as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware. Intangible assets include both purchased licenses and internally generated software.

The useful life assigned to the major software used by the Group/Commissioner is 3 or 5 years and the assets are amortised on a straight-line basis.

| 2015/16 | | | 2016/17 | | | | | |
|----------------------------------|--------------|-------|---------------------------------------|-----------------------------|--------------|-----------|-----------|-----------|
| Internally generated assets | Other assets | Total | | Internally generated assets | Other assets | Total | | |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | | |
| | | | Balance at start of year: | | | | | |
| 0 | 365 | 365 | • Gross carrying amounts | 0 | 584 | 584 | | |
| 0 | (314) | (314) | • Accumulated amortisation | 0 | (324) | (324) | | |
| 0 | 51 | 51 | Net carrying amount at start of year: | 0 | 260 | 260 | | |
| 0 | 219 | 219 | Additions: | 0 | 0 | 0 | | |
| 0 | (10) | (10) | Amortisation for the period | 0 | (83) | (83) | | |
| 0 | 260 | 260 | Net carrying amount at end of year | 0 | 177 | 177 | | |
| Comprising: | | | 31/3/2012 | 31/3/2013 | 31/3/2014 | 31/3/2015 | 31/3/2016 | 31/3/2017 |
| Gross carrying amounts (£'000) | | | 314 | 314 | 314 | 365 | 584 | 270 |
| Accumulated amortisation (£'000) | | | (276) | (289) | (302) | (314) | (324) | (93) |

There are no items of capitalised software that are individually material to the financial statements.

20. Long-Term Debtors

| Group | Commissioner | | Group | Commissioner |
|-----------------------------|-----------------------------|---------------------|-----------------------------|-----------------------------|
| 31 st March 2016 | 31 st March 2016 | | 31 st March 2017 | 31 st March 2017 |
| £'000 | £'000 | | £'000 | £'000 |
| 91 | 91 | Other Police Bodies | 23 | 23 |
| 91 | 91 | Total | 23 | 23 |

21. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Instrument - Balances**Group:**

| | Long Term | | Current | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Borrowing (PWLB) – principal sum borrowed | (2,299) | (2,125) | (157) | (173) |
| Borrowing (PWLB) – accrued interest | (13) | (12) | 0 | 0 |
| Trade Payables (Creditors) | 0 | 0 | (1,559) | (2,451) |
| Liability related to Defined Benefit Pension Scheme* | (1,011,819) | (1,312,684) | 0 | 0 |
| Total Financial Liabilities | (1,014,131) | (1,314,821) | (1,716) | (2,624) |
| Loans and receivables: | | | | |
| Fixed term investments – Principal at amortised cost | 0 | 0 | 20,000 | 17,500 |
| Fixed term investments – Accrued interest | 0 | 0 | 23 | 14 |
| Fixed term investments – Impaired investments | 0 | 0 | 12 | 8 |
| Available for Sale Investments | 0 | 6,547 | 16,164 | 4,806 |
| Available for Sale Investments – Accrued Interest | 0 | 33 | 21 | 13 |
| Trade Receivables (Debtors) | 0 | 0 | 1,743 | 1,837 |
| Total Financial Assets | 0 | 6,580 | 37,983 | 24,178 |

- An intra-group transfer will take place from the Chief Constable's Accounts to the Commissioner's Accounts for the pensions liability related to the Chief Contable's staff.

Commissioner:

| | Long Term | | Current | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 31 st March 2016 | 31 st March 2017 | 31 st March 2016 | 31 st March 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Borrowing (PWLB) – principal sum borrowed | (2,299) | (2,125) | (157) | (172) |
| Borrowing (PWLB) – accrued interest | (13) | (12) | 0 | 0 |
| Trade Payables (Creditors) | 0 | 0 | (293) | (410) |
| Liability related to Defined Benefit Pension Scheme* | 100 | (178) | 0 | 0 |
| Total Financial Liabilities | (2,212) | (2,315) | (450) | (582) |
| Loans and receivables: | | | | |
| Fixed term investments – Principal at amortised cost | 0 | 0 | 20,000 | 17,500 |
| Fixed term investments – Accrued interest | 0 | 0 | 23 | 14 |
| Fixed term investments – Impaired investments | 0 | 0 | 12 | 8 |
| Available for Sale Investments – At Fair Value | 0 | 6,547 | 16,164 | 4,806 |
| Available for Sale Investments – Accrued Interest | 0 | 33 | 21 | 13 |
| Trade Receivables (Debtors) | 0 | 0 | 1,404 | 1,546 |
| Total Financial Assets | 0 | 6,580 | 37,624 | 23,887 |

Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

Income, Expense, Gains and Losses

| 2015/16 | | Financial Liabilities | Financial Assets | 2016/17 |
|--------------|--------------------------------------|---|--------------------------------|----------------|
| Total £'000s | | Liabilities measured at amortised cost £000s | Loans and receivables £000s | Total £000s |
| £'000 | | £'000 | £'000 | £'000 |
| (325) | Interest expense | (224) | 0 | (224) |
| (325) | Interest payable and similar charges | (224) | 0 | (224) |
| 218 | Interest Income | 0 | 222 | 222 |
| (40) | Impairment gain (Icelandic Banks) | 0 | 0 | 0 |
| 178 | Interest and Investment Income | 0 | 222 | 222 |
| (147) | Net gain/(loss) for the year | (224) | 222 | (2) |

Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2017, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.
- The Public Works Loan Board (PWLB) has provided the Commissioner with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Commissioner would have had to pay to extinguish the loans on these dates.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.
- For trade payables and trade receivables, the carrying value has been used as a reasonable approximation of fair value.
- The liability related to the Defined Benefit Pension Scheme has been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The fair value of this liability at the Balance Sheet date is therefore the same as the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

2016/17

| Group | | | Fair Value Level | Commissioner | |
|-----------------------------|-----------------------------|--|------------------|-----------------------------|-----------------------------|
| Carrying amount | Fair value | | | Carrying amount | Fair value |
| 31 st March 2017 | 31 st March 2017 | | | 31 st March 2017 | 31 st March 2017 |
| £'000 | £'000 | | | £'000 | £'000 |
| | | Financial Liabilities: | | | |
| (2,299) | (3,231) | Long Term Borrowing | 2 | (2,299) | (3,231) |
| | | <i>Liabilities for which Fair Value is not disclosed</i> | | | |
| (173) | (173) | Short Term Borrowing | | (173) | (173) |
| (1,312,684) | (1,312,684) | Liability related to Defined Benefit Pension Scheme | | (178) | (178) |
| (2,451) | (2,451) | Trade Payables (Creditors) | | (410) | (410) |
| (1,317,607) | (1,318,539) | Total Financial Liabilities | | (3,060) | (3,992) |
| | | Financial Assets: | | | |
| 8,304 | 8,597 | Corporate and Government Bonds | 2 | 8,304 | 8,597 |
| 3,011 | 3,028 | Certificates of Deposit | 2 | 3,011 | 3,028 |
| | | <i>Assets for which Fair Value is not disclosed</i> | | | |
| 17,522 | 17,522 | Short Term Investments | | 17,522 | 17,522 |
| 1,837 | 1,837 | Trade Receivables (Debtors) | | 1,546 | 1,546 |
| 30,674 | 30,984 | Total Financial Assets | | 30,383 | 30,693 |

2015/16

| Group | | | Commissioner | | |
|-----------------------------|-----------------------------|--|------------------|-----------------------------|-----------------------------|
| Carrying amount | Fair value | | Fair Value Level | Carrying amount | Fair value |
| 31 st March 2016 | 31 st March 2016 | | | 31 st March 2016 | 31 st March 2016 |
| £'000 | £'000 | | | £'000 | £'000 |
| | | <i>Financial Liabilities:</i> | | | |
| (2,312) | (3,691) | Long Term Borrowing | 2 | (2,312) | (3,691) |
| | | <i>Liabilities for which Fair Value is not disclosed</i> | | | |
| (157) | (157) | Short Term Borrowing | | (157) | (157) |
| (1,011,819) | (1,011,819) | Liability related to Defined Benefit Pension Scheme | | 100 | 100 |
| (1,599) | (1,599) | Trade Payables (Creditors) | | (293) | (293) |
| (1,015,887) | (1,017,266) | Total Financial Liabilities | | (2,662) | (4,041) |
| | | <i>Financial Assets:</i> | | | |
| 8,011 | 8,166 | Corporate and Government Bonds | 2 | 8,011 | 8,166 |
| 8,009 | 8,019 | Certificates of Deposit | 2 | 8,009 | 8,019 |
| | | <i>Assets for which Fair Value is not disclosed</i> | | | |
| 20,035 | 20,035 | Short Term Investments | | 20,035 | 20,035 |
| 1,743 | 1,743 | Trade Receivables (Debtors) | | 1,404 | 1,404 |
| 37,798 | 37,963 | Total Financial Assets | | 37,459 | 37,624 |

22. Inventories

| | Franking and uniform consumable stores | | Fleet maintenance materials | | Total | |
|---|--|------------|-----------------------------|-----------|------------|------------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance outstanding at start of year: | 322 | 292 | 80 | 76 | 402 | 368 |
| Purchases | 316 | 392 | 247 | 196 | 563 | 588 |
| Recognised as an expense in the year | (336) | (329) | (251) | (198) | (587) | (527) |
| Written off balances | (10) | 0 | 0 | 0 | (10) | 0 |
| Reversals of write offs in previous year/average price adjustment | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance outstanding at year end. | 292 | 355 | 76 | 74 | 368 | 429 |

All inventories are held on the Chief Constable's balance sheet.

23. Short-Term Debtors

| Group | Commissioner | | Group | Commissioner |
|-----------------------------|-----------------------------|--------------------------------|-----------------------------|-----------------------------|
| 31 st March 2016 | 31 st March 2016 | | 31 st March 2017 | 31 st March 2017 |
| £'000 | £'000 | | £'000 | £'000 |
| 3,999 | 3,999 | Central Government bodies | 2,961 | 2,961 |
| 3 | 0 | Local authorities | 38 | 38 |
| 742 | 742 | Other Police Bodies | 1,412 | 1,412 |
| 200 | 200 | Other Public Bodies | 879 | 878 |
| 1,239 | 912 | Limited Companies | 1,378 | 1,088 |
| 112 | 102 | Other entities and individuals | 18 | 18 |
| 194 | 194 | Value added tax claims | 440 | 440 |
| 6,489 | 6,149 | Total | 7,126 | 6,835 |

24. Cash and Cash Equivalents

| 31 st March 2016 | | 31 st March 2017 |
|-----------------------------|-----------------------|-----------------------------|
| £'000 | | £'000 |
| 19 | Cash held | 19 |
| 1,902 | Bank current accounts | 190 |
| 0 | Short-term deposits | 2,000 |
| 1,921 | Total | 2,209 |

25. Assets held for sale

| | Non - current | |
|---|-----------------------------|-----------------------------|
| | 31 st March 2016 | 31 st March 2017 |
| | £'000 | £'000 |
| Balance outstanding at start of year: | 430 | 0 |
| Assets newly classified as held for sale: | | |
| • Property, plant and equipment | 0 | 0 |
| • Other assets/liabilities in disposal groups | 0 | 0 |
| Assets reclassified as Surplus assets | (430) | 0 |
| Revaluation losses | 0 | 0 |
| Revaluation gains | 0 | 0 |
| Assets sold | 0 | 0 |
| Balance outstanding at year end | 0 | 0 |

26. Short-Term Creditors

| Group | Commissioner | | Group | Commissioner |
|-----------------------------|-----------------------------|--------------------------------|-----------------------------|-----------------------------|
| 31 st March 2016 | 31 st March 2016 | | 31 st March 2017 | 31 st March 2017 |
| £'000 | £'000 | | £'000 | £'000 |
| 2,361 | 1,982 | Central Government bodies | 2,030 | 1,956 |
| 713 | 21 | Local authorities | 637 | 15 |
| 1,871 | 23 | Other Police Bodies | 2,444 | 20 |
| 116 | 80 | Other Public Bodies | 169 | 150 |
| 1,680 | 280 | Limited Companies | 1,462 | 352 |
| 1,337 | 85 | Other entities and individuals | 989 | 58 |
| 8,078 | 2,471 | Total | 7,731 | 2,551 |

27. Provisions

Short Term Provisions

The following amounts are expected to be paid within 12 months of the reporting period:

| | Statutory Funds | Ill Health Retirements | Other Provisions | Total |
|---------------------------------------|-----------------|------------------------|------------------|-------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance outstanding at start of year: | 653 | 221 | 65 | 939 |
| Additional provisions made in 2016/17 | 126 | 185 | 0 | 311 |
| Amounts used in 2016/17 | (245) | (75) | (2) | (322) |
| Unused amounts reversed in 2016/17 | 0 | (146) | 0 | (146) |
| Balance outstanding at year end: | 534 | 185 | 63 | 782 |

Statutory Funds -Money Held Pending Reclaim

The Commissioner is empowered to seize monies or property used, or intended for use, for the purpose of crime. These seized monies are held within the "Money Held Pending Reclaim" fund, pending a ruling by the Courts. Once this ruling is made the funds can be disposed of in line with relevant legislation.

Ill Health Retirements

A provision has been established to meet the cost of ill health retirement payments for those employees who, at the year end, were deemed unlikely to return to work but for whom the full health assessment had yet to be completed.

Other Provisions

At the year end, £53k relates to obligations to existing members of the Force Presentation Fund.

Long Term Provisions

The following amounts are expected to be paid more than 12 months after the reporting period:

| | Insurance provision | Municipal Mutual Insurance Ltd | Total |
|---------------------------------------|---------------------|--------------------------------|-------|
| | £'000 | £'000 | £'000 |
| Balance outstanding at start of year: | 416 | 457 | 873 |
| Additional provisions made in 2016/17 | 28 | 0 | 28 |
| Amounts used in 2016/17 | (56) | 0 | (56) |
| Balance outstanding at year end: | 388 | 457 | 845 |

Insurance Provision

This is an assessment of the likely settlement of insurance claims to be made by the Commissioner.

Municipal Mutual Insurance Ltd

For further information, please refer to Note 4.

28. Usable reserves

Movements in the Commissioner's usable reserves are detailed in the Movement in Reserves Statement and in this note.

| 31 st March 2016 | | 31 st March 2017 |
|-----------------------------|----------------------------|-----------------------------|
| £'000 | | £'000 |
| 4,500 | General Reserve | 4,500 |
| 9,174 | Earmarked Revenue Reserves | 6,672 |
| 18,683 | Earmarked Capital Reserve | 15,183 |
| 0 | Capital Receipts Reserve | (1) |
| 505 | Capital Grants Unapplied | 879 |
| 32,862 | Total | 27,233 |

General Reserve

The Commissioner maintains a General Reserve of £4.5m to act as:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- a contingency to cushion the impact of unexpected events or emergencies.

Earmarked Revenue Reserves

This reserve includes a significant sum of money set aside to support the revenue budget in the medium term plan. This is as a result of the Commissioner wishing to return surplus reserves held to the public. This was achieved through reducing the council tax precept payable for a band D property by 5% in 2014/15 (compared with the previous year) and by freezing the council tax precept in 2015/16. This has resulted in £4.753m being set aside for this purpose and is classed as "Other Reserves" below.

In addition, reserves classed as "Invest to Save" below have also been earmarked for specific initiatives. These initiatives are expected to incur one off costs that should deliver ongoing savings to the Commissioner. Many of these projects focus on developing systems and communications technology, some of which are necessary to link in with new national system infrastructures.

| Reserve | Balance at 31 st March 2016 | Reclassification 2016/17 | Transfers out 2016/17 | Transfers in 2016/17 | Balance at 31 st March 2017 | Description |
|-------------------------------|--|--------------------------|-----------------------|----------------------|--|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Ill Health Retirement Reserve | 722 | (722) | 0 | 0 | 0 | This reserve was set up to meet the cost of possible ill health retirements in respect of officers who have been, or are anticipated to be, on long term restrictions or limited duties. All such officers have been reviewed during 2016/17 and it has been concluded that a specific earmarked reserve is not required for 31 st March 2017. |
| Invest to Save Reserve | 1,525 | 0 | (232) | 337 | 1,630 | To fund future projects that will deliver ongoing revenue savings. |
| Go Safe Reserve | 305 | 0 | (16) | 0 | 289 | Held on behalf of the 'Go Safe' Partnership to fund future earmarked revenue expenditure. |
| Other Reserves | 6,622 | 722 | (2,591) | 0 | 4,753 | Funds aimed at addressing the future funding gap. |
| Total | 9,174 | 0 | (2,839) | 337 | 6,672 | |

Earmarked Capital Reserves

These are amounts set aside from day to day spending and money received from the sale of non-current assets to pay for new non-current assets or repay borrowing. There has been a lack of investment in the estate over the last few years and the Commissioner has now begun a significant programme of works that will deliver an effective, fit for purpose estate over the next few years.

| 2015/16 | | 2016/17 |
|---------|------------------------------------|---------|
| £'000 | | £'000 |
| 17,528 | Balance at 1 st April: | 18,683 |
| 543 | Amounts received in year | 0 |
| 2,013 | Reclassifications | 0 |
| (1,401) | Amounts used in year | (3,500) |
| | | |
| 18,683 | Balance at 31 st March: | 15,183 |

Capital Receipts Reserve

This account relates to the proceeds from the sale of non-current assets.

| 2015/16 | | 2016/17 |
|---------|--|---------|
| £'000 | | £'000 |
| 0 | Balance at 1 st April: | 0 |
| | <i>Capital receipts received during year</i> | |
| (63) | Vehicles | 36 |
| 0 | Buildings | 0 |
| 0 | Helicopter | 114 |
| 63 | Capital receipts utilised during year | (151) |
| 0 | Balance at 31 st March: | (1) |

Capital Grants Unapplied

| 2015/16 | | 2016/17 |
|---------|------------------------------------|---------|
| £'000 | | £'000 |
| 627 | Balance at 1 st April: | 505 |
| 695 | Grant received in year | 916 |
| (817) | Grant applied in year | (542) |
| 505 | Balance at 31 st March: | 879 |

29. Unusable reserves

| 31 st March 2016 | | 31 st March 2017 |
|-----------------------------|--|-----------------------------|
| £'000 | | £'000 |
| 13,253 | Revaluation reserve | 20,709 |
| 59,282 | Capital adjustment account | 58,926 |
| (503) | Accumulated absences account | (368) |
| (1,011,819) | Pensions reserve | (1,312,684) |
| 205 | Deferred Capital Receipt | 91 |
| 165 | Available for Sale Financial Instruments Reserve | 84 |
| (939,417) | Total | (1,233,242) |

Revaluation reserve

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

| 2015/16 | | 2016/17 |
|---------|---|---------|
| £'000 | | £'000 |
| 13,191 | Balance at 1 st April: | 13,253 |
| 363 | Upward revaluation of assets | 8,417 |
| (17) | Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services | (669) |
| 346 | Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services | 7,748 |
| (284) | Difference between fair value depreciation and historical cost depreciation | (285) |
| | Revaluation reinstated – asset class moved from surplus to operational | (7) |
| 13,253 | Balance at 31 st March: | 20,709 |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the

amounts set aside by the Commissioner as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Group/Commissioner.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007.

| 2015/16 | | 2016/17 |
|---------|--|---------|
| £'000 | | £'000 |
| 50,908 | Balance at 1 st April: | 59,282 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| (3,393) | • Charges for depreciation and impairment of non-current assets | (3,424) |
| (448) | • Revaluation losses on property, plant and equipment | (2,386) |
| 482 | • Revaluation gains on property, plant and equipment | 1,596 |
| (10) | • Amortisation of intangible assets | (83) |
| 0 | • Revenue expenditure funded from capital under statute | 0 |
| (991) | • Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (92) |
| | • Donated asset (no conditions attached) | 36 |
| | • Reinstatement of Property from Surplus Asset to Operational | (62) |
| 46,548 | | 54,867 |
| | Adjusting amounts written out of the Revaluation Reserve | |
| | Net write out amount of the cost of non-current assets consumed in the year | |
| | Capital financing applied in the year: | |
| 63 | • Use of Capital Receipts Reserve to finance new capital expenditure | 151 |
| 1,436 | • Use of Reserves to finance new capital expenditure | 3,108 |
| 695 | • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 491 |
| 122 | • Application of grants to capital financing from the Capital Grants Unapplied Account | 52 |
| 10 | • Statutory provision for the financing of capital investment charged against the General Fund | 0 |
| 7,309 | • Provision for the financing of capital investment charged against the General Fund | 0 |
| 605 | • Capital expenditure charged against the General Fund | 415 |
| 10,240 | | 4,217 |
| 2,494 | Termination of PFI contract -- write off of PFI liability | 0 |
| 0 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (158) |
| 0 | Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | 0 |
| 59,282 | Balance at 31 st March: | 58,926 |

Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2015/16 | | 2016/17 |
|---------|--|---------|
| £'000 | | £'000 |
| (534) | Balance at 1 st April: | (503) |
| 534 | Settlement or cancellation of accrual made at the end of the preceding year | 503 |
| (503) | Amounts accrued at the end of the current year | (368) |
| 31 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements. | 135 |
| (503) | Balance at 31 st March: | (368) |

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The 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 Chief Constable makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Commissioner has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2015/16 | | 2016/17 |
|-------------|--|-------------|
| £'000 | | £'000 |
| (1,047,283) | Balance at 1 st April: | (1,011,819) |
| 66,641 | Actuarial (gains) or losses on pensions assets and liabilities | (271,602) |
| 12,529 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 14,224 |
| (43,706) | Employer's pensions contributions and direct payments to pensioners payable in the year. | (43,487) |
| (1,011,819) | Balance at 31 st March: | (1,312,684) |

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Commissioner does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| 0 | Balance at 1 st April: | 205 |
| 205 | Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | 0 |
| 0 | Transfer to the Capital Receipts Reserve upon receipt of cash | (114) |
| 205 | Balance at 31 st March: | 91 |

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Commissioner arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- disposed of and the gains are realised.

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| 0 | Balance at 1 st April: | 165 |
| 165 | Downward revaluation of investments | (81) |
| 0 | Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | 0 |
| 165 | Balance at 31 st March: | 84 |

30. Cash flow statement – operating activities

| 2015/16 | | 2016/17 |
|--------------|---|---------------|
| £'000 | | £'000 |
| 35,328 | Net (surplus) or deficit on the provision of services | 35,595 |
| | Adjustments for non-cash movements: | |
| (3,688) | Depreciation | (3,795) |
| 40 | Investment Impairment | 0 |
| 0 | Revaluation losses on Property, Plant & Equipment | (1,008) |
| (31,176) | Net charges made for Retirement Benefits | (29,263) |
| (721) | Sale of Fixed Assets (NBV) | (91) |
| 189 | Contribution to Provisions | 185 |
| 165 | Loss on Revaluation of Financial Assets available for sale | (81) |
| 2,504 | Net PFI Contribution | 0 |
| 5 | Increase/Decrease in Interest on Investments accrual | 16 |
| 1 | Increase/Decrease in Interest on Borrowing accrual | 1 |
| (34) | Increase/Decrease in Stock | 61 |
| (3,044) | Increase/Decrease in Debtors | 706 |
| 2,006 | Increase/Decrease in Creditors | 1,026 |
| (33,753) | | (32,243) |
| | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities: | |
| 63 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 219 |
| (996) | Other payments for financing activities – Agency arrangements | (969) |
| 616 | Payments for and Receipts from investing activities | 324 |
| (317) | | (426) |
| 1,258 | Net cash flows from operating activities | 2,926 |

31. Cash flow statement – investing activities

| 2015/16 | | 2016/17 |
|--------------|--|----------------|
| £'000 | | £'000 |
| 2,842 | Purchase of property, plant and equipment, investment property and intangible assets | 3,436 |
| 143,079 | Purchase of short-term and long-term investments | 93,472 |
| 200 | Other payments for investing activities | 357 |
| (63) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (219) |
| (143,132) | Proceeds from short-term and long-term investments | (100,706) |
| (817) | Other receipts from investing activities | (681) |
| 2,109 | Net cash flows from investing activities | (4,341) |

32. Cash flow statement – financing activities

| 2015/16 | | 2016/17 |
|--------------|---|--------------|
| £'000 | | £'000 |
| 143 | Repayments of short and long-term borrowing | 158 |
| 996 | Other payments for financing activities | 969 |
| 1,139 | Net cash flows from financing activities | 1,127 |

33. Agency Services

Since April 2015, The Police and Crime Commissioner for Dyfed Powys has been the strategic lead for the financial administration of the 'GoSafe' Partnership. 'GoSafe' is the public facing image of the Wales Road Casualty Reduction Partnership which comprises the 4 Welsh Police Forces, 22 Unitary Authorities for Wales and the Welsh Government (as the Trunk Road authority).

The 'GoSafe' Partnership is funded from two principle sources: a Welsh Government grant, and utilisation of income received from attendance of offenders on Speed Awareness Courses. During 2016/17, the Police and Crime Commissioner for Dyfed Powys submitted grant claims totalling £2.55m, and made creditor payments to the value of £5.59m, on behalf of the Partnership.

In accordance with the requirements of IAS 18 *Revenue*, the Code of Practice requires that where an organisation acts as an agent, transactions will not be reflected in an authority's financial statements, with the exception of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash is included in Financing Activities in the Cash Flow Statement.

Pension services provided by Carmarthenshire County Council

The council administer the Local Government and Police Pension schemes and levy an annual fee based on the number of active and deferred members, as well as actual pensioners. A cost is also incurred for maintenance and the annual benefit statements.

| 2015/16 | | 2016/17 |
|-----------|---|-----------|
| £'000 | | £'000 |
| 82 | Expenditure incurred in administering the Police and Local Government Pension Schemes | 81 |
| 82 | Net surplus arising on the agency arrangements | 81 |

34. Collaborative Arrangements

Police forces in Wales have a long, successful history of collaborating to develop specialist areas of policing. This included those under the remit of the former Police Authorities of Wales Joint Committee. Future collaboration will be driven by the need to satisfy the Strategic Policing Requirement and by the outcomes of the Regional Strategic Assessment of threats, risks and harm to the southern region of Wales.

The Police and Crime Commissioner for each Police Force will be responsible for ensuring the Strategic Policing Requirement is met. As part of this, he will look to work in collaboration with other Commissioners and forces to provide the most effective service possible. Such agreements are regulated by Section 22A of the Police Act 1996, as amended by the Police Reform and Social Responsibility Act 2011.

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

The CIPFA guidance on "Accounting for Collaboration requires the Commissioner and Force to assess all collaborative activity and categorise these into either joint operations or joint ventures and account for their fair share of expenditure, income, assets and liabilities in their individual accounts.

The Expenditure and Income Statements for the main collaborative arrangements are provided below:

| 2016/17 | Counter Terrorism Intelligence Unit | Counter Terrorism Specialist Advisors | Counter Terrorism Port/Dedicated Security | Regional Organised Crime Unit | Regional Task Force | Joint Firearms Unit | TOTAL |
|---|-------------------------------------|---------------------------------------|---|-------------------------------|---------------------|-----------------------|-----------------|
| Service Classification | National Policing | National Policing | National Policing | Intelligence/ Investigation | Intelligence | Specialist Operations | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Pay Expenditure | 4,792 | 459 | 4,551 | 4,121 | 1,791 | 10,358 | 26,072 |
| Non Pay Expenditure | 1,700 | 27 | 358 | 1,174 | 381 | 1,366 | 5,006 |
| Gross Expenditure | 6,492 | 486 | 4,909 | 5,295 | 2,172 | 11,724 | 31,078 |
| Specific Grant Income | (6,471) | (486) | (4,909) | (2,706) | (500) | 0 | (15,072) |
| Income | (21) | 0 | 0 | (55) | (55) | 0 | (131) |
| Total Income & Grants | (6,492) | (486) | (4,909) | (2,761) | (555) | 0 | (15,203) |
| (Surplus) or Deficit - to be funded from Force Contributions as follows: | 0 | 0 | 0 | 2,534 | 1,617 | 11,724 | 15,875 |
| Force Contributions (Net): | | | | | | | |
| Dyfed-Powys | 0 | 0 | 0 | (528) | (345) | (3,331) | (4,204) |
| Gwent | 0 | 0 | 0 | (674) | (441) | (2,854) | (3,969) |
| North Wales | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| South Wales | 0 | 0 | 0 | (1,332) | (831) | (5,539) | (7,702) |
| Total Force Contributions | 0 | 0 | 0 | (2,534) | (1,617) | (11,724) | (15,875) |

The tables below show each Force's contribution towards Expenditure and Income:

| 2016/17 | Counter Terrorism Intelligence Unit | Counter Terrorism Specialist Advisors | Counter Terrorism Port/Dedicated Security | Regional Organised Crime Unit | Regional Task Force | Joint Firearms Unit | TOTAL |
|--|---|---|---|---|---|--|-----------------|
| Service Classification and agreed basis of apportionment | National Policing – (Population – national benefit basis) | National Policing – (Population – national benefit basis) | National Policing – (Population – national benefit basis) | Intelligence/ Investigation – (Population – national benefit basis) | Intelligence (Agreed Financial Contribution – local delivery) | Specialist Operations (Agreed Financial Contribution – local delivery) | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Dyfed-Powys | 1,081 | 81 | 513 | 1,136 | 456 | 3,475 | 6,742 |
| Gwent | 1,219 | 91 | 578 | 1,281 | 543 | 2,817 | 6,529 |
| North Wales | 1,455 | 109 | 2,518 | Note 1 | Note 1 | 0 | 4,082 |
| South Wales | 2,737 | 205 | 1,300 | 2,878 | 1,173 | 5,432 | 13,725 |
| Gross Expenditure | 6,492 | 486 | 4,909 | 5,295 | 2,172 | 11,724 | 31,078 |
| Dyfed-Powys | (1,081) | (81) | (513) | (592) | (116) | 0 | (2,383) |
| Gwent | (1,219) | (91) | (578) | (668) | (139) | 0 | (2,695) |
| North Wales | (1,455) | (109) | (2,518) | Note 1 | Note 1 | 0 | (4,082) |
| South Wales | (2,737) | (205) | (1,300) | (1,501) | (300) | 0 | (6,043) |
| Total Income & Grants | (6,492) | (486) | (4,909) | (2,761) | (555) | 0 | (15,203) |

Note 1: North Wales Police are basing their costs and income on actual costs rather than an allocation on Welsh population or agreed Financial Contribution. Furthermore, they are not included in the Regional Organised Crime Unit as they contribute to the North West region of England and North Wales. Also they do not contribute towards the Regional Task Force and Joint Firearms Unit which operate in the Southern Welsh Forces.

Each Police and Crime Commissioner may hold their own reserves for collaborative purposes.

35. Officers' remuneration

Senior employees

| | Year | Note | Salary (including fees and allowances) | Benefits in kind - lease cars | Benefits in kind - relocation expenses | Pay in Lieu of Notice / Exit Payment | Total remuneration excluding pension contributions | Pension contributions | Total remuneration including pension contributions |
|---|---------|------|---|-------------------------------------|---|--|--|--------------------------|--|
| | | | £ | £ | £ | £ | £ | £ | £ |
| Chief Constable | 2016/17 | 2 | 91,537 | 2,973 | 0 | 0 | 94,510 | 0 | 94,510 |
| | 2015/16 | | 127,465 | 4,192 | 0 | 0 | 131,657 | 27,517 | 159,174 |
| Chief Constable | 2016/17 | 3 | 39,894 | 757 | 0 | 0 | 40,651 | 9,420 | 50,071 |
| | 2015/16 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deputy Chief Constable | 2016/17 | 4 | 67,927 | 0 | 0 | 0 | 67,927 | 15,291 | 83,218 |
| | 2015/16 | 5 | 115,856 | 3,501 | 0 | 0 | 119,357 | 27,034 | 146,391 |
| Deputy Chief Constable | 2016/17 | 6 | 10,988 | 216 | 0 | 0 | 11,204 | 2,530 | 13,734 |
| | 2015/16 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| T/Deputy Chief Constable | 2016/17 | 7 | 105,041 | 5,590 | 895 | 0 | 111,526 | 24,774 | 136,300 |
| | 2015/16 | 7 | 44,558 | 1,570 | 0 | 0 | 46,128 | 10,783 | 56,911 |
| Assistant Chief Constable | 2016/17 | 8 | 10,162 | 574 | 0 | 0 | 10,736 | 2,460 | 13,196 |
| | 2015/16 | 8 | 36,669 | 2,382 | 30,139 | 0 | 69,190 | 8,874 | 78,064 |
| T/Assistant Chief Constable | 2016/17 | 9 | 103,422 | 3,706 | 0 | 0 | 107,128 | 25,028 | 132,156 |
| | 2015/16 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| T/Assistant Chief Constable | 2016/17 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2015/16 | 10 | 64,014 | 1,846 | 0 | 0 | 65,860 | 13,953 | 79,813 |
| Director of Finance/ Chief Financial Officer to the Chief Constable | 2016/17 | | 69,903 | 0 | 0 | 0 | 69,903 | 8,109 | 78,012 |
| | 2015/16 | | 68,007 | 0 | 0 | 0 | 68,007 | 7,889 | 75,896 |
| Director of Resources | 2016/17 | | 69,903 | 0 | 0 | 0 | 69,903 | 8,109 | 78,012 |
| | 2015/16 | | 68,007 | 0 | 0 | 0 | 68,007 | 7,889 | 75,896 |

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| | | | | | | | | | | |
|--|---------|----|----------------|---------------|---------------|---------------|----------------|----------------|------------------|---------|
| Director of Legal and Compliance | 2016/17 | 11 | 73,934 | 0 | 0 | 0 | 95,301 | 169,235 | 0 | 169,235 |
| | 2015/16 | | 69,498 | 0 | 0 | 0 | 0 | 69,498 | 0 | 69,498 |
| Commissioner | 2016/17 | 12 | 7,339 | 0 | 0 | 0 | 0 | 7,339 | 851 | 8,190 |
| | 2015/16 | | 65,000 | 0 | 0 | 0 | 0 | 65,000 | 7,540 | 72,540 |
| Commissioner | 2016/17 | 13 | 57,661 | 0 | 0 | 0 | 0 | 57,661 | 6,689 | 64,350 |
| | 2015/16 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deputy Commissioner* | 2016/17 | 14 | 5,173 | 0 | 0 | 0 | 0 | 5,173 | 600 | 5,773 |
| | 2015/16 | | 53,000 | 0 | 0 | 0 | 0 | 53,000 | 6,148 | 59,148 |
| Chief Financial Officer to the Commissioner* | 2016/17 | 15 | 60,015 | 0 | 0 | 0 | 0 | 60,015 | 6,962 | 66,977 |
| | 2015/16 | | 58,208 | 0 | 0 | 0 | 0 | 58,208 | 6,776 | 64,984 |
| Chief of Staff* | 2016/17 | 16 | 61,218 | 0 | 0 | 0 | 0 | 61,218 | 8,481 | 69,699 |
| | 2015/16 | 17 | 4,405 | 0 | 0 | 0 | 0 | 4,405 | 5,793 | 10,198 |
| Temporary Chief of Staff* | 2016/17 | 18 | 6,394 | 0 | 0 | 0 | 0 | 6,394 | 742 | 7,136 |
| | 2015/16 | | 59,142 | 0 | 0 | 0 | 0 | 59,142 | 6,860 | 66,002 |
| Total 2016/17 | | | 846,511 | 13,816 | 895 | 95,301 | 950,523 | 120,044 | 1,070,568 | |
| Total 2015/16 | | | 833,829 | 13,491 | 30,139 | 0 | 877,459 | 137,056 | 1,014,515 | |

*staff under the direction and control of the Commissioner

Note 1: Under the Chief Officer Relocation Package Policy, Chief Officers who relocate their main home to the force area are entitled to receive reimbursement of their relocation expenses. This is in accordance with Police Regulations.

Note 2: The Chief Constable retired on 17/12/16. The annualised salary for this post in 2016/17 was £125,853.

Note 3: The new Chief Constable was appointed on the 18/12/16. The annualised salary for this post in 2016/17 was £135,324.

Note 4: The Deputy Chief Constable retired from this seconded post on 23/10/16. The annualised salary for this post was £113,295. The salary cost of this post was recharged 1/3 Dyfed Powys, 1/3 Gwent and 1/3 South Wales for 2016/17.

Note 5: The Deputy Chief Constable was seconded to the role of "Deputy Chief Constable - All Wales" from 08/11/15 onwards. There was no change in remuneration as a result of this appointment.

Note 6: The new Deputy Chief Constable was appointed on the 26/02/17. The annualised salary for this post in 2016/17 was £113,295.

Note 7: The Temporary Deputy Chief Constable was in post between 08/11/15 - 25/02/17. The annualised salary for this post in 2016/17 was £113,295.

Note 8: The Assistant Chief Constable held this post from 01/04/15 – 07/11/15 and then reverted back to this post from 26/02/2017 onwards. The annualised salary for this post in 2016/17 was £110,148.

Note 9: The Temporary Assistant Chief Constable was in post from 01/04/2016 onwards.

Note 10: The Temporary Assistant Chief Constable was in post between 01/04/2015 - 27/06/2015 and 15/11/2015 - 31/03/2016. The annualised salary for this post in 2015/16 was £97,509.

Note 11: The Director of Legal and Compliance left the organisation on 03/03/17. The annualised salary for this post in 2016/17 was £70,192.

Note 12: The Commissioner left the organisation on 11/05/2016 following the Police and Crime Commissioner elections.

Note 13: The new Commissioner was appointed on 12/05/2016 following the Police and Crime Commissioner elections with an annual salary of £65,000.

Note 14: The Deputy Commissioner left the organisation on 11/05/16 following the Police and Crime Commissioner elections. The annualised salary for this post in 2016/17 was £53,000.

Note 15: The Chief Financial officer to the Commissioner reduced her hours during 2015/16. The annualised full-time equivalent salary for this post in 2016/17 was £70,192.

Note 16: The Chief of Staff returned from maternity leave on 11/04/16. The annualised salary for this post in 2016/17 was £62,955.

Note 17: The Chief of Staff was on maternity leave from 27/04/2015 - 10/04/2016. The annualised salary for this post in 2015/16 was £60,993.

Note 18: The temporary Chief of Staff left the organisation on 08/05/16. The annualised salary for this post in 2016/17 was £60,993.

Other employees – (excludes senior officers – itemised above)

The other Group employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

| 2015/16 | | 2016/17 |
|---------------------|--------------------|---------------------|
| Number of employees | | Number of employees |
| 4 | £60,000 - £64,999* | 6 |
| 5 | £65,000 - £69,999 | 3 |
| 1 | £70,000 - £74,999 | 2 |
| 3 | £75,000 - £79,999 | 3 |
| 3 | £80,000 - £84,999 | 3 |
| 2 | £85,000 - £89,999 | 0 |
| 0 | £90,000 - £94,999 | 2 |
| 0 | £95,000 - £99,999 | 1 |

*There was one Commissioner employee who received more than £60,000 remuneration for the year (excluding employer's pension contributions).

Ratio of Chief Constable Remuneration/Chief of Staff Remuneration

The revision to the Accounts and Audit Regulations (Wales) in 2014 has added a new requirement to report the following remuneration ratio information:

- the remuneration of the body's Chief Constable/Chief of Staff during the year to which the accounts relate;
- the median full-time equivalent remuneration of all the body's employees in post at 31st March 2017; and
- the ratio of the amount in sub-paragraph (a) to the amount in sub-paragraph (b);

Remuneration includes basic salary, overtime, allowances and benefits in kind.

Commissioner:

The remuneration of the Chief of Staff for 2016/17 was £61,218.

The median full-time equivalent remuneration of all the Commissioner's employees as at 31st March 2017 was £25,751.

The ratio of the Chief of Staff's remuneration to the median Commissioner employee's remuneration was 2.38:1.

Chief Constable:

The remuneration of the Chief Constable for 2016/17 was £137,052.

The median full-time equivalent remuneration of all the Chief Constable's employees as at 31st March 2017 was £35,772.

The ratio of the Chief Constable's remuneration to the median Chief Constable employee's remuneration was 3.83:1.

Exit Packages

The number of exit packages with total cost per band and total cost of the departures agreed during 2016/17 is set out in the tables below.

Group:

| Exit package cost band | 2015/16 | 2015/16 | 2016/17 | 2016/17 |
|------------------------|-----------------------------|--|-----------------------------|--|
| | Number of Departures agreed | Departure cost (including payment in lieu of notice) £'000 | Number of Departures agreed | Departure cost (including payment in lieu of notice) £'000 |
| £0 - £20,000 | 1 | 6 | 1 | 3 |
| £20,001 - £40,000 | 0 | 0 | 0 | 0 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 0 | 0 | 1 | 95 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 |
| £150,000 + | 0 | 0 | 0 | 0 |
| | 1 | 6 | 2 | 98 |

*2 members of staff exited the organisation during 2016/17.

Commissioner:

One member of staff was charged to the Commissioner's accounts in 2016/17.

The total cost of exit packages is charged to the Group's Comprehensive Income and Expenditure Account in the current year. The cost of the departures is included in the Service Analysis and the Pension Strain as a Non Distributed Cost.

Flexible Retirement

The Force has recently adopted this policy and 4 police staff are currently employed under this policy option. Due to these early retirements, an actuarial strain has been applied to the Local Government Scheme resulting in a cost of £13k to the Force.

Members

The following amounts were paid to Joint Audit Committee members in 2016/17.

| Group | Commissioner | | Group | Commissioner |
|---------|--------------|------------|---------|--------------|
| 2015/16 | 2015/16 | | 2016/17 | 2016/17 |
| £'000 | £'000 | | £'000 | £'000 |
| 0 | 0 | Salaries | 0 | 0 |
| 3 | 3 | Allowances | 3 | 3 |
| 0 | 0 | Expenses | 0 | 0 |
| 3 | 3 | Total | 3 | 3 |

36. External audit costs

The Group/Commissioner has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Group/Commissioner's external auditors:

| Group | Commissioner | | Group | Commissioner |
|---------|--------------|---|-----------|--------------|
| 2015/16 | 2015/16 | | 2016/17 | 2016/17 |
| £'000 | £'000 | | £'000 | £'000 |
| 82 | 41 | Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year | 79 | 40 |
| 82 | 41 | Total | 79 | 40 |

37. Grant Income

The Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16 and 2016/17:

| 2015/16 | | 2016/17 |
|----------|--|-----------------|
| £'000 | | £'000 |
| | Credited to Financing and Investment Income and Expenditure | |
| (75) | Completed Fund | 0 |
| 0 | Wisdom Funding – Multi-agency Offender Hub | (20) |
| 0 | Control Room Upgrades for transition onto Emergency Services Network | (426) |
| 0 | CCTV Upgrade at the Ports | (96) |
| (75) | Total | (542) |
| | Credited to Taxation and Non-specific grant income | |
| (32,448) | Police Revenue Grant | (32,896) |
| (5,063) | Welsh Floor Grant | (4,221) |
| (1,426) | Revenue Support Grant | (4,618) |
| (619) | Capital Grant | (374) |
| (39,556) | Total | (42,109) |
| | Credited to services | |
| | <i>Revenue grants</i> | |
| (1,528) | Grants Receivable from the Home Office | (1,470) |
| (2,192) | Police Community Support Officers | (2,479) |
| (576) | Victim Support Services | (611) |
| (391) | Private Finance Initiative | (378) |
| (334) | All Wales Schools Liaison Programme | (316) |
| (39) | Completed Fund | 0 |
| (55) | Capital Loans Grant | (195) |
| (52) | Other Revenue Grants | (4) |
| | <i>Collaborative Grants **</i> | |
| (563) | Regional Organised Crime Unit | (580) |
| (105) | Regional Task Force | (105) |
| (551) | Dedicated Security Posts (Ports Unit) | (513) |
| (56) | Counter Terrorism Security Advisors (CTSA) | (81) |
| (946) | Counter Terrorism Intelligence Unit | (1,081) |
| (7,388) | Total | (7,813) |

**Police and Crime Commissioners and Police Forces in Wales are complying with requirements arising from the CIPFA guidance on "Accounting for Collaboration". This guidance has required the Group to assess all collaborative activity and account for their fair share of grant income in their individual accounts since 2014/15.

38. Related parties

The Group/Commissioner is required to disclose material transactions with related parties, i.e. bodies or individuals that have the potential to control or influence the Group/Commissioner or to be controlled or influenced by the Group/Commissioner.

Central Government and Other Public Bodies

Central government has significant influence over the general operations of the Group/Commissioner – it is responsible for providing the statutory framework within which the Group/Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Group/Commissioner has with other parties.

The Group/Commissioner has business relationships, giving rise to income and expenditure transactions, with Central Government Bodies and other Public Bodies as follows:

| Group 2016/17 | | | Commissioner 2016/17 | |
|------------------|----------------------|--------------------------------|-------------------------|----------------------|
| Income £'000 | Expenditure £'000 | | Income £'000 | Expenditure £'000 |
| (69,188) | 994 | Home Office | (69,188) | 0 |
| (18,324) | 5 | Welsh Government | (18,324) | 0 |
| (14,295) | 4,827 | Carmarthenshire County Council | (14,295) | 19 |
| (6,134) | 174 | Ceredigion County Council | (6,134) | 25 |
| (10,765) | 583 | Pembrokeshire County Council | (10,765) | 300 |
| (12,246) | 255 | Powys County Council | (12,246) | 100 |

| Group 2015/16 | | | Commissioner 2015/16 | |
|------------------|----------------------|--------------------------------|-------------------------|----------------------|
| Income £'000 | Expenditure £'000 | | Income £'000 | Expenditure £'000 |
| (68,320) | 764 | Home Office | (68,320) | 0 |
| (17,934) | 3 | Welsh Government | (17,934) | 0 |
| (14,328) | 4,300 | Carmarthenshire County Council | (14,328) | 0 |
| (6,097) | 139 | Ceredigion County Council | (6,097) | 0 |
| (10,677) | 539 | Pembrokeshire County Council | (10,677) | 275 |
| (12,200) | 197 | Powys County Council | (12,200) | 0 |

Joint Audit Committee Members

The Joint Audit Committee provides an additional source of assurance to the Commissioner and the Chief Constable that systems of internal control are working effectively and that internal audit is operating within their Code of Practice.

The total of members' allowances paid in 2016/17 is shown in note 35.

None of the Joint Audit Committee members, or parties related to them, have undertaken any material transactions with the Chief Constable in 2016/17.

Senior Officers

There were no material transactions between the Group/Commissioner and other Senior Officers, or parties related to them.

Entities Controlled or significantly Influenced by the Group/Commissioner

There are no entities controlled or significantly influenced by the Group/Commissioner.

39. Capital expenditure and capital financing

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

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| (7,309) | Opening capital financing requirement: | 0 |
| | Capital Investment: | |
| (2,701) | • Property, Plant and Equipment | 0 |
| 0 | • Investment properties | 0 |
| (219) | • Intangible assets | 0 |
| 0 | • Revenue expenditure funded from Capital under Statute | 0 |
| | Sources of finance: | |
| 63 | • Capital receipts | 0 |
| 2,252 | • Government grants and other contributions | 0 |
| | Sums set aside from revenue | |
| 605 | • Direct revenue contributions | 0 |
| 0 | • MRP / loans fund principal | 0 |
| 7,309 | Repayment of Capital Financing Requirement * | 0 |
| 0 | Closing capital financing requirement: | 0 |

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| | Explanation of movements in the year: | |
| 0 | (Increase) / decrease in underlying need to borrow (supported by government financial assistance) | 0 |
| 7,309 | (Increase) / decrease in underlying need to borrow (unsupported by government financial assistance) * | 0 |
| 0 | Assets acquired under finance leases | 0 |
| 0 | Assets acquired under PFI contracts | 0 |
| 7,309 | (Increase)/ decrease in Capital Financing Requirement | 0 |

*In 2015/16, reserves were utilised to repay the Capital Financing Requirement.

40. Leases**Group/Commissioner as Lessee**Operating Leases

The Group/Commissioner leases property from other property owners where appropriate and affordable, to provide suitable accommodation for operational policing and support. The Group/Commissioner also has operating leases for plant and equipment which includes photocopiers.

The future minimum lease payments due under non-cancellable leases in future years are:

| 31 st March 2016 | | 31 st March 2017 |
|-----------------------------|---|-----------------------------|
| £'000 | | £'000 |
| 168 | Not later than one year | 175 |
| 416 | Later than one year and not later than five years | 485 |
| 977 | Later than five years | 884 |
| 1,561 | Total | 1,544 |

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

| 2015/16 | | 2016/17 |
|------------|--------------------------------|------------|
| £'000 | | £'000 |
| 235 | Minimum lease payments | 217 |
| 0 | Contingent rents | 0 |
| 0 | (Sublease payments receivable) | 0 |
| 235 | Total | 217 |

Group/Commissioner as LessorOperating Leases

The Group/Commissioner leases out part of its property portfolio to provide suitable and affordable accommodation for other Public Sector Authorities.

The future minimum lease payments receivable under non-cancellable leases in future years are:

| Group 31 st March 2016 | Commissioner 31 st March 2016 | | Group 31 st March 2017 | Commissioner 31 st March 2017 |
|---|---|---|---|---|
| £'000 | £'000 | | £'000 | £'000 |
| 95 | 95 | Not later than one year | 86 | 86 |
| 337 | 337 | Later than one year and not later than five years | 337 | 337 |
| 356 | 356 | Later than five years | 271 | 271 |
| 788 | 788 | Total | 694 | 694 |

The income credited to the Group/Commissioner's Comprehensive Income and Expenditure Statement during 2016/17 in relation to these leases was £179,861.

41. Private Finance Initiatives and similar contracts

The Private Finance Initiative agreement for Ammanford Police Station was terminated on 19th June 2015.

| 2015/16 | | 2016/17 |
|---------|--|---------|
| £'000 | | £'000 |
| 2,504 | Balance outstanding at start of year | 0 |
| (10) | Payments during the year | 0 |
| (2,494) | Payments during the year (termination of contract) | 0 |
| 0 | Capital expenditure incurred in the year | 0 |
| 0 | Balance outstanding at year end | 0 |

42. Impairment losses

During 2016/17, there is no reason to believe that the value of assets has changed, therefore there is no indication of impairment.

43. Termination benefits

During 2016/17, 2 members of staff accepted an offer of benefits in exchange for the termination of employment.

44. Defined benefit pension schemes

Participation in Pension schemes

As part of the terms and conditions of employment of its officers, the Group makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Group participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by Carmarthenshire County Council – this is a funded defined benefit CARE (Career Average Revalued Earnings) scheme, meaning that the Group and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Police Officer Pension Scheme – this is an unfunded defined benefit CARE scheme, consequently the fund has no investment assets. Benefits payable are funded by contributions from employers and employees with any difference between benefits payable and contributions receivable being met by the top-up grant from the Home Office.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Group is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive

Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

| | Local Government Pension Scheme | | Police Pension Scheme | |
|---|---------------------------------|-----------------|-----------------------|------------------|
| | Group | Commissioner | Group | Commissioner |
| | 2016/17 | 2016/17 | 2016/17 | 2016/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Comprehensive Income and Expenditure Statement: | | | | |
| <i>Cost of services:</i> | | | | |
| • Current service cost | (4,236) | (97) | (16,484) | 0 |
| • Past service cost | 0 | 0 | 0 | 0 |
| • Other | (120) | 0 | 0 | 0 |
| <i>Financing and Investment Income and Expenditure:</i> | | | | |
| • Net interest expense | (992) | (23) | (34,944) | 0 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | (5,348) | (120) | (51,428) | 0 |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income and 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) | 19,987 | 0 | 0 | 0 |
| • Remeasurement gains and losses arising on changes in demographic assumptions | 1,743 | 0 | 0 | 0 |
| • Remeasurement gains and losses arising on changes in financial assumptions | (36,097) | (178) | (263,838) | 0 |
| • Other -- experience (gain)/loss | 6,603 | 0 | 0 | 0 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (13,112) | (298) | (315,266) | 0 |
| Commissioning Costs (Intra-group transfer) | 0 | (12,814) | 0 | (315,266) |
| Total net cost | (13,112) | (13,112) | (315,266) | (315,266) |
| <i>Movement in Reserves Statement</i> | | | | |
| • Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | 5,348 | 5,348 | 51,428 | 51,428 |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | | | |
| • Employers' contributions payable to scheme | (2,749) | (2,749) | (24,764) | (24,764) |

An intra-group transfer has been processed from the Chief Constable's accounts to the Commissioner's accounts, as the Chief Constable is not responsible for holding reserves.

The cumulative amount of actuarial gains and losses recognised in the Group and Commissioner Comprehensive Income and Expenditure Statements to the 31 March 2017 is a loss of £7,764k (2015/16: £4,851k gain).

| | Local Government Pension Scheme | | Police Pension Scheme | |
|--|---------------------------------|--------------|-----------------------|--------------|
| | Group | Commissioner | Group | Commissioner |
| | 2015/16 | 2015/16 | 2015/16 | 2015/16 |
| | £'000 | £'000 | £'000 | £'000 |
| Comprehensive Income and Expenditure Statement: | | | | |
| <i>Cost of services:</i> | | | | |
| • Current service cost | (4,277) | (88) | (19,508) | 0 |
| • Past service cost | 0 | 0 | (3,199) | 0 |
| • Other | (94) | 0 | 0 | 0 |
| <i>Financing and Investment Income and Expenditure:</i> | | | | |
| • Net interest expense | (1,009) | (21) | (33,088) | 0 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | (5,380) | (109) | (55,795) | 0 |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| Remeasurement of the net defined benefit liability comprising: | | | | |
| • Return on plan assets (excluding the amount included in the net interest expense) | (3,960) | 0 | 0 | 0 |
| • Remeasurement gains and losses arising on changes in demographic assumptions | 0 | 0 | 0 | 0 |
| • Remeasurement gains and losses arising on changes in financial assumptions | 8,811 | 100 | 61,790 | 0 |
| • Other – experience (gain)/loss | 0 | 0 | 0 | 0 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (529) | (9) | 5,995 | 0 |
| Commissioning Costs (Intra-group transfer) | 0 | (520) | 0 | 5,995 |
| Total net cost | (529) | (529) | 5,995 | 5,995 |
| <i>Movement in Reserves Statement:</i> | | | | |
| • Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post -employment benefits in accordance with the Code | 5,380 | 5,380 | 55,795 | 55,795 |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | | | |
| • Employers' contributions payable to scheme | (2,596) | (2,596) | (27,402) | (27,402) |

Pensions Assets and Liabilities recognised in the Balance Sheet

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

| | Local Government Pension Scheme | | Police Pension Scheme | |
|--|---------------------------------|-----------------|-----------------------|--------------------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| | £'000 | £'000 | £'000 | £'000 |
| Present value of the defined benefit obligation | (123,284) | (159,043) | (982,911) | (1,273,413) |
| Fair value of plan assets | 94,376 | 119,772 | 0 | 0 |
| Net liability arising from defined benefit obligation | (28,908) | (39,271) | (982,911) | (1,273,413) |

Pensions Liability

The Pensions Liability which is disclosed on the Group Balance Sheet reflects the underlying commitments that the Chief Constable has in the long run to pay retirement benefits. In 2016/17 this amounts to £1,312,684 million compared to £1,011,819 million in 2015/16.

Recognition of the total liability has a substantial impact on the net worth as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy. This is because to finance the liability the Chief Constable makes a pension contribution of 21.3% for police officers and 11.6% for police staff, with the actual pensions and commuted lump sums being met directly by the Police Pension Fund Account, which is funded by the Home Office via the Commissioner.

Reconciliation of the movements in the Fair value of Scheme (Plan) Assets

| | Local Government Pension Scheme | | Police Pension Scheme | |
|---|---------------------------------|------------------|-----------------------|------------------|
| | 2015/16 £'000 | 2016/17 £'000 | 2015/16 £'000 | 2016/17 £'000 |
| Opening fair value of scheme assets | 93,830 | 94,376 | 0 | 0 |
| Interest income | 3,214 | 3,435 | 0 | 0 |
| Remeasurement gain / (loss) | | | | |
| • The return on plan assets excluding the amount included in the net interest expense | (3,960) | 19,987 | 0 | 0 |
| Contributions from employer | 2,596 | 2,749 | 0 | 0 |
| Contributions from employees into the scheme | 1,238 | 1,298 | 0 | 0 |
| Benefits paid | (2,448) | (1,953) | 0 | 0 |
| Other (if applicable) | (94) | (120) | 0 | 0 |
| Closing fair value of scheme assets | 94,376 | 119,772 | 0 | 0 |

The majority of the employment costs are incurred by the Chief Constable, therefore assets and liabilities relating to post-employment benefits remain within the Chief Constable and Group accounts.

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

| | Funded Liabilities: Local Government Pension Scheme | | Unfunded Liabilities: Police Pension Scheme | |
|---|---|------------------|---|------------------|
| | 2015/16 £'000 | 2016/17 £'000 | 2015/16 £'000 | 2016/17 £'000 |
| Opening Balance at 1 st April: | (124,805) | (123,284) | (1,016,308) | (982,911) |
| Current service cost | (4,277) | (4,236) | (19,508) | (16,484) |
| Interest cost | (4,223) | (4,427) | (33,088) | (34,944) |
| Contributions from scheme participants | (1,238) | (1,298) | (5,862) | (5,771) |
| Remeasurement gains and (losses) | | | | |
| • Remeasurement gains/ (losses) arising from changes in demographic assumptions | 0 | 1,743 | 0 | 0 |
| • Remeasurement gains / (losses) arising from changes in financial assumptions | 8,811 | (36,097) | 61,790 | (263,838) |
| • Other (if applicable) | 0 | 6,603 | 0 | 0 |
| Past service cost | 0 | 0 | (3,199) | 0 |
| Losses/ (gains) on curtailment | 0 | 0 | 0 | 0 |
| Benefits Paid | 2,448 | 1,953 | 33,264 | 30,535 |
| Closing balance at 31 st March | (123,284) | (159,043) | (982,911) | (1,273,413) |

Local Government Pension Scheme assets comprised:

| | Fair value of Scheme assets | |
|---------------------------|-----------------------------|----------------|
| | 2015/16 | 2016/17 |
| | £'000 | £'000 |
| Cash and cash equivalents | 397 | 959 |
| Equity Instruments | 65,214 | 84,438 |
| Bonds | 18,252 | 23,236 |
| Property | 10,513 | 11,139 |
| Total Assets | 94,376 | 119,772 |

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Both the LGPS and Police Officer pension scheme liabilities have been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the LGPS Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

| | Local Government Pension Scheme | | Police Pension Scheme | |
|--|---------------------------------|---------|-----------------------|---------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| Mortality assumptions: | | | | |
| Longevity at 65 (60 for police scheme) for current pensioners: | | | | |
| • Men | 23.4 | 22.8 | 27.6 | 27.8 |
| • Women | 25.9 | 25.5 | 30.2 | 30.3 |
| Longevity at 65 (60 for police scheme) for future pensioners: | | | | |
| • Men | 25.7 | 25.0 | 30.3 | 30.1 |
| • Women | 28.2 | 27.8 | 32.5 | 32.6 |
| Other assumptions: | | | | |
| Rate of Inflation | 2.0% | 2.3% | 2.0% | 2.3% |
| Rate of increase in salaries | 3.5% | 3.8% | 3.5% | 3.8% |
| Rate of increase in pensions | 2.0% | 2.3% | 2.0% | 2.3% |
| Rate for discounting scheme liabilities | 3.6% | 2.6% | 3.6% | 2.6% |

The estimation of the defined benefit obligation is sensitive to actuarial assumptions set out in the table above.

The sensitivity analyses below have been determined based on reasonable 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 used in the previous period.

| Local Government Police Scheme 2016/17 | Impact on the defined benefit obligation in the scheme | |
|--|--|------------------------|
| | Increase in assumption | Decrease in assumption |
| | £'000 | £'000 |
| Longevity (increase or decrease by 1 year) | 3,015 | |
| Rate of inflation (increase or decrease by 0.1%) | 3,531 | |
| Rate of increase in salaries (increase or decrease by 0.1%) | 1,080 | |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | | 3,454 |
| Police Pension Scheme 2016/17 | Impact on the defined benefit obligation in the scheme | |
| | Increase in assumption | Decrease in assumption |
| | £'000 | £'000 |
| Longevity (increase or decrease by 1 year) | 30,940 | |
| Rate of inflation (increase or decrease by 0.1%) | 26,726 | |
| Rate of increase in salaries (increase or decrease by 0.1%) | 6,801 | |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | | 26,127 |

Impact on the Group's Cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Group has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. The triennial valuation was completed on 31st March 2017 and details of the future employers' rates are shown below:

| Year | Employer rate |
|---------|---------------|
| 2017/18 | 13.5% |
| 2018/19 | 13.5% |
| 2019/20 | 13.5% |

45. Contingent Liabilities

The Chief Constable of Dyfed Powys, along with other Chief Constables and the Home Office, initially had 14 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2016/17 Accounting Statements.

Police Officers who have accrued 30 years' service are entitled to opt out from the Pension Scheme. This only applies to officers who are members of the 1987 pension scheme. There is the potential that some officers may claim that they have overpaid pension contributions and as such, they might be entitled to make a claim. No claims have been submitted to date and it would be difficult to provide

a reliable estimate for such costs at this point in time. We have estimated that there would be a maximum of 7 Dyfed-Powys Police Officers affected.

46. Nature and extent of risks arising from financial instruments

The Commissioner has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with the Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

As part of the adoption of the Treasury Management Code, the Commissioner approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Commissioner also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Commissioner's Treasury Management Strategy, together with his Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Commissioner.
- *Liquidity Risk:* The possibility that the Commissioner might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk

Investments

The Commissioner manages credit risk by ensuring that investments are placed with Banks and Building Societies having sufficiently high credit worthiness as set out in the Annual Investment Strategy. These include commercial entities with a high minimum long-term credit rating of A-, the UK Government, other Local Authorities, and organisations without credit ratings upon which the Commissioner has received independent investment advice.

A limit of £2m is placed on the amount of money that can be invested with a single counterparty (other than the UK government).

The Commissioners' maximum exposure to credit risk in relation to its investments in banks and building societies of £40m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Commissioner's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The table below summarises the nominal value of the Commissioner's investment portfolio at 31st March 2017, and confirms that all investments were made in line with the Commissioner's approved credit rating criteria:

| Counterparty | Credit Rating Criteria Met When Investment Placed? | Credit Rating Criteria Met on 31 st March 2017? | Balance Invested as at 31 March 2017 £'000s | | | | | Total |
|-----------------------|--|--|--|--------------------------|---------------------------|----------------------------|----------------|---------------|
| | | | Up to 1 month | > 1 month and < 3 months | > 3 months and < 6 months | > 6 months and < 12 months | Over 12 months | |
| | Y/N | Y/N | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| UK Banks | Y | Y | 2,000 | 2,000 | 2,500 | 2,000 | 0 | 8,500 |
| Foreign Banks | Y | Y | 0 | 0 | 0 | 2,000 | 0 | 2,000 |
| UK Building Societies | N/A | N/A | 1,000 | 1,000 | 2,000 | 0 | 0 | 4,000 |
| Bonds | Y | Y | 0 | 0 | 2,014 | 0 | 6,256 | 8,270 |
| DMO | Y | Y | 2,000 | 0 | 0 | 0 | 0 | 2,000 |
| Local Authorities | N/A | N/A | 2,000 | 4,000 | 0 | 0 | 0 | 6,000 |
| Total | | | 7,000 | 7,000 | 6,514 | 4,000 | 6,256 | 30,770 |

The above analysis shows that all deposits outstanding as at 31st March 2017 met the Commissioner's credit rating criteria on the 31st March 2017. The analysis excludes the estimated carrying value after impairment of the Commissioner's Icelandic Bank investment of £8k.

Trade Receivables

The following analysis summarises the Commissioners' potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors.

Only those receivables meeting the definition of a financial asset are included i.e. debtors that have arisen as a result of trading activities.

| | 31 st March 2016 | 31 st March 2017 |
|--|-----------------------------|-----------------------------|
| Gross Debtors (£'000) | 1,743 | 1,837 |
| Bad Debt Provision as a % of Group Trade Debtors | 6.25 | 3.42 |
| Credit risk exposure | 109 | 63 |

Liquidity Risk

The Commissioner has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Commissioner will be unable to raise finance to meet its commitments. It is however exposed to

the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The maturity analysis of financial liabilities is as follows:

| 31 st March 2016 £'000 | Loans maturing within: | 31 st March 2017 £'000 |
|--------------------------------------|--|--------------------------------------|
| 157 | Under 1 Year | 173 |
| 157 | Total Current Borrowing | 173 |
| 173 | 1 – 2 years | 189 |
| 623 | 2 – 5 years | 682 |
| 1,502 | 5 – 10 years | 1,254 |
| 0 | 10 – 15 years | 0 |
| 0 | 15 + years | 0 |
| 2,298 | Total Long Term Borrowing more than 12 months | 2,125 |

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Commissioner is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at fixed rates – the fair value of the assets will fall.

Price Risk

The Commissioner does not invest in pooled funds or equity shares and therefore is not subject to any price risk (i.e. the risk that the Commissioner will suffer loss as a result of adverse movements in the price of financial instruments).

Foreign Exchange Risk

The Commissioner has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

47. Trust Funds

The aim of the Dyfed Powys Crime Prevention Trust is to promote for the public benefit, in partnership with the police, the protection of people and property from, and the prevention of criminal acts, in particular by:

- Encouragement of greater public participation in the prevention and solution of crime; and
- Assisting in measures designed to reduce the level of crime; and

- The provision of education, information and practical assistance on crime prevention.

For a number of years, the Trust was running the 'Bobby Van Scheme' which delivered increased security in vulnerable people's homes in the form of window locks, door chains and door viewers. However, recognising the significant financial contribution made by Dyfed Powys Police, and at a time of diminishing financial resource, a review of the 'Bobby Van Scheme' was carried out to identify future service provision options and in 2014, a decision was made to bring the scheme to an end.

The future of the Crime Prevention Trust is currently under discussion and there is a likelihood that the Trust will be dissolved and will be replaced with an alternative charitable body. There has been no movement on the financial position during 2016/17 and the Bank Account Balance as at 31st March 2017 stands at £66,681.

The Trust is registered with the Charities Commission and a financial summary is included below:

| Financial year end | Income | Spending | Net position |
|---------------------------|----------|----------|--------------|
| | £ | £ | £ |
| 31 st Mar 2016 | 0 | 0 | 0 |
| 31 st Mar 2015 | (73,863) | 82,491 | 8,628 |

It has been determined that the Commissioner does not have control of the Trust and it is not a subsidiary of the organisation.

Glossary of Terms

| Term | Definition |
|----------------------------|--|
| 2016/17 | This refers to the period covered by these accounts - 1 April 2016 to 31 March 2017. |
| 2015/16 | This refers to the period covered for comparative purposes by these accounts – 1 April 2015 to 31 March 2016. |
| Accounting policies | These are a set of rules and codes of practice used when preparing the accounts. |
| 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"> • Events have not coincided with the actuarial assumptions made in the last valuation ;or • The actuarial assumptions have changed. |
| Amortisation | Intangible assets should be amortised on a systematic basis over their economic lives. |
| Asset revaluation | A revaluation of fixed assets is a technique required to accurately record the true value of capital assets held in the balance sheet. The purpose of a revaluation is to bring into the accounts the fair market value of non-current assets. |
| Capital expenditure | Expenditure on the acquisition or construction of assets, which have a long-term value e.g. land and buildings. |
| Capital receipts | Income from the sale of non-current 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. |
| Commissioning | The entire cycle of assessing the needs of people in a local area, designing services, and then securing them. |
| Component accounting | Accounting for non-current assets' individual components separately. |
| 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"> • 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 organisation's control; or • a present obligation arises from past events but is not recognised because: <ol style="list-style-type: none"> i. it is not probable that a transfer of economic benefits will be required to settle the obligation, or ii. the amount of the obligation cannot be measured with sufficient reliability. |
| Corporation sole | A corporation sole is a legal entity consisting of a single ("sole") incorporated office, occupied by a single ("sole") man or woman i.e. the Commissioner and Chief Constable are both corporations sole under the PRSRA. |

| Term | Definition |
|---------------------------------|---|
| 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). |
| 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. |
| Delegation | Is the partnership of authority and responsibility to another person to carry out specific activities. The person who delegated the work remains accountable for the outcome of the delegated work. |
| Depreciation | The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a non-current 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 non-current 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. |
| Financial Liability | An obligation to transfer economic benefits controlled by the Commissioner and can be represented by a contractual obligation to deliver cash or financial assets, or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Commissioner. |
| Financial Asset | A right to future economic benefits controlled by the Council that is represented by cash or other instruments, or a contractual right to receive cash or another asset. |
| 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 accounts | The financial statements of the group i.e. the two corporations sole, presented as a single economic entity. |
| Impairment | A reduction in the value of a non-current asset, below its carrying amount in the balance sheet. |

| Term | Definition |
|---|--|
| Merger accounting | Merger accounting should be applied where there is a transfer of functions in full from the responsibility of one authority to another. Where merger accounting applies it is assumed that the merger took place at the beginning of the accounting period. |
| National Non Domestic Rates (NNDR) | The non-domestic rates, or business rates, collected by local councils are the means by which businesses and others who occupy non-domestic property make a contribution towards the cost of local services. The rates are pooled by central government and redistributed to local councils and Commissioner according to a formula. |
| Net book value | The amount at which non-current assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation. |
| Net Interest Cost (Pensions) | For a defined benefit scheme, this occurs during the period when the net defined benefit liability (asset) arises from the passage of time. |
| Non-current assets | These are items such as land, buildings, vehicles and major items of equipment, which give benefit over more than one year. |
| 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. |
| Police Reform and Social Responsibility Act (PRSRA) | An Act of the Parliament of the United Kingdom which transferred the control of police forces from police authorities to elected Police and Crime Commissioners. |
| Provisions | A provision is a liability of uncertain timing or amount. A provision is recognised if the following criteria are fulfilled: <ul style="list-style-type: none"> • an entity has a present obligation as a result of a past event; • it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; • a reliable estimate can be made of the amount of the obligation. |
| Prudential borrowing | Borrowing by local authorities without government financial support, but in accordance with the CIPFA prudential code of local authority borrowing. |
| PWLB | This is the Public Works Loan Board, which is an organisation financed by the Government. It lends money to Commissioners 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. |
| 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 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 Commissioners) and fixed each year in relation to spending levels. |
| Senior Employee | An employee whose salary is more than £150,000 per year, or one whose salary is at least £60,000 per year (calculated pro rata for a part-time employee) and who is the designated head of paid service and a statutory chief officer. Typically the Commissioner's Chief Executive and statutory Chief Officers. |
| Single entity accounts | The individual accounts of each corporation sole. |

