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COMISIYNYDD  
HEDDLU A THROSEDDU  
DYFED-POWYS  
POLICE AND CRIME  
COMMISSIONER



Heddlu•Police  
DYFED-POWYS  
*Diogelwch yn Gyrrurol • Safon uchaf yng ein Cymuned*

# Police & Crime Commissioner for Dyfed Powys

*Statement of Accounts 2014/15  
(Group Accounts)*

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## Explanatory Foreword

### Introduction

On 15<sup>th</sup> November 2012 Mr Christopher Salmon was elected as Police and Crime Commissioner for Dyfed-Powys (hereafter referred to as the Commissioner) and took up office on the 22<sup>nd</sup> 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.

The purpose of the foreword is to provide an insight into the most significant aspects of the Commissioner's performance and financial position and which are presented in detail in the Statement of Accounts that follow.

### Statement of Accounts

These are the third 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:

- **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 2014/15;
- **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;
- **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);
- **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;
- **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 February 2014, the Police and Crime Commissioner set a revenue budget for the financial year 2014/15 of £97.894m. After receiving a Home Office Grant of £39.367m, National Non-Domestic Rates of £12.390m and a Revenue Support Grant of £1.251m, £44.886m was raised from Council Tax.

The Table below sets out the final out-turn position for 2014/15 compared with the revised budget for the Chief Constable and for the Group as a whole. Overall the Group delivered a balanced budget.

This report is in a subjective analysis format which is used by internal management for reporting purposes against the budget. The format differs to the Comprehensive Income and Expenditure Statement and a reconciliation between the two formats is shown in Note 29.

Key points to note on the table that follows are:

#### Chief Constable

- The Public First Programme of restructuring of support functions took place, predominantly, in 2014/15. The programme aimed to deliver ongoing savings in the region of £3.6m per annum on police staff costs. The programme delivered earlier than expected and also expended far less on one-off costs such as redundancy and early retirement payments than expected and therefore delivered additional savings of £2.6m in 2014/15 compared with the budget.
- Police Officer costs are above the original budget by £2.981 million. The Force has provided a sum of £3.238 million as an estimate of costs arising as a result of the Pension Ombudsman's decision, following the end of the financial year, to uphold an appeal against the Government Actuaries Department which could have implications in terms of commutation factors used for police officer retirements between 2001 and 2006. The Force has included an assessment of the commutation cost implications of the decision in the Revenue Account and an income reimbursement which is expected from the Government to cover the full costs against the Government Grant income line.

Aside from this adjustment, Police Officer expenditure was more or less on target for the year with a very small underspend of £300k made against a budget of just over £63m.

- Non-pay expenditure is also down on the profile reflecting continued scrutiny and restraint being applied to all expenditure headings. In particular, the Chief Constable achieved savings of £513k on fuel and transport;
- The Force received some £600k of unbudgeted income from mutual aid and special services provided by officers in policing national and local events which was a further one off saving against the budget.

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Further details relating to the Chief Constable's operations are provided in the Chief Constable Statement of Accounts 2014/15.

	Group			Commissioner			Chief Constable		
	Budget £'000	Actual £'000	Variance £'000	Budget £'000	Actual £'000	Variance £'000	Budget £'000	Actual £'000	Variance £'000
Employee Costs	90,583	90,763	(180)	726	703	23	89,857	90,060	(203)
Premises Costs	3,660	3,533	127	0	0	0	3,660	3,533	127
Transport Costs	2,906	2,402	504	10	19	(9)	2,896	2,383	513
Supplies & Services	9,139	7,860	1,279	265	157	108	8,874	7,703	1,171
Agency & Contracted Services	4,079	3,321	758	1,556	1,372	184	2,523	1,949	574
<b>Total operating expenses</b>	<b>110,367</b>	<b>107,879</b>	<b>2,488</b>	<b>2,557</b>	<b>2,251</b>	<b>306</b>	<b>107,810</b>	<b>105,628</b>	<b>2,182</b>
Capital Financing Costs	493	1,873	(1,380)	0	0	0	493	1,873	(1,380)
Impairment	0	1	(1)	0	0	0	0	1	(1)
Gain/Loss on disposal of non-current assets	0	(31)	31	0	0	0	0	(31)	31
Interest payments on external borrowing	575	605	(30)	0	0	0	575	605	(30)
<b>Capital Financing and impairment</b>	<b>1,068</b>	<b>2,448</b>	<b>(1,380)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,068</b>	<b>2,448</b>	<b>(1,380)</b>
Appropriations:									
Appropriations to/from pensions fund	0	0	0	0	0	0	0	0	0
Contributions to/from reserves	(2,182)	2,821	(5,003)	353	971	(618)	(2,535)	1,850	(4,385)
<b>Appropriations</b>	<b>(2,182)</b>	<b>2,821</b>	<b>(5,003)</b>	<b>353</b>	<b>971</b>	<b>(618)</b>	<b>(2,535)</b>	<b>1,850</b>	<b>(4,385)</b>
Fees, charges & other service income	(4,630)	(5,462)	832	(186)	(636)	450	(4,444)	(4,826)	383
Government grants (Revenue & Capital)	(6,729)	(9,792)	3,063	(436)	(298)	(138)	(6,293)	(9,494)	3,200
<b>Total Income</b>	<b>(11,359)</b>	<b>(15,254)</b>	<b>3,895</b>	<b>(622)</b>	<b>(934)</b>	<b>312</b>	<b>(10,737)</b>	<b>(14,320)</b>	<b>3,583</b>
<b>Budget Requirement</b>	<b>97,894</b>	<b>97,894</b>	<b>0</b>	<b>2,288</b>	<b>2,288</b>	<b>(0)</b>	<b>95,606</b>	<b>95,606</b>	<b>(0)</b>
Financed By:									
Police Grant	(39,367)	(39,367)	0						
National Non- Domestic Rates	(12,390)	(12,390)	0						
Revenue Support Grant	(1,251)	(1,251)	0						
Council Tax	(44,886)	(44,886)	0						
<b>Total financing</b>	<b>(97,894)</b>	<b>(97,894)</b>	<b>0</b>						

### Commissioner

- The Commissioner's Office spent approximately £100k less than budgeted across a number of different categories. This included spending less than expected on audit fees after receiving a refund from Wales Audit Office and also spending less in 2014/15 on the development of the Commissioner's new website as some of the work was rolled forward into the 2015/16 financial year.
- The Commissioner began commissioning new services during 2014/15. Some of these new services are now delivered differently and others have cost less than expected, for example, a £130k saving was achieved on the Drug intervention Programme through the service provider making efficiency savings and through reduced administration costs. Overall, commissioned services have cost £184k less than the budget.
- The Commissioner received (unbudgeted) income from driver retraining courses held during the year. This income amounted to approximately £350k. The Commissioner carried out a public consultation on how the money should be spent and the public voted for these funds to be reinvested in road safety schemes. Therefore the Road to Safety scheme has recently been launched which seeks to fund initiatives that help make the roads in Dyfed Powys safer.
- As a result of this additional income and savings made by the Commissioner, an additional £618k has been transferred to reserves.

### **Reserves**

As at the end of the 2014/15 financial year, the Commissioner held usable reserves amounting to £45.5m. These are due to reduce significantly over the coming four years as follows:

- £17.7m has been set aside for significant estate wide works. Much of the Commissioner's estate has suffered from a lack of investment over recent years and this programme seeks to address these issues and ensure that the estate is fit for purpose to support operational policing requirements in the future. In addition, a long awaited new custody facility will be built in Carmarthenshire. Much of the under spend in 2014/15 has been allocated to the capital reserve but there remains a funding gap for this programme of works in 2018/19.
- The earmarked revenue reserve amounted to £22.8m and includes £4m set aside for the crystallisation of costs associated with the Ammanford Police Station PFI. This PFI was terminated on 19<sup>th</sup> June 2015. This category also contains 'invest to save' projects including the required investment needed to participate in the roll out of the Emergency Services mobile Communications Programme nationally.
- The Commissioner took into account the current level of reserves when setting the council tax precept for 2015/16 which led to Dyfed Powys residents receiving a 5% reduction in the amount payable compared with 2014/15. This decision along with future estimates in the level of precept has led to £6.7m of earmarked reserves being set aside to support the revenue budget over the medium term plan. After taking into account this level of support, there remains an unidentified savings gap that reaches just over £7m in 2018/19. The Commissioner and Chief Constable are now looking at options that will deliver the necessary savings.
- At the year end, the general reserve balance was £4.5m. The Commissioner has planned to maintain this level of general reserve in the medium term.



### 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 2014/15 the capital budget of £13.605m was adopted by the Commissioner.

This capital budget for 2014/15 was financed as follows:

- Direct Revenue Financing £0.114m
- Capital Grant Contributions £1.357m
- Capital Reserves £10.864m
- Borrowing £0.52m
- Capital Receipts £0.75m

During 2014/15 actual capital expenditure amounted to £3.021 million. The main variations from the budget are shown below:

Category	Capital Programme	Expenditure	(Over) / Under	Reason for over/under spend
	£'000	£'000	£'000	£'000
Land and Buildings	8,771	878	7,893	Slippage against the following schemes: £4,500 – Llanelli Custody £1,986 – HQ and Police station refurbishments £1,189 – Repairs and maintenance £259 – Custody review
Vehicles	1,318	1,318	0	
Furniture and Equipment	3,516	825	2,691	Slippage against the following schemes: £823 – Mobile Data £500 – Body Worn Cameras £360 – Identity Access Management £318 – Other Equipment/Tasers £271 – Digital Evidence Storage £419 – Other
<b>Total</b>	<b>13,605</b>	<b>3,021</b>	<b>10,582</b>	

This capital expenditure was financed as follows:

Category	Capital Programme	Funding	(Over) / Under	Reason for over/under spend
	£'000	£'000	£'000	
Capital Receipts	750	168	582	Capital receipts lower than budgeted
Direct Revenue Financing	114	0	114	Delay in joining NPAS
Borrowing	520	0	520	Not required
Capital Reserves	10,864	1,504	9,360	Lower than anticipated spend on capital programme
Capital Grant and Contributions	1,357	1,349	8	Grant funded mobile data spend less than budgeted
<b>Total</b>	<b>13,605</b>	<b>3,021</b>	<b>10,584</b>	

### Discretionary Payments

Nationally, concerns arose during 2013/14 about the legality of some discretionary allowances paid to a small number of chief officers at forces throughout England and Wales which included Dyfed Powys Police. Prompt action was taken to stop any further discretionary allowances being paid until such time as the legal position was fully clarified. Some of these payments related to amounts paid in 2013/14 and these are highlighted in Note 32, Officers' remuneration.

During 2014/15 further work was carried out to ascertain the legal position of these payments and a police force in England was due to bring this issue to court during March 2015. The Commissioner decided that it would be prudent and cost effective to await the outcome of the court case before progressing further with this matter in Dyfed-Powys. However, the issue did not reach the court and a definitive decision was not reached. It is therefore the intention of the Commissioner to review the existing information available to him and to make a decision on this matter in order to bring this issue to a close during 2015/16 if possible.

### Looking Ahead

The grant settlement for the 2015/16 financial year was particularly challenging with a reduction in funding of 5.1% being applied to central grants. In setting the police element of council tax (known as the precept) the Commissioner was also conscious of balancing the pressures on household budgets against the need to provide an effective public policing service. He also took into account the current level of reserves. This resulted in a 5% reduction in the council tax precept payable by residents of Dyfed-Powys compared with 2014/15.

The outline budget allocated for 2015/16 has included annual recurring cost reductions of £3.607 million, being the target set by the Commissioner for the Chief Constable for 2015/16. The Medium Term Financial Plan covering the period 2015/16 to 2018/19 was published alongside the budget for 2015/16 and this highlights a significant degree of uncertainty pertaining to the funding which will be available to the Commissioner over this period.

It is expected that a similar reduction in grant of around -5% will be applied by the Home Office in 2016/17. However, there are indications that the reduction may be much greater. The financial position may also be affected by Home Office Ministerial decisions around the formula funding methodology. In addition some significant cost increases could arise from April 2016 as a result of changes to National Insurance that are planned as part of wider Government Pensions Reforms. This could add around £1.3 million to the Group's Budget requirement in 2016/17.

**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 2014/15.



25.09.15

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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 31<sup>st</sup> March 2015.



25.09.15

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Chief Financial Officer

Date

## **Annual Governance Statement**

The annual governance statement is a statutory document which explains the processes and procedures in place to enable the Dyfed-Powys Police and Crime Commissioner (Commissioner) to carry out his functions effectively.

This statement explains how the Commissioner has complied with the CIPFA/SOLACE Framework: "Delivering Good Governance in Local Government (Guidance Note for Police)" and also meets the requirements of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2010 in relation to the publication of a statement of internal control.

The statement is produced following a review of the governance arrangements and includes an action plan to address any significant governance issues identified.

## **Scope of Responsibility**

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 and the Police and Crime Panel and how they should work together to address crime and improve policing.

The Commissioner is responsible for performing his functions as set out in the Police Reform and Social Responsibility Act 2011 and must hold the Chief Constable to account for the exercise of their 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.

During 2013/2014 a joint Code of Corporate Governance was written. This was adopted on 1<sup>st</sup> April 2014 and is included within the Corporate Governance Framework.

Copies of the above documents are available on the Commissioner's website at [\[Dyfed-Powys Police and Crime Commissioner Website\]](#) or can be obtained from the Office for the Dyfed-Powys Police and Crime Commissioner at PO Box 99, Llangunnor, Carmarthen SA31 2PF.

## **The Purpose of the Corporate Governance Framework (CGF)**

The CGF comprises the systems and processes, culture and values by which the force is directed and controlled by the Chief Constable 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 on-going 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.

## **The Governance Framework**

The key elements of the governance framework are explained below:

### *The Commissioner*

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 the Commissioner and Deputy Commissioner have agreed to abide by a Code of Conduct providing guidance on ethical standards and behaviour.

A Memorandum of Understanding between the Commissioner and Chief Constable defines the nature of their relationship, providing details of respective responsibilities and expected conduct.

Registers of gifts and hospitality and interests are maintained and the Commissioner's expense claims are disclosed. Staff are subject to vetting, the level of which reflects their access to information.

### *Police and Crime Plan*

In May 2013, 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 six priorities focusing on making safe neighbourhoods, protecting victims and spending wisely. 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.

### *Police and Crime Panel*

The Police and Crime Panel scrutinises, challenges and monitor's the work of the Commissioner on an ongoing basis. 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 and none were upheld during the year. The Panel comprises twelve County Councillors and two Independent Members. 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 Chief Constable are operating effectively. The JAC met four times during 2014/2015 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. Our internal auditors planned to carry out audits in 15 different areas of the business, focussing on some of the most significant financial and operational risks.

The Head of Audit's Annual Opinion concluded that there are "adequate and effective management, control and governance processes to manage the achievement of its objectives". Of particular note is that two audits were carried out that looked at two different aspects of governance. The results of which are covered more fully below under "Review of Effectiveness".

#### *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. WAO also report on how services are being delivered, assess whether value for money is being achieved and checks on how organisations are planning and delivering improvements. Again, the result of their work is summarised below under Review of Effectiveness.

#### *Policing Board*

A Policing Board has been established with its inaugural meeting held on the 3<sup>rd</sup> April 2013. The Policing Board is an internal system providing a robust process for the Commissioner to hold the Chief Constable to account in delivering the Police and Crime Plan. The Policing Board meets on a weekly basis and in addition, monthly meetings focussing on the delivery of each of the six priorities identified in the Police and Crime Plan ensure that performance against the priorities are adequately monitored and challenged. This ensures that the Force is regularly challenged leading to an environment of continuous improvement. The Policing Board charter is published as section 6 (Decision Making) of the new 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.

#### *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 and the Chief Constable.

#### *Code of Corporate Governance*

The new joint CGF was implemented on 1<sup>st</sup> April 2014. The joint Code of Corporate Governance sets out how the Commissioner and the Chief Constable govern their organisations both jointly and separately in accordance with the six core principles that underpin effective and ethical corporate governance in public service as outlined in The good Governance Standard for Public Services (2004). The Scheme of Corporate Governance (also contained within the CGF) sets out the key roles of the Commissioner, the Chief Constable and their statutory officers.

#### *Public Engagement*

Views of the public and service users are collected through a number of different ways including:

- Citizen's Panels;
- User satisfactions surveys;
- "Your Voice" days (public surgeries held across the Dyfed-Powys area);
- Public Services Bureau previously Quality of Service team (handling complaints and compliments);
- Precept consultation;
- Attendance at key local events for example, the Royal Welsh Show.

Frequent and meaningful engagement with the public enables the Commissioner to understand the needs of the people of Dyfed-Powys to help develop his vision for the local area and also ensures robust public accountability.

### **Review of Effectiveness**

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

### **Conclusion**

The Commissioner was in post for the whole of 2014/2015 and has addressed some of the issues identified in the last Annual Governance Statement:

- Adoption of the new joint CGF on the 1<sup>st</sup> April 2014. During the year, the CGF was reviewed to assess its suitability and success. These reviews coupled with the introduction of new procurement legislation necessitated two further mid year revisions of the CGF.
- Risk management - The last Annual Governance Statement recognised that further development of risk processes and information was needed. The Chief Constable aimed to implement all recommendations of a limited assurance internal audit report within six months of the date of the report. During 2014/15, significant work was carried out in this area. Workshops were carried out with officers and staff across all areas of the organisations including the OPCC. The result of which was a new risk framework being developed with both the Commissioner and the Chief Constable adopting corporate and dynamic risk registers to record and manage risks within the organisation.

- Partnership Working – A review of partnerships within the Dyfed-Powys area was undertaken by an external consultant during 2013/14. The conclusions of the review were used to inform the Commissioner's approach to commissioning. However, last year it was recognised that further work was needed to improve collaboration amongst partners. Collaboration with the other police forces in Wales was discussed at the All Wales Policing Group in January 2015. As a result external consultants have been commissioned to review twelve potential areas of collaborations with the other forces. Their report and recommendations are expected early in July 2015. In addition, we now commission our drug intervention services jointly with other public sector bodies in the area. This has allowed us to make savings against running costs in previous years.
- Public First Programme – during the course of the year, the Chief Constable delivered the Public First Programme of back office restructuring. The programme delivered earlier than expected and has now been completed. The Programme has ostensibly delivered the financial savings that were expected. However, work is ongoing to fully bed in the new structure and the Commissioner and Chief Constable continue to monitor the performance of these newly restructured functions.
- Discretionary payments - Nationally, concerns have been raised over the legality of some discretionary allowances paid to a small number of chief officers in forces throughout England and Wales. Dyfed-Powys Police Authority approved the Chief Officers Benefits Policy but following the concerns raised, legal advice as to the legality of the discretionary payments was sought by the Commissioner. The advice confirmed that the discretionary payments could be unlawful and in light of this, such allowances payable to chief officers were stopped until such time as the legal position is fully clarified. Chief Officers who have been in receipt of these allowances have been informed of this and that potential recovery action could be taken if the allowances are subsequently confirmed as being unlawful. This remains an open issue that will be progressed during 2015/2016.

In addition, a number of other positive achievements were identified by the Corporate Governance Group during their review:

- Internal Audit carried out two reviews of governance issues – transformation projects and performance management. The review of the governance arrangements for the mobile data/digital policing project granted a reasonable level of assurance. No urgent recommendations were made but three recommendations were classified as important. Two have been implemented and the final one, the production of a performance/benefits realisation document, was presented at the June 2015 project board meeting. The review of performance management also received a reasonable level of assurance. Once again, no urgent recommendations were made. Two important recommendations



were made and these have been accepted by management and work is underway.

- The Wales Audit Office issued unqualified opinions on the 2013/14 financial statements of both the Police & Crime Commissioner and the Chief Constable for Dyfed Powys Police. They also confirmed that the Commissioner and Chief Constable had appropriate arrangements in place in the year to secure economy, efficiency and effectiveness in their use of resources. They did note that significant financial pressures remain but the Force is well placed to address these in the medium term.
- In response to public expectation, the Public Services Bureau was set up in February to provide a better and joint approach to handling compliments and complaints received from members of the public. Before commencing, a survey of nearly 2,000 people who had submitted a concern, complaint or compliment to Dyfed-Powys police and the Police Commissioner's Office in 2014 was undertaken. This survey will form a benchmark against which the performance of the new Bureau can be compared. A further survey will be carried out after the Bureau has been up and running for 12 months.

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. No major issues or weaknesses were identified. That said, the review highlighted a number of areas that should be specifically addressed and these are outlined below.

#### **Significant Governance Issues**

The issues identified below 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 to ensure continuous improvement.

The following summarises the most significant governance issues that were identified or addressed during the 2014/2015 financial year:

#### *Identified in the Last Governance Statement*

- Introduction of the Corporate Governance Framework – The CGF has been in place for the whole of the 2014/15 financial year and has been updated as necessary during the financial year. The CGF is now embedded within the organisation and will review, as a minimum, on an annual basis.
- Risk management – The Chief Constable and Commissioner have both introduced corporate and dynamic risk registers as a means of identifying and monitoring risk within the organisation. These registers were developed towards the end of 2014/15 and, over the next twelve months, the dynamic risk registers will be introduced into all areas of the business. The Corporate Governance Group will continue to monitor the introduction of these new risk registers across the organisation over the next twelve months until they are firmly embedded into the organisation.

- Partnership Working – The organisation continues to work in partnership with others where this is possible. For example, in 2014/15 the Commissioner jointly commissioning substance misuse services with the Hywel Dda area Planning Board and Wales Probation Service. This partnership has brought about a number of benefits including ensuring that individuals affected by substance misuse receive appropriate services regardless of their route into treatment and has also delivered cost savings for the Commissioner. The Commissioning Framework identifies partnership working as a key consideration in choosing the route to delivering new services.

Also Capita, an external consultancy, is currently carrying out a review of potential collaboration opportunities across the Welsh Forces. Capita are looking at twelve areas of business and are due to report their findings in early July. Should the review lead to new collaborations, these will be monitored and reviewed by the Corporate Governance Group in the future.

- Public First Programme – The programme has now come to an end with significant changes delivered to the structure of the organisation delivering back office functions. The post implementation review will be written shortly and any lessons learned will be noted by the Corporate Governance Group so that they may be applied to future projects of this scale.
- Discretionary payments – Last year, concerns were raised over the legality of some discretionary allowances paid to a small number of chief officers throughout England and Wales. A test case at Cleveland was due to go to court late in 2014/15 and we were awaiting the decision of the court before deciding how to progress further. However this issue never came to court. The facts available to us will now be reviewed and a decision made on how best to proceed on this matter with the aim of shortly bringing this matter to a close.

#### *New Issues Identified During the Year*

- Ethics – the College of Policing published a Code of Ethics during 2014/2015. Significant work has been carried out internally to implement the Code throughout the whole organisation. This work is ongoing and is being monitored by the Corporate Governance Group.
- Collaboration – As mentioned above under Partnership Working, Capita are currently reviewing collaboration opportunities across the four Welsh forces. The governance arrangements of any new collaborations that result from this work will be scrutinised and monitored throughout the coming financial year.
- Business Continuity – Internal Audit have raised a priority 1 (urgent) action point in relation to business continuity. This action will be prioritised and addressed during 2015/16. The organisation will prepare force wide business continuity plan that reflects the structure changes that occurred as part of the Public First programme.

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:



**Christopher Salmon**  
Police & Crime  
Commissioner

Signed:



**Jayne Woods**  
Chief Finance Officer

Signed:



**Alasdair Kenwright**  
Chair of the Joint Audit  
Committee

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

for the year ended 31<sup>st</sup> March 2015 under the Public Audit (Wales) Act 2004.

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

The Police and Crime Commissioner for Dyfed Powys Police 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 and related notes.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 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 set out on page 10, 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 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 Police Group 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 Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Opinion on the accounting statements of 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 Police and Crime Commissioner for Dyfed Powys as at 31<sup>st</sup> March 2015 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 2014-15.

**Opinion on the accounting statements of the Police and Crime Commissioner for Dyfed Powys Police 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 Police Group as at 31 March 2015 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 2014-15.

**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 for Dyfed Powys Police Pension Fund during the year ended 31 March 2015 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 2014-15.

**Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword 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 contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Police and Crime Commissioner for Dyfed Powys, Police and Crime Commissioner for Dyfed Powys Group and 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**  
**29<sup>th</sup> September 2015**



The maintenance and integrity of the Police and Crime Commissioner for Dyfed Powys' website and the Dyfed Powys Police Force website is the responsibility of the Chief Finance Officer; 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.

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

Movement in Reserves Statement

Financial Year 2014/15

	Statement Note	General Fund Balance	Earmarked Reserves	Capital Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Accumulated Absences Account	Pensions Reserve	Total Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 <sup>st</sup> March 2014 carried forward		4,500	22,625	14,947	1,004	43,076	13,476	51,651	(557)	(883,675)	(819,105)	(776,029)
Movement in reserves during 2014/15:		0	0	0	0	0	0	0	0	0	0	0
Surplus or (deficit) on the provision of services	CIES	(35,837)	0	0	0	(35,837)	0	0	0	0	0	(35,837)
Other Comprehensive Income and Expenditure	CIES	0	0	0	0	0	0	0	0	(126,348)	(126,348)	(126,348)
Total Comprehensive Income and Expenditure		(35,837)	0	0	0	(35,837)	0	0	0	(126,348)	(126,348)	(162,185)
Adjustments between accounting basis and funding basis under Regulations	8	38,642	0	0	(377)	38,265	(285)	(743)	23	(37,260)	(38,265)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		2,805	0	0	(377)	2,428	(285)	(743)	23	(163,608)	(164,613)	(162,185)
Transfers to/from earmarked reserves	9	(2,805)	224	2,581	0	0	0	0	0	0	0	0
Increase/Decrease in 2014/15		0	224	2,581	(377)	2,428	(285)	(743)	23	(163,608)	(164,613)	(162,185)
Balance at 31 <sup>st</sup> March 2015 carried forward		4,500	22,849	17,528	627	45,504	13,191	50,908	(534)	(1,047,283)	(983,718)	(938,214)

Financial Year 2013/14 – restated (see note 2 for further information)

	Statement/Note	General Fund Balance	Earmarked Revenue Reserves	Capital Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Accumulated Absences Account	Pensions Reserve	Total Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 <sup>st</sup> March 2013 carried forward		4,500	16,182	15,315	0	1,259	37,255	14,219	53,164	(518)	(893,119)	(826,254)	(788,998)
Movement in reserves during 2013/14:													
Surplus or (deficit) on the provision of services	CIES	(35,120)	0	0	0	0	(35,120)	0	0	0	0	0	(35,120)
Other Comprehensive Income and Expenditure	CIES	0	0	0	0	0	0	(451)	0	0	48,540	48,089	48,089
Total Comprehensive Income and Expenditure		(35,120)	0	0	0	0	(35,120)	(451)	0	0	48,540	48,089	12,969
Adjustments between accounting basis and funding basis under Regulations	8	41,195	0	0	0	(255)	40,940	(292)	(1,513)	(39)	(39,096)	(40,940)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		6,075	0	0	0	(255)	5,820	(743)	(1,513)	(39)	9,444	7,149	12,969
Transfers to/from earmarked reserves	9	(6,075)	6,443	(368)	0	0	0	0	0	0	0	0	0
Increase/Decrease in 2013/14		0	6,443	(368)	0	(255)	5,820	(743)	(1,513)	(39)	9,444	7,149	12,969
Balance at 31 <sup>st</sup> March 2014 carried forward		4,500	22,625	14,947	0	1004	43,076	13,476	51,651	(557)	(883,675)	(819,105)	(776,029)



## Comprehensive Income and Expenditure Statement 2014/15

Group				Note	Commissioner		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000	
60,671	(3,551)	57,120	Local Policing	919	(3,551)	(2,632)	
6,568	(48)	6,520	Dealing with the Public	0	(48)	(48)	
10,544	(379)	10,165	Criminal Justice Arrangements	0	(379)	(379)	
8,053	(1,859)	6,194	Road Policing	0	(1,859)	(1,859)	
4,117	(31)	4,086	Community Intelligence	0	(31)	(31)	
7,909	(920)	6,989	Specialist Operations	0	(920)	(920)	
11,250	(336)	10,914	Special Investigation	0	(336)	(336)	
3,190	(26)	3,164	Investigative Support	0	(26)	(26)	
5,779	(5,189)	590	National Policing	0	(5,189)	(5,189)	
328	0	328	Non Distributed Costs	3	0	3	
2,230	(61)	2,169	Corporate and Democratic Core	5,504	(3,368)	2,136	
			<i>Exceptional Items -</i>				
0	0	0	Non-current assets revaluation	0	0	0	
0	0	0	Icelandic Banks	0	0	0	
120,639	(12,400)	108,239	<b>Cost of Services</b>	6,426	(15,707)	(9,281)	
0	(12,766)	(12,766)	Other operating expenditure	10	0	(12,766)	
40,162	(1,148)	39,014	Financing and investment income and expenditure	11	941	(207)	
0	(98,650)	(98,650)	Taxation and non-specific grant income	12	0	(98,650)	
0	0	0	Commissioning Costs (intra-group transfer)	156,741	0	156,741	
160,801	(124,964)	35,837	<b>(Surplus)/deficit on Provision of services</b>	164,108	(128,271)	35,837	
		0	Surplus or deficit on revaluation of non-current assets			0	
		126,348	Actuarial (gains)/losses on pension assets/liabilities			311	
		0	Commissioning Costs (intra-group transfer)			126,037	
		126,348	<b>Other comprehensive income and expenditure</b>			126,348	
		162,185	<b>Total comprehensive income and expenditure</b>			162,185	

**Comprehensive Income and Expenditure Statement 2013/14 – restated (see note 2 for further information)**

Group				Note	Commissioner		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000	
59,924	(4,763)	55,161	Local Policing		938	(4,763)	(3,825)
6,080	(51)	6,029	Dealing with the Public		0	(51)	(51)
9,977	(463)	9,514	Criminal Justice Arrangements		0	(463)	(463)
7,612	(1,038)	6,574	Road Policing		0	(1,038)	(1,038)
4,032	(36)	3,996	Community Intelligence		0	(36)	(36)
7,574	(652)	6,922	Specialist Operations		0	(652)	(652)
10,651	(188)	10,463	Special Investigation		0	(188)	(188)
3,160	(29)	3,131	Investigative Support		0	(29)	(29)
5,279	(4,791)	488	National Policing		0	(4,791)	(4,791)
940	0	940	Non Distributed Costs		7	0	7
2,484	(22)	2,462	Corporate and Democratic Core		5,833	(3,413)	2,420
			<i>Exceptional Items -</i>				
455	0	455	Non-current assets revaluation		455	0	455
(61)	0	(61)	Icelandic Banks		(61)	0	(61)
118,107	(12,033)	106,074	Cost of Services		7,172	(15,424)	(8,252)
0	(10,733)	(10,733)	Other operating expenditure	10	0	(10,733)	(10,733)
39,569	(879)	38,690	Financing and investment income and expenditure	11	836	(879)	(43)
0	(98,911)	(98,911)	Taxation and non-specific grant income	12	0	(98,911)	(98,911)
0	0	0	Commissioning Costs (intra-group transfer)		153,059	0	153,059
157,676	(122,556)	35,120	(Surplus)/deficit on Provision of services		161,067	(125,947)	35,120
		451	Surplus or deficit on revaluation of non-current assets				451
		(48,540)	Actuarial (gains)/losses on pension assets/liabilities				(248)
		0	Commissioning Costs (intra-group transfer)				(48,292)
		(48,089)	Other comprehensive income and expenditure				(48,089)
		(12,969)	Total comprehensive income and expenditure				(12,969)

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

Balance Sheet

Group 2013/14 – restated (see note 2 for further information)	Commissioner 2013/14 – restated (see note 2 for further information)		Note	Group 2014/15	Commissioner 2014/15
£'000	£'000			£'000	£'000
70,120	70,120	Property, plant & equipment	13	68,851	68,851
4,580	4,580	Investment property	14	4,580	4,580
12	12	Intangible assets	16	51	51
567	567	Assets held for sale	21	430	430
<b>75,279</b>	<b>75,279</b>	<b>Long term assets</b>		<b>73,912</b>	<b>73,912</b>
34,039	34,039	Short term investments	17	36,062	36,062
444	0	Inventories	18	402	0
6,488	6,097	Short term debtors	19	9,533	9,260
4,389	4,389	Cash and cash equivalents	20	6,427	6,427
0	835	Intra-group transfer		0	675
<b>45,360</b>	<b>45,360</b>	<b>Current assets</b>		<b>52,424</b>	<b>52,424</b>
(131)	(131)	Short term borrowing	17	(144)	(144)
(6,233)	(2,625)	Short term creditors	22	(10,149)	(6,314)
(563)	(563)	Provisions	23	(1,073)	(1,073)
0	(3,608)	Intra - group transfer		0	(3,835)
<b>(6,927)</b>	<b>(6,927)</b>	<b>Current liabilities</b>		<b>(11,366)</b>	<b>(11,366)</b>
0	(883,923)	Long term creditors		0	(1,046,972)
(2,614)	(2,614)	Long term borrowing	17	(2,469)	(2,469)
(886,214)	(2,291)	Other long term liabilities	17	(1,049,787)	(2,815)
(913)	(913)	Provisions	23	(928)	(928)
<b>(889,741)</b>	<b>(889,741)</b>	<b>Long term liabilities</b>		<b>(1,053,184)</b>	<b>(1,053,184)</b>
<b>(776,029)</b>	<b>(776,029)</b>	<b>Net assets/liabilities</b>		<b>(938,214)</b>	<b>(938,214)</b>
(43,076)	(43,076)	Usable reserves	24	(45,504)	(45,504)
819,105	819,105	Unusable reserves	25	983,718	983,718
<b>776,029</b>	<b>776,029</b>	<b>Total reserves</b>		<b>938,214</b>	<b>938,214</b>

**Cash Flow Statement**

<b>Group 2013/14 - Restated</b>	<b>Commissioner 2013/14 - Restated</b>		<b>Note</b>	<b>Group 2014/15</b>	<b>Commissioner 2014/15</b>
	<b>£'000</b>				<b>£'000</b>
<b>35,120</b>	<b>35,120</b>	<b>Net (surplus) or deficit on the provision of services</b>		<b>35,837</b>	<b>35,837</b>
<b>(45,605)</b>	<b>(45,605)</b>	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>		<b>(42,304)</b>	<b>(42,304)</b>
<b>600</b>	<b>600</b>	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		<b>434</b>	<b>434</b>
<b>(9,885)</b>	<b>(9,885)</b>	<b>Net cash flows from Operating Activities</b>	<b>26</b>	<b>(6,033)</b>	<b>(6,033)</b>
<b>9,700</b>	<b>9,700</b>	<b>Investing Activities</b>	<b>27</b>	<b>3,716</b>	<b>3,716</b>
<b>291</b>	<b>291</b>	<b>Financing Activities</b>	<b>28</b>	<b>279</b>	<b>279</b>
<b>106</b>	<b>106</b>	<b>Net Increase or decrease in cash and cash equivalents</b>		<b>(2,038)</b>	<b>(2,038)</b>
<b>4,495</b>	<b>4,495</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>4,389</b>	<b>4,389</b>
<b>4,389</b>	<b>4,389</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>20</b>	<b>6,427</b>	<b>6,427</b>

Police Pension Fund

Group 2013/14	Commissioner 2013/14	Fund Account	Group 2014/15	Commissioner 2014/15
£'000	£'000		£'000	£'000
		<b>Contributions receivable:</b>		
(10,026)	0	• Employer contributions	(10,249)	0
(5,470)	0	• Member contributions	(5,849)	0
(242)	0	Transfers in from other pension funds	(800)	0
(463)	0	Other income	(739)	0
<b>(16,201)</b>	<b>0</b>		<b>(17,637)</b>	<b>0</b>
		<b>Benefits payable:</b>		
20,346	0	• Pensions	21,507	0
6,307	0	• Commutations and lump sum retirement benefits	7,713	0
		• Interest payable on back-dated lump sums	595	
<b>26,653</b>	<b>0</b>		<b>29,815</b>	<b>0</b>
		<b>Payments to and on Account of Leavers:</b>		
414	0	Transfers out to other pension funds	425	0
4	0	Refunds of contributions	0	0
47	0	Other expenditure	159	0
<b>465</b>	<b>0</b>		<b>584</b>	<b>0</b>
<b>10,917</b>	<b>(10,917)</b>	<b>Net amount payable for the year</b>	<b>12,762</b>	<b>(12,762)</b>
<b>(10,917)</b>	<b>10,917</b>	<b>Home Office Grant</b>	<b>(12,762)</b>	<b>12,762</b>
<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>

Group 2013/14	Commissioner 2013/14	Net Assets Statement	Group 2014/15	Commissioner 2014/15
£'000	£'000		£'000	£'000
0	0	Short term debtors	3,238	0
0	0	<b>Net Current Assets</b>	<b>3,238</b>	<b>0</b>
0	0	Provisions	(3,238)	0
0	0	<b>Net Current Liabilities</b>	<b>(3,238)</b>	<b>0</b>
0	0		0	0

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 2014/15 this amounts to £1,047,283 million compared to £883,675 million in 2013/14.

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.

New Factors for Pension Commutation Lump Sum & Interest

A provision of £3.238m has been made in the Pension Fund Account which reflects a reasonable estimate of the likely payment due to retired police officers as a result of the Milne v Government Actuary's Department (GAD) court ruling. See note 7 for further details. A debtor for the same amount has also been included as a contribution from the PCC for income reimbursement which is expected from the Government to cover this cost in full.

## Notes to the Accounts

### 1. Accounting policies

#### General Principles

The Statement of Accounts summarises the Group's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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.

#### 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.

#### 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.

**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.

**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.

**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.

**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, he 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.

**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.

### **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.

## Financial Instruments

### Financial Liabilities

These are initially measured at fair value and are carried at their amortised cost. Annual charges to 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.

## Collaborative Arrangements

CIPFA has issued new guidance on "Accounting for Collaboration". This has 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.

### **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.

### **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.

#### **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.

#### **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.

#### **Leases**

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

#### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities (SeRCOP).

#### **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;
- Dwellings – fair value (revalued every five years), determined using the basis of existing use value for social housing;
- 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.

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 years
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.

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.

#### **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).

#### **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 schemes, and as ownership of the property, plant and equipment will pass to the Group at the end of the contracts for no additional charge, the Group

carries the assets used under the contracts 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 operators 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.

### 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.

### 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

### Grimleys – Property valuations

It has been brought to our attention that the property valuation exercise carried out by Grimleys during 2013/14 was not calculated in accordance with the *CIPFA Code of Practice on Local Authority Accounting*, as the valuations included finance costs.

The Code of Practice states that 'where depreciated replacement cost is used as the valuation methodology, authorities should use the 'instant build' approach at the valuation date'. The 'instant build' approach means that finance costs are excluded from the valuation.

The carrying value of Fixed Assets has been restated in the 2013/14 Group Accounts to reflect the correct valuation, excluding finance costs. This has had the following effect on the Group's Comprehensive Income Expenditure Statement and Balance Sheet:

Previous amount £'000	Group Comprehensive Income & Expenditure Statement 2013/14	Restated amount £'000
(491)	Non-current assets revaluation	455
<b>105,128</b>	<b>Net Cost of Services</b>	<b>106,074</b>
<b>34,174</b>	<b>Surplus/Deficit on Provision of Services</b>	<b>35,120</b>
(2,007)	Surplus or deficit on revaluation of non-current assets	451
(50,547)	Other comprehensive income and expenditure	(48,089)
<b>(16,373)</b>	<b>Total comprehensive income and expenditure</b>	<b>(12,969)</b>

Previous amount £'000	Group Balance Sheet 2013/14	Restated amount £'000
73,524	Property, plant & equipment	70,120
<b>78,683</b>	<b>Long term assets</b>	<b>75,279</b>
<b>(772,625)</b>	<b>Net assets/liabilities</b>	<b>776,029</b>
815,701	Unusable reserves	819,105
<b>772,625</b>	<b>Total Reserves</b>	<b>776,029</b>

#### Resource allocation Note

The Resource Allocation note for 2013/14 has been amended to reflect changes in financial reporting and operating structures which were implemented in the 2014/15 financial year. All police staff costs were charged to a central budget during the implementation of Public First. In addition operational policing structures were organised across two main departments of Territorial Policing and Investigations rather than the three Operational Departments that existed in 2013/14. The format of the note has been amended with the comparatives for 2013/14 being restated to allow for a like for like comparison between the two financial years.

### 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 2015:

- IFRS 13 *Fair Value Measurement*
- *Annual Improvements to IFRSs 2011 – 2013 Cycle*
- IFRIC 21 *Levies*

The issues included in the *Annual Improvements to IFRSs 2011 – 2013 Cycle* are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

In the Financial Statements for 2015/16, 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:

- There is a high degree of uncertainty about future levels of funding for local government. 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.
- The Police Authority has entered into a contract with Dolef Cyf for the design, construction, maintenance and operation of Ammanford Police Station. This contract has been adopted by the Commissioner upon his appointment to office. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the police station (valued at £3.781 million) is recognised as Property, Plant and Equipment on the Commissioner's Balance Sheet. This PFI agreement was terminated on 19<sup>th</sup> June 2015. Please see Note 7 for further details.
- Municipal Mutual Insurance (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 £608,900.58.

The Scheme Administrator wrote to the Commissioner on the 13<sup>th</sup> May 2013, stating that 'following the triggering of MMI's Scheme of Arrangement, I have determined that initially, a Levy rate of 15% will be required', and as such, an amount of £91,335.09 was paid in 2013/14. Despite further correspondence suggesting that the provision in the accounts can be reduced, a prudent approach has been adopted and the provision provided is for the whole amount of £608,900.589, less the £91,335.09 paid during the year.

- The Police Authority had £2m deposited with the UK subsidiaries of the Icelandic Banks – Heritable and Kaupthing Singer and Friedlander (KSF) which went into administration in October 2008. The current situation with regards to recovery of the sums deposited varies between each institution. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators, it is likely that adjustments to the impairment for the deposits will be necessary.

## 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 2015 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 13/14 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 £50k 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 2015 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 £146k.</p>
Provisions	<p>The Commissioner has provided £410k 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 £9k 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 1 year in the life expectancy assumption for the police officer pension scheme would result in an increase to the pension liability of £20.825 million.</p>



## POLICE & CRIME COMMISSIONER FOR DYFED POWYS

Effect of Police Ombudsman Decision	The Force has received revised commutation factors from the Government Actuary Department in relation to Pension Commutation paid between 2001 and 2006. It is believed that this will be funded by Government. There is uncertainty over the exact amount of the liability and the extent to which these costs will be funded by Government.	Although a reasonable estimate of the liability has been included in the accounts, the final figures are still in the process of being calculated and there is a possibility that the accounts could be misstated.
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### 6. Material items of income and expense

In 2014/15, no items of income or expenditure have been included on the face of the Comprehensive Income and Expenditure Statement as exceptional items.

### 7. Events after the Balance Sheet Date

On 19<sup>th</sup> June 2015, the Commissioner terminated the PFI agreement with Dolef Cyf for the design, construction, maintenance and operation of Ammanford Police Station. This event occurred after the balance sheet date and was not a condition that existed at the balance sheet date. This event is therefore not reflected in the 2014/15 financial statements but will be accounted for in full in the 2015/16 financial statements. A payment of £3.963m was made to terminate the PFI early. On termination, the Commissioner took ownership of the station and became responsible for its maintenance and operation.

In May 2015, the Pensions Ombudsman published his Final Determination in the case of Milne v Government Actuary's Department (GAD). The Final Determination found in Mr Milne's favour: that the GAD had a statutory duty to review the tables of commutation factors and that such a review would have led to him receiving a larger retirement lump sum. This was a lead case and has a direct read-across to members in the police pension scheme who retired between 1 December 2001 and 30 November 2006. The settlement of the court case occurred after the balance sheet date but provided confirmation of an obligation that existed at the balance sheet date. Although the exact calculation will not be completed for a number of months, a reasonable estimate of the obligation that existed at the balance sheet date has been provided for, along with an income reimbursement which is expected from the Government to cover this cost in full, in the 2014/15 financial statements.

### 8. 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.

<b>2014/15</b>	<b>General Fund Balance</b>	<b>Capital Grants Unapplied</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Revaluation Reserve</b>	<b>Capital Adjustment Account</b>	<b>Accumulated Absences Account</b>	<b>Pensions Reserve</b>	<b>Total Unusable Reserves</b>	<b>Total Reserves</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>										
<b>Reversal of items debited or credited to the Comprehensive Income and expenditure statement (CIES):</b>										
Charges for depreciation and impairment of non-current assets	4,212			4,212	(285)	(3,927)			(4,212)	0
Revaluation losses on property, plant and equipment				0						0
Amortisation of intangible assets	13			13		(13)			(13)	0
Capital grants and contributions applied	(1,351)			(1,351)		1,351			1,351	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	165			165		(165)			(165)	0
<b>Insertion of items not debited or credited to the CIES:</b>										
Statutory provision for the financing of capital investment	(339)			(339)		339			339	0
Capital expenditure charged against the General Fund	(1,504)			(1,504)		1,504			1,504	0
<b>Adjustments primarily involving the Capital grants unapplied account</b>										
Capital grants and contributions unapplied credited to the CIES				0						0
Application of grants to capital financing transferred to the Capital Financing Account	377		(377)	0						0
<b>Adjustments primarily involving the Capital receipts reserve</b>										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(168)	168		0						0
Use of Capital receipts reserve to finance new capital expenditure		(168)		(168)		168			168	0
<b>Adjustments primarily involving the Pensions reserve</b>										
Reversal of items relating to retirement benefits debited or credited to the CIES	(9,524)			(9,524)				9,524	9,524	0
Employer's pensions contributions and direct payments to pensioners payable in the year	46,784			46,784				(46,784)	(46,784)	0
<b>Adjustments primarily involving the Accumulated balances account</b>										
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	(23)			(23)			23		23	0
<b>Total adjustments</b>	<b>38,642</b>	<b>0</b>	<b>(377)</b>	<b>38,265</b>	<b>(285)</b>	<b>(743)</b>	<b>23</b>	<b>(37,260)</b>	<b>(38,265)</b>	<b>0</b>

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<b>2013/14 – restated (see note 2 for further information)</b>	<b>General Fund Balance</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Revaluation Reserve</b>	<b>Capital Adjustment Account</b>	<b>Accumulated Absences Account</b>	<b>Pensions Reserve</b>	<b>Total Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>									
<b>Reversal of items debited or credited to the Comprehensive Income and expenditure statement (CIES):</b>									
Charges for depreciation and impairment of non-current assets	4,316		4,316	(292)	(4,024)			(4,316)	0
Revaluation losses on property, plant and equipment	455		455		(455)			(455)	0
Amortisation of intangible assets	13		13		(13)			(13)	0
Capital grants and contributions applied	(1,077)		(1,077)		1,077			1,077	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	480		480		(480)			(480)	0
<b>Insertion of items not debited or credited to the CIES:</b>									
Statutory provision for the financing of capital investment	(325)		(325)		325			325	0
Capital expenditure charged against the General Fund	(1,761)		(1,761)		1,761			1,761	0
<b>Adjustments primarily involving the Capital grants unapplied account</b>									
Capital grants and contributions unapplied credited to the CIES	(824)	824	0					0	0
Application of grants to capital financing transferred to the Capital Financing Account	1,079	(1,079)	0					0	0
<b>Adjustments primarily involving the Capital receipts reserve</b>									
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(296)		(296)		296			296	0
<b>Adjustments primarily involving the Pensions reserve</b>									
Reversal of items relating to retirement benefits debited or credited to the CIES	(10,917)		(10,917)				10,917	10,917	0
Employer's pensions contributions and direct payments to pensioners payable in the year	50,013		50,013				(50,013)	(50,013)	0
<b>Adjustments primarily involving the Accumulated balances account</b>									
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	39		39			(39)		(39)	0
<b>Total adjustments</b>	<b>41,195</b>	<b>(255)</b>	<b>40,940</b>	<b>(292)</b>	<b>(1,513)</b>	<b>(39)</b>	<b>(39,096)</b>	<b>(40,940)</b>	<b>0</b>

## 9. 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 2014/15.

Reserve	Note	Balance at 31 <sup>st</sup> March 2014	Transfers out 2014/15	Transfers in 2014/15	Balance at 31 <sup>st</sup> March 2015
		£'000	£'000	£'000	£'000
Revenue Reserves	24	22,625	(4,280)	4,504	22,849
Capital Reserve	24	14,947	(1,084)	3,665	17,528
<b>Total</b>		<b>37,572</b>	<b>(5,364)</b>	<b>8,169</b>	<b>40,377</b>

## 10. Other operating expenditure

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

Group 2013/14	Commissioner 2013/14		Group 2014/15	Commissioner 2014/15
£'000	£'000		£'000	£'000
184	184	Gain/Loss on the disposal of non-current assets	(4)	(4)
(10,917)	(10,917)	Home Office Police Officers Pensions top-up grant	(12,762)	(12,762)
<b>(10,733)</b>	<b>(10,733)</b>	<b>Total</b>	<b>(12,766)</b>	<b>(12,766)</b>

## 11. 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 2013/14	Commissioner 2013/14		Note	Group 2014/15	Commissioner 2014/15
£'000	£'000			£'000	£'000
620	620	Interest payable and similar charges	17	604	604
38,750	17	Net interest on the net defined benefit liability	41	39,233	12
(125)	(125)	Interest receivable and similar income	17	(192)	(193)
(465)	(465)	Income and expenditure in relation to investment properties and changes in their fair value	14	(413)	(413)
(90)	(90)	Specific capital grants available during the year	34	(217)	(217)
<b>38,690</b>	<b>(43)</b>	<b>Total</b>		<b>39,014</b>	<b>(207)</b>

**12. Taxation and non-specific grant incomes**

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

Group 2013/14	Commissioner 2013/14		Note	Group 2014/15	Commissioner 2014/15
£'000	£'000			£'000	£'000
(43,374)	(43,374)	Council tax income		(44,886)	(44,886)
(14,032)	(14,032)	National Non Domestic Rates (NDR)		(12,389)	(12,389)
(40,771)	(40,771)	Non ring fenced government grants	34	(40,618)	(40,618)
(734)	(734)	Capital grants and contributions	34	(757)	(757)
<b>(98,911)</b>	<b>(98,911)</b>	<b>Total</b>		<b>(98,650)</b>	<b>(98,650)</b>

## 13. Property, plant and equipment

Movement on balances in financial year 2014/15:

	Property Plant and Equipment							Investment Properties					Total	
	Note	Land	Buildings	Assets Under Construction	Helicopter	Vehicles	Equipment	Boat	Masts	Houses	Buildings	Assets Held for Sale		Intangible
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 <sup>st</sup> April 2014:		4,569	57,391	0	3,253	11,050	18,366	172	2,992	480	1,793	567	314	100,947
Additions		0	878	0	0	1,319	773	0	0	0	0	0	51	3,021
Revaluation increases/(decreases) recognised in the Revaluation Reserve		0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in surplus/deficit on the Provision of Services		0	0	0	0	0	0	0	0	0	0	0	0	0
Derecognition – disposals		0	0	0	0	(27)	0	0	0	0	0	(137)	0	(164)
Assets reclassified		0	0	0	0	0	0	0	0	0	0	0	0	0
Write off of Accumulated Depreciation on revaluation		0	0	0	0	0	0	0	0	0	0	0	0	0
At 31 <sup>st</sup> March 2015		4,569	58,269	0	3,253	12,342	19,139	172	2,992	480	1,793	430	365	103,804
Accumulated depreciation and impairment at 1 <sup>st</sup> April 2014		0	0	0	(2,478)	(8,583)	(13,920)	0	(500)	(185)	0	0	(302)	(25,668)
Depreciation charge		0	(1,034)	0	(108)	(911)	(1,864)	(10)	0	0	0	0	(12)	(3,939)
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
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 31 <sup>st</sup> March 2015		0	(1,319)	0	(2,286)	(9,494)	(15,784)	(10)	(500)	(185)	0	0	(314)	(29,892)
Net book value - at 31 <sup>st</sup> March 2015		4,569	56,950	0	967	2,848	3,355	162	2,492	295	1,793	430	51	73,912
Net book value - at 31 <sup>st</sup> March 2014		4,569	57,391	0	1,075	2,467	4,446	172	2,492	295	1,793	567	12	75,279

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Movement on balances in financial year 2013/14 – Restated (see note 2 for further information):

	Note	Property Plant and Equipment										Investment Properties					Total
		Land	Buildings	Assets Under Construction	Helicopter	Vehicles	Equipment	Boat	Masts	Houses	Buildings	Assets Held for Sale	Intangible				
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Cost or valuation at 1 <sup>st</sup> April 2013:		4,719	70,209	0	3,289	10,015	16,729	0	2,748	505	1,776	336	314	110,620			
Additions		0	510	0	246	1,089	1,637	172	0	0	0	0	0	3,654			
Revaluation increases/(decreases) recognised in the Revaluation reserve		0	(529)	0	0	0	0	0	62	(7)	17	6	0	(451)			
Revaluation increases/(decreases) recognised in surplus/deficit on the Provision of Services		0	(673)	0	0	0	0	0	182	(18)	0	54	0	(455)			
Derecognition – disposals		0	0	0	(262)	(54)	0	0	0	0	0	(164)	0	(480)			
Assets reclassified		(150)	(185)	0	0	0	0	0	0	0	0	335	0	0			
Write off of Accumulated Depreciation on revaluation		0	(11,941)	0	0	0	0	0	0	0	0	0	0	(11,941)			
At 31 <sup>st</sup> March 2014		4,569	57,391	0	3,253	11,050	18,366	172	2,992	480	1,793	567	314	100,947			
Accumulated depreciation and Impairment at 1 <sup>st</sup> April 2013		0	(10,598)	0	(2,079)	(7,548)	(12,081)	0	(500)	(185)	0	0	(289)	(33,280)			
Depreciation charge		0	(1,052)	0	(99)	(1,035)	(1,839)	0	0	0	0	0	(13)	(4,038)			
Depreciation written out to Revaluation reserve		0	(291)	0	0	0	0	0	0	0	0	0	0	(291)			
Write off of Accumulated Depreciation on revaluation		0	11,941	0	0	0	0	0	0	0	0	0	0	11,941			
Impairment (losses)/reversals recognised in the Revaluation Reserve		0	0	0	0	0	0	0	0	0	0	0	0	0			
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 31 <sup>st</sup> March 2014		0	0	0	(2,178)	(8,583)	(13,920)	0	(500)	(185)	0	0	(302)	(25,668)			
Net book value - at 31 <sup>st</sup> March 2014		4,569	57,391	0	1,075	2,467	4,446	172	2,492	295	1,793	567	12	75,279			
Net book value - at 31 <sup>st</sup> March 2013		4,719	59,611	0	1,190	2,467	4,648	0	2,248	320	1,776	336	25	77,340			

Depreciation

Category of Asset	Depreciation 2013/14			Depreciation 2014/15		
	Years	Residual Value	Charge	Years	Residual Value	Charge
			£'000			£'000
<u>Property</u>						
• Land	No Depreciation		0	No Depreciation		0
• Operational	Over Remaining Life		1,343	Over Remaining Life		1319
• Assets Under Construction	No Depreciation		0	No Depreciation		0
• Investment	No Depreciation		0	No Depreciation		0
<u>Helicopter :</u>						
• Airframe	20	Nil	79	20	Nil	79
• Main Gear box	5	Nil	0	5	Nil	21
• Helicopter	8.75	Nil	0	8.75	Nil	0
• Helicopter	5	Nil	20	5	Nil	8
<u>Boat:</u>						
• Hull	32	Nil	0	32	Nil	3
• Engine	12	Nil	0	12	Nil	7
<u>Vehicles</u>						
• Rapid	3	Nil	119	3	Nil	167
• Other	5	Nil	916	5	Nil	744
<u>Equipment</u>						
Computer /other equipment	5	Nil	1,839	5	Nil	1,864
<u>Intangible assets</u>	5	Nil	13	5	Nil	12
<b>Total</b>			<b>4,329</b>			<b>4,224</b>

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 revaluation was carried out in 2013/14.

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.



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	Property Plant and Equipment							Investment Properties			Assets Held for Sale	Intangible	Total
	Land	Buildings	Assets Under Construction	Helicopter	Vehicles	Equipment	Boat	Masts	Houses	Buildings			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost:	4,569	64,793	0	1,872	2,900	3,320	162	5,835	376	1,991	649	51	76,518
Valued at fair value at:													
31 <sup>st</sup> March 2015	0	0	0	0	0	0	0	0	0	0	0	0	0
31 <sup>st</sup> March 2014	0	(1,202)	0	0	0	0	0	244	(25)	17	60	0	(906)
31 <sup>st</sup> March 2013	0	0	0	0	0	0	0	0	0	0	(329)	0	(329)
31 <sup>st</sup> March 2012	0	509	0	0	(15)	35	0	0	0	0	50	0	579
31 <sup>st</sup> March 2011	0	2,288	0	(905)	0	0	0	(315)	16	(215)	0	0	869
31 <sup>st</sup> March 2010	0	0	0	0	0	0	0	0	0	0	0	0	0
31 <sup>st</sup> March 2009	0	562	0	0	(37)	0	0	(3,272)	(72)	0	0	0	(2,819)
31 <sup>st</sup> March 2008	0	0	0	0	0	0	0	0	0	0	0	0	0
Total cost or valuation	4,569	66,950	0	957	2,848	3,355	162	2,492	295	1,793	430	51	73,912

14. Investment properties

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

2013/14		2014/15
£'000		£'000
672	Rental income from investment property	623
(199)	Direct operating expenses arising from investment property	(210)
473	Net gain/(loss)	413

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

2013/14		2014/15
£'000		£'000
4,344	Balance at start of year:	4,580
0	Additions:	0
0	Purchases	0
236	Net gains/losses from fair value adjustments	0
	Transfers:	
0	• (To)/from property, plant and equipment	0
4,580	Balance at end of year	4,580

## 15. Capital Commitments

As at 31 March 2015 the Commissioner has entered into various commitments associated with building schemes and major projects undertaken as part of the Capital Programme. The most significant of these commitments are:

- Mobile police stations – conversion costs £243k
- Retention on new police station at Llandrindod Wells – approximately £10k
- Project managers for estate wide works – approximately £205k

## 16. 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 5 years and the assets are amortised on a straight-line basis.

2013/14			2014/15					
Internally generated assets	Other assets	Total		Internally generated assets	Other assets	Total		
£'000	£'000	£'000		£'000	£'000	£'000		
			Balance at start of year:					
0	314	314	• Gross carrying amounts	0	314	314		
0	(289)	(289)	• Accumulated amortisation	0	(302)	(302)		
0	25	25	Net carrying amount at start of year:	0	12	12		
0	0	0	Additions:	0	51	51		
0	(13)	(13)	Amortisation for the period	0	(12)	(12)		
0	12	12	Net carrying amount at end of year	0	51	51		
<b>Comprising:</b>			31/3/2010	31/3/2011	31/3/2012	31/3/2013	31/3/2014	31/3/2015
Gross carrying amounts (£'000)			297	297	314	314	314	365
Accumulated amortisation (£'000)			(204)	(263)	(276)	(289)	(302)	(314)

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

## 17. Financial Instruments

Balances**Group:**

	Long Term		Current	
	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015
	£'000	£'000	£'000	£'000
Borrowing (PWLB) – principal sum borrowed	(2,599)	(2,455)	(131)	(144)
Borrowing (PWLB) – accrued interest	(15)	(14)	0	0
Trade Payables (Creditors)	0	0	(1,177)	(1,553)
PFI Liability	(2,539)	(2,504)	0	0
Liability related to Defined Benefit Pension Scheme*	(883,675)	(1,047,283)	0	0
<b>Total Financial Liabilities</b>	<b>(888,828)</b>	<b>(1,052,256)</b>	<b>(1,308)</b>	<b>(1,697)</b>
<i>Loans and receivables:</i>				
Fixed term investments – Principal at amortised cost	0	0	37,000	40,000
Fixed term investments – Accrued interest	0	0	6	39
Fixed term investments – Impaired investments	0	0	33	23
Trade Receivables (Debtors)	0	0	1,415	1,542
Soft Loans **	2	0	2	0
<b>Total Financial Assets</b>	<b>2</b>	<b>0</b>	<b>38,456</b>	<b>41,604</b>

\* 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 Constable's staff.

\*\* Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2010 Code of Practice sets out specific accounting requirements for soft loans.

**Commissioner:**

	Long Term		Current	
	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015
	£'000	£'000	£'000	£'000
Borrowing (PWLB) – principal sum borrowed	(2,599)	(2,455)	(131)	(144)
Borrowing (PWLB) – accrued interest	(15)	(14)	0	0
Trade Payables (Creditors)	0	0	(211)	(260)
PFI Liability	(2,539)	(2,504)	0	0
Liability related to Defined Benefit Pension Scheme*	248	(311)	0	0
<b>Total Financial Liabilities</b>	<b>(4,905)</b>	<b>(5,284)</b>	<b>(342)</b>	<b>(404)</b>
<b>Loans and receivables:</b>				
Fixed term investments – Principal at amortised cost	0	0	37,000	40,000
Fixed term investments – Accrued interest	0	0	6	39
Fixed term investments – Impaired investments	0	0	33	23
Trade Receivables (Debtors)	0	0	1,024	1,270
Soft Loans **	2	0	2	0
<b>Total Financial Assets</b>	<b>2</b>	<b>0</b>	<b>38,065</b>	<b>41,332</b>

\*\* Where loans are advanced at below market rates they are classed as Soft Loans. The 2010 Code of Practice sets out specific accounting requirements for Soft Loans.

The Commissioner operates a Car Loan Scheme for Employees where the interest rates charged are below market rates. At 31st March 2015, no loan was outstanding:

	Long Term		Current	
	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015
	£'000	£'000	£'000	£'000
Car Loans to employees	2	0	0	0
Loan to Chief Officer towards House Purchase	0	0	0	0
<b>Total Financial Assets</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>

Income, Expense, Gains and Losses

2013/14		Financial Liabilities	Financial Assots	2014/15
Total £'000s		Liabilities measured at amortised cost £000s	Loans and receivables £000s	Total £000s
£'000		£'000	£'000	£'000
(620)	Interest expense	(604)	0	(604)
(620)	Interest payable and similar charges	(604)	0	(604)
125	Interest Income	0	192	192
61	Impairment gain (Icelandic Banks)	0	1	1
186	Interest and Investment Income	0	193	193
186	Net gain/(loss) for the year	(604)	193	(411)

Fair Values

Long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- 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.
- In the case of the Commissioner's investments, these consisted of term deposits and Certificates of Deposits with Banks and Building Societies. The maturity dates of these investments were within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption.
- For trade payables and trade receivables, the carrying value has been used as a reasonable approximation of fair value.
- The PFI liability has been measured at the present value of the minimum lease payments in respect of the property, discounted by the interest rate implicit in the contract.
- 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.
- The fair value for short term investments at the Balance Sheet date is the same as the carrying amount because the interest rate on similar investments is not considered to be materially different from that obtained when the investment was originally made.

Group			Commissioner	
Carrying amount	Fair value		Carrying amount	Fair value
31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2015		31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2015
£'000	£'000		£'000	£'000
		<b>Financial Liabilities:</b>		
(144)	(144)	Short Term Borrowing	(144)	(144)
(2,469)	(3,970)	Long Term Borrowing	(2,469)	(3,970)
(2,504)	(2,504)	PFI Liability	(2,504)	(2,504)
(1,047,283)	(1,047,283)	Liability related to Defined Benefit Pension Scheme	(311)	(311)
(1,553)	(1,553)	Trade Payables (Creditors)	(260)	(260)
<b>(1,053,953)</b>	<b>(1,055,454)</b>	<b>Total Financial Liabilities</b>	<b>(5,688)</b>	<b>(7,189)</b>
		<b>Financial Assets:</b>		
40,062	40,062	Short Term Investments	40,062	40,062
1,542	1,542	Trade Receivables (Debtors)	1,270	1,270
0	0	Soft Loans	0	0
<b>41,604</b>	<b>41,604</b>	<b>Total Financial Assets</b>	<b>41,332</b>	<b>41,332</b>

Group			Commissioner	
Carrying amount	Fair value		Carrying amount	Fair value
31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2014
£'000	£'000		£'000	£'000
		<b>Financial Liabilities:</b>		
(131)	(131)	Short Term Borrowing	(131)	(131)
(2,614)	(4,052)	Long Term Borrowing	(2,614)	(4,052)
(2,539)	(2,539)	PFI Liability	(2,539)	(2,539)
(883,675)	(883,675)	Liability related to Defined Benefit Pension Scheme	248	248
(1,177)	(1,177)	Trade Payables (Creditors)	(211)	(211)
<b>(890,136)</b>	<b>(891,574)</b>	<b>Total Financial Liabilities</b>	<b>(5,247)</b>	<b>(6,685)</b>
		<b>Financial Assets:</b>		
37,039	37,039	Short Term Investments	37,039	37,039
1,415	1,415	Trade Receivables (Debtors)	1,024	1,024
2	2	Soft Loans	2	2
<b>38,456</b>	<b>38,456</b>	<b>Total Financial Assets</b>	<b>38,065</b>	<b>38,065</b>

The fair value of long term borrowing is higher than the carrying amount because the Commissioner's portfolio of loans includes loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

## 18. Inventories

	Franking and uniform consumable stores		Fleet maintenance materials		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of year:	309	358	87	86	396	444
Purchases	415	362	279	229	694	591
Recognised as an expense in the year	(366)	(372)	(280)	(225)	(646)	(597)
Written off balances	0	(26)	0	(10)	0	(36)
Reversals of write offs in previous year/average price adj	0	0	0	0	0	0
Balance outstanding at year end.	358	322	86	80	444	402

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

## 19. Short-Term Debtors

Group	Commissioner		Group	Commissioner
31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2015
£'000	£'000		£'000	£'000
4,544	4,544	Central Government bodies	6,098	6,098
222	218	Local authorities	261	261
164	163	Other public bodies	314	307
601	250	Limited Companies	638	395
61	26	Other entities and individuals	46	46
447	447	Value added tax claims	1,493	1,493
449	449	Other Police Bodies	683	660
6,488	6,097	Total	9,533	9,260

## 20. Cash and cash equivalents

31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2015
£'000		£'000
20	Cash in hand	19
1,369	Bank current accounts	2,408
3,000	Call accounts (same day access funds)	4,000
4,389	Total	6,427

**21. Assets held for sale**

	Non - current	
	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015
	£'000	£'000
<b>Balance outstanding at start of year:</b>	336	567
Assets newly classified as held for sale:		
• Property, plant and equipment	0	0
• Other assets/liabilities in disposal groups	335	0
Revaluation losses	(55)	0
Revaluation gains	115	0
Assets sold	(164)	(137)
<b>Balance outstanding at year end</b>	<b>567</b>	<b>430</b>

**22. Short-Term Creditors**

Group	Commissioner		Group	Commissioner
31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2015
£'000	£'000		£'000	£'000
2,521	2,021	Central Government bodies	3,089	2,430
618	80	Local authorities	635	58
483	31	Other Police Bodies	454	36
58	51	Other Public Bodies	122	76
904	274	Limited Companies	1,401	330
1,649	168	Other entities and individuals	4,448	3,384
<b>6,233</b>	<b>2,625</b>	<b>Total</b>	<b>10,149</b>	<b>6,314</b>

**23. 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
<b>Balance outstanding at start of year:</b>	495	0	68	563
Additional provisions made in 2014/15	542	134	0	676
Amounts used in 2014/15	(161)	0	(5)	(166)
Unused amounts reversed in 2014/15	0	0	0	0
<b>Balance outstanding at year end:</b>	<b>876</b>	<b>134</b>	<b>63</b>	<b>1,073</b>



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, £54k 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:	395	518	913
Additional provisions made in 2014/15	150	0	150
Amounts used in 2014/15	(135)	0	(135)
Balance outstanding at year end:	410	518	928

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.

**24. Usable reserves**

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

31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2015
£'000		£'000
4,500	General Reserve	4,500
22,625	Earmarked Revenue Reserves	22,849
14,947	Capital Reserve	17,528
1,004	Capital Grants Unapplied	627
43,076	Total	45,504

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 fund 'invest to save' initiatives. These are 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.

At the year end, £4m was earmarked to cover the crystallisation of costs associated with the termination of the Ammanford police station PFI. Termination of the agreement has since occurred and further details are provided in note 7.

The Commissioner took into account the current level of reserves when setting the council tax precept for 2015/16 which led to Dyfed Powys residents receiving a 5% reduction in the amount payable compared with 2014/15. The Governance Reserve will provide for the £6.7m of funds that are necessary to support the revenue budget as a consequence of this and future funding assumptions made in the medium term plan.

Reserve	Balance at 31 <sup>st</sup> March 2014	Transfers out 2014/15	Transfers in 2014/15	Balance at 31 <sup>st</sup> March 2015	Description
	£'000			£'000	
Pensions Reserve	794	0	0	794	To fund the past service deficit on the police staff pension scheme.
Insurance Reserve	760	0	0	760	Funds that are held to meet potential and contingent insurance liabilities.
Invest to Save Reserve	7,000	0	387	7,387	To fund future projects that will deliver ongoing revenue savings.
Criminal Justice Reserve	1,000	(49)	0	951	To fund work on the wider Criminal Justice system.
Public First Reserve	3,175	(3,175)	0	0	To fund a programme of restructuring back office functions - this has now completed.
PFI Termination Reserve	0	0	4000	4,000	To fund the termination of the Ammanford police station PFI.
Governance Reserve	9,906	(1,056)	117	8,967	Funds aimed at addressing the future funding gap.
<b>Total</b>	<b>22,625</b>	<b>(4,280)</b>	<b>4,504</b>	<b>22,849</b>	

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. There remains a funding gap of approximately £2m in this programme in 2018/19.

2013/14		2014/15	
£'000		£'000	£'000
15,315	Balance at 1 <sup>st</sup> April:		14,947
	Amounts received in year	3,665	
(368)	Amounts used in year	(1,084)	2,581
14,947	Balance at 31 <sup>st</sup> March:		17,528

Capital Receipts

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

2013/14		2014/15
£'000		£'000
0	Balance at 1 <sup>st</sup> April:	0
	<i>Capital receipts received during year</i>	
(30)	Vehicles	(31)
(161)	Buildings	(137)
(105)	Helicopter	0
296	Capital receipts utilised during year	168
0	Balance at 31 <sup>st</sup> March:	0

Capital Grants Unapplied

2013/14		2014/15
£'000		£'000
1,259	Balance at 1 <sup>st</sup> April:	1,004
824	Grant received in year	974
(1,079)	Grant applied in year	(1,351)
1,004	Balance at 31 <sup>st</sup> March:	627

**25. Unusable reserves**

31 <sup>st</sup> March 2014 – restated (see note 2)		31 <sup>st</sup> March 2015
£'000		£'000
13,476	Revaluation reserve	13,191
51,651	Capital adjustment account	50,908
(557)	Accumulated absences account	(534)
(883,675)	Pensions reserve	(1,047,283)
(819,105)	<b>Total</b>	<b>(983,718)</b>

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.

2013/14 – restated (see note 2)		2014/15
£'000		£'000
14,219	<b>Balance at 1<sup>st</sup> April:</b>	<b>13,476</b>
273	Upward revaluation of assets	0
(724)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	0
(451)	<b>Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services</b>	<b>0</b>
(292)	Difference between fair value depreciation and historical cost depreciation	(285)
0	Accumulated gains on assets sold or scrapped	0
0	Amount written off to the Capital Adjustment Account	0
<b>13,476</b>	<b>Balance at 31<sup>st</sup> March:</b>	<b>13,191</b>

#### 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.

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

2013/14 – restated (see note 2)		2014/15
£'000		£'000
53,164	Balance at 1 <sup>st</sup> April:	51,651
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,024)	• Charges for depreciation and impairment of non-current assets	(3,928)
(1,001)	• Revaluation losses on property, plant and equipment	0
545	• Revaluation gains on property, plant and equipment	0
(13)	• Amortisation of intangible assets	(13)
	• Revenue expenditure funded from capital under statute	0
(480)	• 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	(164)
48,191		47,546
	Adjusting amounts written out of the Revaluation Reserve	
	<b>Net write out amount of the cost of non-current assets consumed in the year</b>	
	Capital financing applied in the year:	
296	• Use of Capital Receipts Reserve to finance new capital expenditure	168
368	• Use of Reserves to finance new capital expenditure	1,084
824	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	974
253	• Application of grants to capital financing from the Capital Grants Unapplied Account	377
326	• Statutory provision for the financing of capital investment charged against the General Fund	339
1,393	• Capital expenditure charged against the General Fund	420
3,460		3,362
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
51,651	Balance at 31 <sup>st</sup> March:	50,908

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.

2013/14		2014/15
£'000		£'000
(518)	Balance at 1 <sup>st</sup> April:	(557)
518	Settlement or cancellation of accrual made at the end of the preceding year	557
(557)	Amounts accrued at the end of the current year	(534)
(39)	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.	23
(557)	Balance at 31 <sup>st</sup> March:	(534)

### 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.

2013/14		2014/15
£'000		£'000
(893,119)	Balance at 1 <sup>st</sup> April:	(883,675)
48,540	Actuarial (gains) or losses on pensions assets and liabilities	(126,348)
10,917	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	9,524
(50,013)	Employer's pensions contributions and direct payments to pensioners payable in the year.	(46,784)
883,675	Balance at 31 <sup>st</sup> March:	1,047,283

## 26. Cash flow statement – operating activities

2013/14 - Restated		2014/15
£'000		£'000
35,120	Net (surplus) or deficit on the provision of services	35,837
	<b>Adjustments for non-cash movements:</b>	
(4,329)	Depreciation	(4,224)
61	Investment Impairment	(1)
(1,001)	Fixed Asset Impairment	0
545	Revaluation losses on Property, Plant & Equipment	0
(39,096)	Net charges made for Retirement Benefits	(37,260)
(480)	Sale of Fixed Assets (NBV)	(166)
450	Contribution to Provisions	(525)
30	Net PFI Contribution	35
0	Increase/Decrease in Interest on Investments accrual	33
2	Increase/Decrease in Interest on Borrowing accrual	1
48	Increase/Decrease in Stock	(42)
(5,965)	Increase/Decrease in Debtors	3,045
4,130	Increase/Decrease in Creditors	(3,200)
0	Capital Grants in Advance	0
(45,605)		(42,304)
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
296	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	168
(169)	Other payments for financing activities – Agency arrangements	(148)
473	Payments for and Receipts from investing activities	414
600		434
(9,885)	<b>Net cash flows from operating activities</b>	<b>(6,033)</b>

## 27. Cash flow statement – investing activities

2013/14		2014/15
£'000		£'000
3,692	Purchase of property, plant and equipment, investment property and intangible assets	2,306
317,000	Purchase of short-term and long-term investments	249,000
199	Other payments for investing activities	210
(296)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(169)
(310,223)	Proceeds from short-term and long-term investments	(247,008)
(672)	Other receipts from investing activities	(623)
9,700	<b>Net cash flows from investing activities</b>	<b>3,716</b>

**28. Cash flow statement – financing activities**

2013/14		2014/15
£'000		£'000
122	Repayments of short- and long-term borrowing	131
169	Other payments for financing activities	148
<b>291</b>	<b>Net cash flows from financing activities</b>	<b>279</b>

**29. Amounts reported for resource allocation decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice (SeRCOP)*. However, decisions about resource allocation are taken by the Police and Crime Commissioner on the basis of budget reports analysed across subjective headings.

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Divisions and Departments.

The income and expenditure of the Group/Commissioner's principal directorates recorded in the budget reports for the year is as follows:

**Group - Directorate Income and Expenditure 2014/15**

	OPCC	Territorial Policing	Investigations	Central	Total Directorate Analysis
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(637)	(167)	(300)	(1,352)	(2,456)
Government grants	(298)	(406)	0	(2,259)	(2,963)
<b>Total Income</b>	<b>(935)</b>	<b>(573)</b>	<b>(300)</b>	<b>(3,611)</b>	<b>(5,419)</b>
Employee costs	703	43,180	12,361	21,934	78,178
Premises costs	0	348	97	97	542
Transport costs	19	1,206	170	166	1,561
Supplies & services	157	2,049	1,465	127	3,798
Agency & contracted services	1,373	55	145	1,192	2,765
<b>Total Expenditure</b>	<b>2,252</b>	<b>46,838</b>	<b>14,238</b>	<b>23,516</b>	<b>86,844</b>
<b>Net Expenditure</b>	<b>1,317</b>	<b>46,265</b>	<b>13,938</b>	<b>19,905</b>	<b>81,425</b>



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**Group - Directorate Income and Expenditure 2013/14 – Restated (see note 2)**

	OPCC	Territorial Policing	Investigations	Central	Total Directorate Analysis
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(1)	(299)	(193)	(236)	(729)
Government grants	(1,090)	(1,956)	0	(2,862)	(5,908)
<b>Total Income</b>	<b>(1,091)</b>	<b>(2,255)</b>	<b>(193)</b>	<b>(3,098)</b>	<b>(6,637)</b>
Employee costs	619	47,590	18,320	4,665	71,194
Premises costs	0	284	185	934	1,403
Transport costs	7	1,284	196	65	1,552
Supplies & services	297	1,911	1,321	3	3,532
Agency & contracted services	1,034	46	159	939	2,178
<b>Total Expenditure</b>	<b>1,957</b>	<b>51,115</b>	<b>20,181</b>	<b>6,606</b>	<b>79,859</b>
<b>Net Expenditure</b>	<b>866</b>	<b>48,860</b>	<b>19,988</b>	<b>3,508</b>	<b>73,222</b>

**Commissioner - Directorate Income and Expenditure 2014/15**

	OPCC	Territorial Policing	Investigations	Central	Total Directorate Analysis
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(637)	(167)	(300)	(1,351)	(2,455)
Government grants	(298)	(406)		(2,259)	(2,963)
<b>Total Income</b>	<b>(935)</b>	<b>(573)</b>	<b>(300)</b>	<b>(3,610)</b>	<b>(5,418)</b>
Employee costs	646				646
Premises costs	0				0
Transport costs	19				19
Supplies & services	157				157
Agency & contracted services	1,373				1,373
<b>Total Expenditure</b>	<b>2,195</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,195</b>
<b>Net Expenditure</b>	<b>1,260</b>	<b>(573)</b>	<b>(300)</b>	<b>(3,610)</b>	<b>(3,223)</b>

**Commissioner - Directorate Income and Expenditure 2013/14 – Restated (see note 2)**

	OPCC	Territorial Policing	Investigations	Central	Total Directorate Analysis
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(1)	(299)	(193)	(236)	(729)
Government grants	(1,090)	(1,956)		(2,862)	(5,908)
<b>Total Income</b>	<b>(1,091)</b>	<b>(2,255)</b>	<b>(193)</b>	<b>(3,098)</b>	<b>(6,637)</b>
Employee costs	619				619
Premises costs	0				0
Transport costs	7				7
Supplies & services	297				297
Agency & contracted services	1,034				1,034
<b>Total Expenditure</b>	<b>1,957</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,957</b>
<b>Net Expenditure</b>	<b>866</b>	<b>(2,255)</b>	<b>(193)</b>	<b>(3,098)</b>	<b>(4,680)</b>

### Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

Group 2013/14 – Restated (see note 2)	Commissioner 2013/14 – Restated (see note 2)		Group 2014/15	Commissioner 2014/15
£'000	£'000		£'000	£'000
73,222	(4,680)	<b>Net expenditure in the Directorate Analysis</b>	81,425	(3,223)
17,336	(5,396)	Net amounts of services and support services not included in the Analysis	15,387	(5,788)
15,516	1,824	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	11,427	(270)
0	0	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
<b>106,074</b>	<b>(8,252)</b>	<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>108,239</b>	<b>(9,281)</b>

#### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the Directorate Analysis of Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

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Group - Financial year 2014/15

Group						
	Directorate Analysis	Net amounts of services and support services not included in the Analysis	Amounts in the CIES not reported to management in the analysis	Cost of Services in the Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus/Deficit on provision of services
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(2,456)	(2,595)	263	(4,788)	0	(4,788)
Interest & investment income	0	0	0	0	(816)	(816)
Income from council tax	0	0	0	0	(44,886)	(44,886)
Government grants & contributions	(2,963)	(3,188)	(1,460)	(7,611)	(66,744)	(74,355)
Gain or loss on disposal of non-current assets	0	0	0	0	(4)	(4)
<b>Total Income</b>	<b>(5,419)</b>	<b>(5,783)</b>	<b>(1,197)</b>	<b>(12,399)</b>	<b>(112,450)</b>	<b>(124,849)</b>
Employee costs	78,178	12,955	1,287	92,420	0	92,420
Premises costs	542	2,782	149	3,473	210	3,683
Transport costs	1,561	840	179	2,580	0	2,580
Supplies & services	3,798	4,037	438	8,273	0	8,273
Agency & contracted services	2,765	556	(840)	2,481	0	2,481
Pension costs	0	0	7,182	7,182	39,233	46,415
Depreciation, amortisation, impairment & revaluations	0	0	4,228	4,228	0	4,228
Icelandic bank impairment	0	0	1	1	0	1
Non-current asset revaluation	0	0	0	0	0	0
Interest payments	0	0	0	0	605	605
<b>Total Expenditure</b>	<b>86,844</b>	<b>21,170</b>	<b>12,624</b>	<b>120,638</b>	<b>40,048</b>	<b>160,686</b>
<b>Surplus or deficit on the provision of services</b>	<b>81,425</b>	<b>15,387</b>	<b>11,427</b>	<b>108,239</b>	<b>(72,402)</b>	<b>35,837</b>

Group - Financial year 2013/14 – Restated (see note 2)

Group						
	Directorate Analysis	Net amounts of services and support services not included in the Analysis	Amounts in the CIES not reported to management in the analysis	Cost of Services in the Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus/Deficit on provision of services
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(729)	(3,450)		(4,179)		(4,179)
Interest & investment income				0	(789)	(789)
Income from council tax				0	(43,374)	(43,374)
Government grants & contributions	(5,908)	(1,945)		(7,853)	(66,544)	(74,397)
Gain or loss on disposal of non-current assets				0	184	184
<b>Total Income</b>	<b>(6,637)</b>	<b>(5,395)</b>	<b>0</b>	<b>(12,032)</b>	<b>(110,523)</b>	<b>(122,555)</b>
Employee costs	71,193	15,667		86,860		86,860
Premises costs	1,403	1,711		3,114	199	3,313
Transport costs	1,552	992		2,544		2,544
Supplies & services	3,532	3,560		7,092		7,092
Agency & contracted services	2,179	801		2,980		2,980
Pension costs			10,793	10,793	38,750	49,543
Depreciation, amortisation, impairment & revaluations			4,329	4,329		4,329
Icelandic bank impairment			(61)	(61)		(61)
Non-current asset revaluation			455	455		455
Interest payments				0	620	620
<b>Total Expenditure</b>	<b>79,859</b>	<b>22,731</b>	<b>15,516</b>	<b>118,106</b>	<b>39,669</b>	<b>157,675</b>
<b>Surplus or deficit on the provision of services</b>	<b>73,222</b>	<b>17,336</b>	<b>15,516</b>	<b>106,074</b>	<b>(70,954)</b>	<b>35,120</b>

POLICE & CRIME COMMISSIONER FOR DYFED POWYS

Commissioner - Financial year 2014/15

Commissioner						
	Directorate Analysis	Net amounts of services and support services not included in the Analysis	Amounts in the CIES not reported to management in the analysis	Cost of Services in the Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus/Deficit on provision of services
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(2,455)	(2,595)	263	(4,787)	0	(4,787)
Interest & investment income	0	0	0	0	(816)	(816)
Income from council tax	0	0	0	0	(44,886)	(44,886)
Government grants & contributions	(2,963)	(3,193)	(1,461)	(7,617)	(66,744)	(74,361)
Gain or loss on disposal of non-current assets	0	0	0	0	(4)	(4)
Charge to Chief Constable for use of Non-Current Assets	0	0	(3,307)	(3,307)		(3,307)
<b>Total Income</b>	<b>(5,418)</b>	<b>(5,788)</b>	<b>(4,505)</b>	<b>(15,711)</b>	<b>(112,450)</b>	<b>(128,161)</b>
Employee costs	646	0	0	646	0	646
Premises costs	0	0	0	0	210	210
Transport costs	19	0	0	19	0	19
Supplies & services	157	0	0	157	0	157
Agency & contracted services	1,373	0		1,373	0	1,373
Pension costs	0	0	5	5	12	17
Depreciation, amortisation, impairment & revaluations	0	0	4,229	4,229	0	4,229
Icelandic bank impairment	0	0	1	1	0	1
Non-current asset revaluation	0	0	0	0	0	0
Interest payments	0	0	0	0	605	605
Intra-Group Transfer	0	0	0	0	156,741	156,741
<b>Total Expenditure</b>	<b>2,195</b>	<b>0</b>	<b>4,235</b>	<b>6,430</b>	<b>157,568</b>	<b>163,998</b>
<b>Surplus or deficit on the provision of services</b>	<b>(3,223)</b>	<b>(5,788)</b>	<b>(270)</b>	<b>(9,281)</b>	<b>45,118</b>	<b>35,837</b>

Commissioner - Financial year 2013/14 – Restated (see note 2)

Commissioner						
	Directorate Analysis	Net amounts of services and support services not included in the Analysis	Amounts in the CIES not reported to management in the analysis	Cost of Services in the Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus/Deficit on provision of services
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(729)	(3,450)		(4,179)		(4,179)
Interest & investment income					(789)	(789)
Income from council tax					(43,374)	(43,374)
Government grants & contributions	(5,908)	(1,946)		(7,854)	(66,544)	(74,398)
Gain or loss on disposal of non-current assets	0				184	184
Charge to Chief Constable for use of Non-Current Assets			(3,390)	(3,390)		(3,390)
<b>Total Income</b>	<b>(6,637)</b>	<b>(5,396)</b>	<b>(3,390)</b>	<b>(15,423)</b>	<b>(110,523)</b>	<b>(125,946)</b>
Employee costs	619			619		619
Premises costs	0			0	199	199
Transport costs	7			7		7
Supplies & services	297			297		297
Agency & contracted services	1,034			1,034		1,034
Pension costs	0			0	17	17
Depreciation, amortisation, impairment & revaluations	0		4,329	4,329		4,329
Icelandic bank impairment	0		(61)	(61)		(61)
Non-current asset revaluation	0		946	946		946
Interest payments	0			0	620	620
Intra-Group Transfer					153,059	153,059
<b>Total Expenditure</b>	<b>1,957</b>	<b>0</b>	<b>5,214</b>	<b>7,171</b>	<b>153,895</b>	<b>161,066</b>
<b>Surplus or deficit on the provision of services</b>	<b>(4,680)</b>	<b>(5,396)</b>	<b>1,824</b>	<b>(8,252)</b>	<b>43,372</b>	<b>35,120</b>

### 30. Agency services

#### Drug Intervention Programme

Up until 2013/14, the Police and Crime Commissioner for Dyfed Powys acted as an administrator for the Drug Intervention Programme (DIP) and DIP paid the Commissioner/Group an annual administration fee in return for the services provided.

2013/14		2014/15
£'000		£'000
30	Expenditure incurred in providing Financial Administration Services to the Drug Intervention Programme	0
(30)	Administration fee payable by the Drug Intervention Programme	(0)
0	<b>Net surplus arising on the agency arrangements</b>	0

In 2014/15 this arrangement ceased to exist with the Commissioner instead procuring the services from an external service provider.

#### 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.

2013/14		2014/15
£'000		£'000
46	Expenditure incurred in administering the Police and Local Government Pension Schemes	62
46	<b>Net surplus arising on the agency arrangements</b>	62

### 31. 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 Commissioner's and forces to provide the most effective service possible. Such agreements are regulated by Section 22A of the Police Act 1996, as amended by the Police Reform and Social Responsibility Act 2011.

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

CIPFA has issued new guidance on "Accounting for Collaboration". This has 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. As a result of the requirement of IFRS11, the following tables provide revised information relating to Collaborative Arrangements.

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

2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
<b>Service Classification</b>	National Policing	National Policing	Intelligence/ Investigation	Intelligence	Specialist Operations	
	£'000	£'000	£'000	£'000	£'000	£'000
Pay Expenditure	3,925	466	3,470	1,913	10,523	20,297
Non Pay Expenditure	815	17	694	708	1,278	3,512
Gross Expenditure	4,740	483	4,164	2,621	11,801	23,809
Specific Grant Income	(4,639)	(483)	(2,852)	(500)	0	(8,474)
Income	(101)		(34)	(27)	0	(162)
Total Income & Grants	(4,740)	(483)	(2,886)	(527)	0	(8,636)
Force Contributions (Net)	0	0	(1,278)	(2,094)	(11,801)	(15,173)
(Surplus) or Deficit	0	0	0	0	0	0

Finance representatives from all Forces in Wales met with representatives of the Wales Audit Office on the 30<sup>th</sup> of March 2015. At this meeting, the cost apportionment method for each Collaborative Arrangement was agreed. The tables below show each Force's contribution towards Expenditure and Income:

2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
<b>Service Classification and agreed basis of apportionment</b>	National Policing (Population)	National Policing (own spending)	Intelligence/ Investigation (Population)	Intelligence (Agreed Financial Contribution)	Specialist Operations (Agreed Financial Contribution)	
	£'000	£'000	£'000	£'000	£'000	£'000
Dyfed-Powys	796	81	832	551	3,143	5,403
Gwent	891	91	931	655	2,892	5,460
North Wales	Note 1	Note 1	321	0	0	321
South Wales	1,991	203	2,080	1,415	5,766	11,455
Gross Expenditure excluding North Wales	3,678	375	4,164	2,621	11,801	22,639
North Wales Police (Note 1)	1,062	108	0	0	0	1,170
Gross Expenditure including North Wales	4,740	483	4,164	2,621	11,801	23,809



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2014/15	Counter Terrorism Intelligence	Counter Terrorism Specialist Advisors	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
Service Classification and agreed basis of apportionment	National Policing (Population)	National Policing (own spending)	Intelligence/ Investigation (Population)	Intelligence (Agreed Financial Contribution)	Specialist Operations (Agreed Financial Contribution)	
	£'000	£'000	£'000	£'000	£'000	£'000
Dyfed-Powys	(796)	(81)	(584)	(111)	0	(1,572)
Gwent	(891)	(91)	(653)	(132)	0	(1,767)
North Wales	Note 1	Note 1	(189)	0	0	(189)
South Wales	(1,991)	(203)	(1,460)	(285)	0	(3,939)
<b>Total Income &amp; Grants excluding North Wales</b>	<b>(3,678)</b>	<b>(375)</b>	<b>(2,886)</b>	<b>(527)</b>	<b>0</b>	<b>(7,466)</b>
North Wales Police (Note 1)	(1,062)	(108)	0	0	0	(1,170)
<b>Total Income &amp; Grants including North Wales</b>	<b>(4,740)</b>	<b>(483)</b>	<b>(2,886)</b>	<b>(527)</b>	<b>0</b>	<b>8,636</b>

Note 1: North Wales Police are basing their costs and income on actual costs rather than an allocation on Welsh population. Furthermore, they are not included in the Regional Task Force, which operates in the Southern Welsh Forces and for the Regional Organised Crime Unit, they contribute to the North West region of England and North Wales.

Further information:

In addition to the above arrangements, the Commissioner and Force collaborate with other Welsh Commissioners and Forces in the provision of Counter Terrorism Port Security. For this arrangement, costs and income are based on own Force spending rather than being allocated on Welsh population. For 2014/15, Gross expenditure of £1,568k and Income and Grants for the same amount has been included in the accounts.

A Regional and Organised Crime Unit was established in 2013/14 which encompasses the previous Regional Intelligence Unit, Regional Asset Recovery Team, Witness Protection, along with a number of new capabilities in line with the ACPO core Regional Organised Crime Unit capabilities model.

The Joint Firearms Unit became fully operational in November 2012 and includes both firearms operations and firearms training.

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

Each force may hold their own reserves for collaborative purposes.

### 32. Officers' remuneration

#### Senior employees

	Year	Noted	Salary (including fees and allowances)	Discretionary allowance	Benefits in kind - medical cover	Benefits in kind - lease cars	Benefits in kind - house loan interest	Other Payments	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
Commissioner	2014/15		65,000	0	0	0	0	0	65,000	7,540	72,540
	2013/14		65,000	0	0	0	0	0	65,000	9,685	74,685
Chief Constable	2014/15		126,237	0	0	4,425	0	0	130,662	29,733	160,395
	2013/14		125,020	0	0	5,994	0	0	131,014	29,439	160,453
Deputy Chief Constable	2014/15	4	113,978	0	0	4,106	0	5,593	123,677	26,766	150,443
Temporary Deputy Chief Constable	2013/14	4	61,705	0	0	0	0	0	61,705	14,488	76,193
Assistant Chief Constable	2013/14	4	45,663	7,259	583	4,737	1,500	0	59,742	10,679	70,421
Assistant Chief Constable (A)	2014/15	5	46,628	0	0	1,943	0	0	48,571	11,284	59,855
	2013/14	5	49,889	0	0	2,262	0	0	52,151	12,073	64,224
Assistant Chief Constable (B)	2014/15	6	50,130	0	0	2,184	0	0	52,314	11,765	64,079
	2013/14	7	64,647	0	0	0	0	0	64,647	7,499	72,146
Director of Finance/Chief Financial Officer to the Chief Constable	2013/14	7	5,310	0	0	0	0	0	5,310	791	6,101
Temporary Director of Finance/ Chief Financial Officer to the Chief Constable and Commissioner*	2013/14	8	44,017	0	0	0	0	0	44,017	6,502	50,519
Chief Financial Officer to the Commissioner*	2014/15	9	64,706	0	0	0	0	0	64,706	7,492	72,198

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	Year	Not e	Salary (including fees and allowances)	Discretionary allowance	Benefits in kind - medical cover	Benefits in kind - lease cars	Benefits in kind - house loan interest	Other Payments	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
Director of Resources	2014/15	10	42,065	0	0	0	0	0	42,065	4,846	46,911
	2014/15	11	68,175	0	0	0	0	0	68,175	0	68,175
Director of Legal and Compliance	2013/14		5,667	0	0	0	0	0	5,667	0	5,667
	2014/15	12	53,000	0	0	0	0	0	53,000	6,148	59,148
Deputy Commissioner*	2013/14		43,872	0	0	0	0	0	43,872	6,537	50,409
	2014/15		58,499	0	0	0	0	0	58,499	6,786	65,285
Chief of Staff*	2013/14		56,443	0	0	0	0	0	56,443	8,410	64,853
Total 2014/15			753,065	0	0	12,658	0	5,593	771,316	119,859	891,175
Total 2013/14			502,686	7,259	583	12,993	1,500	0	524,921	98,604	623,525

\*staff under the direction and control of the Commissioner

**Note 1:** A discretionary allowance of 7.5% of pensionable pay has been paid to some senior employees. Dyfed Powys Police Authority approved the Chief Officers Benefits Policy but nationally, concerns have been raised over the legality of these allowances. Legal advice has confirmed that the discretionary payments could be unlawful and in light of this, such allowances were stopped until such time as the legal position is fully clarified. Chief Officers who have been in receipt of these allowances have been informed of this and that potential recovery action could be taken if the allowances are subsequently confirmed as being unlawful. This remains an open issue that will be progressed during 2015/16.

**Note 2:** Some senior employees benefitted from free medical insurance cover, paid for by the organisation. The Commissioner and the Chief Constable received legal advice in 2013/14 to the effect that providing free medical cover to police officers is unlawful, as it breaches Police Regulations. No decision has been made by 31/03/2015 on whether to recover the costs of the medical cover from the individuals concerned and this remains an open issue that will be progressed during 2015/16.

**Note 3:** Under the Chief Officer Relocation Package Policy dated 19th March 2012, Chief Officers who relocated their main home to the force area were entitled to receive a house loan of up to £300,000, for a period of up to 18 months, on which interest was chargeable at the Bank of England base rate prevailing at the time the loan was entered into. If this rate was lower than the official HMRC rate of interest, a benefit in kind tax liability arose. This policy was revised on 17th January 2013 and interest on any future loans will be charged at a rate equivalent to the official HMRC rate.

**Note 4:** The Assistant Chief Constable acted as temporary Deputy Chief Constable during the period 15/09/2013 - 31/03/2014. He was appointed to this role permanently on 01/04/2014. The figure of £5,593 in the 'Other Payments' column relates to reimbursement of the benefit in kind tax liability that was incurred as a result of relocation expenses claimed in 2012/13 and the resultant change in tax code. This was in accordance with the Windsor Recommendation which states that Police and Crime Commissioners should pay all reasonable costs arising from the sale and purchase of a chief officer's house and should pay all tax liabilities arising from any relocation packages. The Assistant Chief Constable repaid his house loan in full on 26/7/14.

**Note 5:** The Temporary Assistant Chief Constable (A) was appointed on 15/09/2013 and remained in this post until 27/09/2014. The annualised salary for this post was £91,632 for 2013/14 and £95,245 for 2014/15.

**Note 6:** The Temporary Assistant Chief Constable (B) was appointed on 28/09/2014. The annualised salary for this post was £95,245

**Note 7:** The temporary Director of Finance and Resources was appointed to the new, permanent, role of Director of Finance/Chief Financial Officer to the Chief Constable from 01/03/2014. The annualised salary for this post was £63,714 in 2013/14

**Note 8:** A temporary Director of Finance and Resources/CFO to the Commissioner and Chief Constable was appointed from 18/07/2013 to 28/02/2014. Included in the salary, fees and allowances figure of £44,017 is an honorarium of £6,216 for undertaking the additional duties of the role for Chief Financial Officer to the Commissioner during this period

**Note 9:** The Chief Financial Officer to the Commissioner was appointed on 31/03/2014. This is a new post. No remuneration was paid in the 2013/14 financial year in respect of this post

**Note 10:** The Director of Resources was appointed on 11/08/2014. The annualised salary for this post was £65,229.

**Note 11:** The Director of Legal and Compliance was appointed on 01/03/2014. The annualised salary for this post was £68,001 in 2013/14

**Note 12:** The Deputy Commissioner was appointed on 03/06/2014. The annualised salary for this post was £53,000 for 2013/14

Other employees

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

2013/14		2014/15
Number of employees		Number of employees
9	£60,000 - £64,999*	6
1	£65,000 - £69,999	5
1	£70,000 - £74,999*	1
7	£75,000 - £79,999	4
1	£80,000 - £84,999	3
0	£85,000 - £89,999	1
1	£195,000 - £199,999**	0

\*The remuneration paid to two individuals one in £60,000 - £64,999 and the other £70,000 - £74,999 includes redundancy. If this payment were to be excluded for both individuals they would not be included in the table for receiving more than £60,000 remuneration for the year.

\*\*The remuneration paid to the individual for 2013/14 in this banding includes redundancy. If this payment were to be excluded, the individual would appear in the £95,000 - £99,999 banding.

There were no other Commissioner employees receiving 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. Remuneration includes basic salary, overtime, allowances and benefits in kind:

- 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 31<sup>st</sup> March 2015; and
- the ratio of the amount in sub-paragraph (a) to the amount in sub-paragraph (b);

**Commissioner:**

The remuneration of the Chief of Staff during 2014/15 was £58,499.

The median full-time equivalent remuneration of all the Commissioner's employees as at 31<sup>st</sup> March 2015 was £29,834.

The ratio of the Chief of Staff's remuneration to the median Commissioner employee's remuneration was 1.96:1.

**Chief Constable:**

The remuneration of the Chief Constable during 2014/15 was £130,662.

The median full-time equivalent remuneration of all the Chief Constable's employees as at 31<sup>st</sup> March 2015 was £35,105.

The ratio of the Chief Constable's remuneration to the median Chief Constable employee's remuneration was 3.72:1.

**Exit Packages**

The number of exit packages with total cost per band and total cost of the redundancies during 2014/15 is set out in the tables below:

**Group:**

Exit package cost band	Number of Redundancies in each band	Cost of Redundancies in each band		
		Redundancy cost	Pension Strain	Total
	No.	£'000	£'000	£'000
£0 - £20,000	28	321	84	405
£20,001 - £40,000	13	374	91	465
£40,001 - £60,000	1	45	0	45
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
£150,000 +	0	0	0	0
	<b>42</b>	<b>740</b>	<b>175</b>	<b>915</b>

**Commissioner:**

No exit packages were charged to the Commissioner's accounts in 2014/15.

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

In comparison, the number of exit packages with total cost per band and total cost of redundancies during 2013/14 is set out in the table below:

**Group:**

Exit package cost band	Number of Redundancies in each band	Cost of Redundancies in each band		
		Redundancy cost	Pension Strain	Total
	No.	£'000	£'000	£'000
£0 - £20,000	1	19	0	19
£20,001 - £40,000	2	10	56	66
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	1	126	14	140
£150,000 +	2	214	359	573
	<b>6</b>	<b>369</b>	<b>429</b>	<b>798</b>

**Commissioner:**

Exit package cost band	Number of Redundancies in each band	Cost of Redundancies in each band		
		Redundancy cost	Pension Strain	Total
	No.	£'000	£'000	£'000
£100,001 - £150,000	1	126	14	140
	<b>1</b>	<b>126</b>	<b>14</b>	<b>140</b>

Members

The following amounts were paid to Joint Audit Committee members in 2014/15.

Group	Commissioner		Group	Commissioner
2013/14	2013/14		2014/15	2014/15
£'000	£'000		£'000	£'000
0	0	Salaries	0	0
3	3	Allowances	2	2
0	0	Expenses	0	0
3	3	<b>Total</b>	2	2

**33. 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
2013/14	2013/14		2014/15	2014/15
£'000	£'000		£'000	£'000
84	41	Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	82	41
84	41	<b>Total</b>	82	41

In 2014/15 the Group received a payment of £15,772 as a result of a redistribution of reserves to local government / police bodies and a refund of £3,381 in respect of the 2013/14 performance fee. These amounts have not been reflected in the figures above.

### 34. Grant Income

The Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14		2014/15
£'000		£'000
	<b>Credited to Financing and Investment Income and Expenditure</b>	
(51)	ACPO TAM CT Specific grant – Boat purchase	0
0	ACPO TAM CT Specific grant – Boat engines	(20)
(39)	Other capital grants	(197)
(90)	<b>Total</b>	<b>(217)</b>
	<b>Credited to Taxation and Non-specific grant Income</b>	
(33,871)	Police Revenue Grant	(33,152)
(5,957)	Welsh Floor Grant	(6,215)
(943)	Revenue Support Grant	(1,251)
(734)	Capital Grant	(757)
(41,505)	<b>Total</b>	<b>(41,375)</b>
	<b>Credited to services</b>	
	<b>Revenue grants</b>	
(3,333)	Grants Receivable from the Home Office	(3,380)
(254)	Operation Tempest	0
(2,369)	Police Community Support Officers	(2,184)
(856)	Community Safety Fund	0
(417)	Private Finance Initiative	(404)
(334)	All Wales Schools Liaison Programme	(343)
0	Competed Fund	(7)
(190)	Victim Support Services	(178)
(60)	Capital Loans Grant	(58)
(39)	Other Revenue Grants	0
	<b>Collaborative Grants **</b>	
0	Regional Organised Crime Unit	(576)
0	Regional Task Force	(105)
0	Counter Terrorism Intelligence Unit	(779)
(7,852)	<b>Total</b>	<b>(8,014)</b>

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

### 35. Related parties

The Group/Commissioner is required to disclose material transactions with related parties – 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. Grants received from government



departments are set out in the subjective analysis in Note 30 on reporting for resource allocation decisions.

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

Group			Commissioner	
2014/15			2014/15	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
(54,559)	455	Home Office	(57,797)	0
(16,271)	0	Welsh Government	(16,271)	0
(14,725)	963	Carmarthenshire County Council	(14,725)	33
(6,390)	151	Ceredigion County Council	(6,390)	5
(11,133)	182	Pembrokeshire County Council	(11,133)	7
(12,642)	142	Powys County Council	(12,642)	0

Group			Commissioner	
2013/14			2013/14	
Income	Expenditure		Income	Expenditure
£'000	£'000		£'000	£'000
(54,619)	528	Home Office	(54,619)	0
(18,539)	6	Welsh Government	(18,539)	0
(14,123)	1,464	Carmarthenshire County Council	(14,123)	188
(6,296)	176	Ceredigion County Council	(6,296)	28
(11,089)	204	Pembrokeshire County Council	(11,089)	43
(11,967)	196	Powys County Council	(11,967)	56

#### Joint Audit Committee Members

The total of members' allowances paid in 2014/15 is shown in note 32.

In 2014/15 a payment of £2,500 was made to West Wales Action for Mental Health in which one member of the audit committee had an interest. This was entered into in full compliance with the Group's/Commissioner's Standing Orders.

#### Officers

None of the Senior Officers, or parties related to them, has undertaken any material transactions with the Group/Commissioner in 2014/15.

#### Entities Controlled or significantly Influenced by the Group/Commissioner

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

### 36. 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.

2013/14		2014/15
£'000		£'000
(7,390)	<b>Opening capital financing requirement:</b>	(7,614)
	Capital Investment:	
(3,654)		(3,023)
0	• Investment properties	0
0	• Intangible assets	0
0	• Revenue expenditure funded from Capital under Statute	0
	Sources of finance:	
296	• Capital receipts	168
1,475	• Government grants and other contributions	2,435
	Sums set aside from revenue	
1,363	• Direct revenue contributions	420
296	• MRP	305
0	• Loans fund principal	0
(7,614)	<b>Closing capital financing requirement:</b>	(7,309)

2013/14		2014/15
£'000		£'000
	<b>Explanation of movements in the year:</b>	
(224)	(Increase) / decrease in underlying need to borrow (supported by government financial assistance)	305
0	(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
(224)	<b>(Increase)/ decrease in Capital Financing Requirement</b>	<b>305</b>

### 37. 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 <sup>st</sup> March 2014		31 <sup>st</sup> March 2015
£'000		£'000
158	Not later than one year	181
488	Later than one year and not later than five years	551
1,160	Later than five years	1,146
1,806	<b>Total</b>	<b>1,878</b>

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

2013/14		2014/15
£'000		£'000
225	Minimum lease payments	292
0	Contingent rents	0
0	(Sublease payments receivable)	0
225	<b>Total</b>	<b>292</b>

### Group/Commissioner as Lessor

#### Operating 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	Commissioner		Group	Commissioner
31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2015	31 <sup>st</sup> March 2015
£'000	£'000		£'000	£'000
114	114	Not later than one year	93	93
376	376	Later than one year and not later than five years	365	365
921	921	Later than five years	854	854
<b>1,411</b>	<b>1,411</b>	<b>Total</b>	<b>1,312</b>	<b>1,312</b>

The income credited to the Group/Commissioner's Comprehensive Income and Expenditure Statement during 2014/15 in relation to these leases was £203,628.

### 38. Private Finance Initiatives and similar contracts

#### Ammanford Police Station

Financial year 2014/15 was the fourteenth year of a 30 year PFI contract for the design, construction, maintenance and operation of Ammanford Police Station. The contract was due to end on the 31<sup>st</sup> May 2030 although it was terminated after the reporting period (see note 7).

The land on which Ammanford Police Station is built is owned by the Commissioner. On completion of the building the head lease was granted to the PFI Contractor, who in turn subleases the building back to the Commissioner. At the end of the PFI contract period, the head lease reverts back to the Commissioner.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The contractor took on the obligation to construct the police station and maintain it in a minimum acceptable condition and to procure and maintain the plant, equipment,

furniture and hardware needed to operate the police station. The building and any plant, equipment, furniture and hardware installed in the police station at the end of the contract will be transferred to the Commissioner for nil consideration. The Commissioner only has rights to terminate the contract if it compensates the contractor in full for costs incurred.

### **Property Plant and Equipment**

The assets used to provide services at the police station are recognised on the Group/Commissioner's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 13.

### **Payments**

An agreed payment is made each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2015 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable within one year	265	41	349	655
Payable within two to five years	1,136	243	1,328	2,707
Payable within six to ten years	1,609	581	1,407	3,597
Payable within eleven to fifteen years	1,848	1,159	862	3,869
Payable within sixteen to twenty years	469	480	68	1,017
<b>Total</b>	<b>5,327</b>	<b>2,504</b>	<b>4,014</b>	<b>11,845</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2013/14		2014/15
£'000		£'000
2,569	Balance outstanding at start of year	2,539
(30)	Payments during the year	(35)
0	Capital expenditure incurred in the year	0
<b>2,539</b>	<b>Balance outstanding at year end</b>	<b>2,504</b>

### **39. Impairment losses**

During 2014/15, there is no reason to believe that the value of assets has changed, therefore there is no indication of impairment.

#### 40. Termination benefits

During 2014/15 a total of 42 staff exited the organisation under redundancy, which cost the Group £915k, funded from the recurring revenue budget. Further details regarding exit packages payable to senior officers are included within note 32.

#### 41. 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 final salary 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 final salary 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
	2014/15	2014/15	2014/15	2014/15
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
<i>Cost of services:</i>				
• Current service cost	(3,011)	(62)	(19,153)	0
• Past service cost	(235)	(5)	0	0
• Other	(92)	0	0	0
<i>Financing and Investment Income and Expenditure:</i>				
• Net interest expense	(608)	(12)	(38,625)	0
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(3,946)</b>	<b>(79)</b>	<b>(57,778)</b>	<b>0</b>
<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)	8,348	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	(23,471)	(311)	(146,398)	0
• Other – experience (gain)/loss	0	0	35,173	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(19,069)</b>	<b>(390)</b>	<b>(169,003)</b>	<b>0</b>
<b>Commissioning Costs (Intra-group transfer)</b>	<b>0</b>	<b>(18,679)</b>	<b>0</b>	<b>(169,003)</b>
<b>Total net cost</b>	<b>(19,069)</b>	<b>(19,069)</b>	<b>(169,003)</b>	<b>(169,003)</b>
<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	3,946	3,946	57,778	57,778
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• Employers' contributions payable to scheme	(2,641)	(2,641)	(21,823)	(21,823)

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 2015 is a loss of £15,123k (2013/14: £17,267k gain).

	Local Government Pension Scheme		Police Pension Scheme	
	Group	Commissioner	Group	Commissioner
	2013/14	2013/14	2013/14	2013/14
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
<i>Cost of services:</i>				
• Current service cost	(3,947)	(56)	(20,947)	0
• Past service cost	(511)	(7)	0	0
• Other	(94)	0	0	0
<i>Financing and Investment Income and Expenditure:</i>				
• Net interest expense	(1,215)	(17)	(37,535)	(0)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(5,767)</b>	<b>(80)</b>	<b>(58,482)</b>	<b>(0)</b>
<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)	7,396	0	0	0
• Actuarial gains and losses arising on changes in demographic assumptions	(613)	0	(11,970)	0
• Actuarial gains and losses arising on changes in financial assumptions	10,484	248	43,243	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>11,500</b>	<b>168</b>	<b>(27,209)</b>	<b>(0)</b>
<b>Commissioning Costs (Intra-group transfer)</b>	<b>0</b>	<b>11,332</b>	<b>0</b>	<b>(27,209)</b>
<b>Total net cost</b>	<b>11,500</b>	<b>11,500</b>	<b>(27,209)</b>	<b>(27,209)</b>
<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	5,767	5,767	58,482	58,482
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• Employers' contributions payable to scheme	(3,142)	(3,142)	(22,011)	(22,011)

**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	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(95,019)	(124,805)	(869,128)	(1,016,308)
Fair value of plan assets	80,472	93,830	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(14,547)</b>	<b>(30,975)</b>	<b>(869,128)</b>	<b>(1,016,308)</b>

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

	Local Government Pension Scheme		Police Pension Scheme	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	72,851	80,472	0	0
Interest income	3,249	3,733	0	0
Remeasurement gain / (loss)				
• The return on plan assets, excluding the amount included in the net interest expense	2,470	8,348	0	0
Contributions from employer	3,142	2,641	0	0
Contributions from employees into the scheme	1,225	1,205	0	0
Benefits paid	(2,371)	(2,477)	0	0
Other (if applicable)	(94)	(92)	0	0
<b>Closing fair value of scheme assets</b>	<b>80,472</b>	<b>93,830</b>	<b>0</b>	<b>0</b>

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	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
<b>Opening Balance at 1<sup>st</sup> April:</b>	<b>(102,040)</b>	<b>(95,019)</b>	<b>(863,930)</b>	<b>(869,128)</b>
Current service cost	(3,947)	(3,011)	(20,947)	(19,153)
Interest cost	(4,464)	(4,341)	(37,535)	(38,625)
Contributions from scheme participants	(1,225)	(1,205)	(5,463)	(5,849)
<i>Actuarial gains and (losses)</i>				
• Actuarial gains / losses arising from changes in demographic assumptions	(613)	0	(11,970)	0
• Actuarial gains / losses arising from changes in financial assumptions	10,484	(23,471)	43,243	(146,398)
• Other (if applicable)	4,926	0	0	35,173
Past service cost	(274)	0	0	0
Losses / (gains) on curtailment (where relevant)	(237)	(235)	0	0
Benefits Paid	2,371	2,477	27,474	27,672
Liabilities extinguished on settlements (where relevant)	0	0	0	0
<b>Closing balance at 31<sup>st</sup> March</b>	<b>(95,019)</b>	<b>(124,805)</b>	<b>(869,128)</b>	<b>(1,016,308)</b>

Local Government Pension Scheme assets comprised:

	Fair value of Scheme assets	
	2013/14	2014/15
	£'000	£'000
Cash and cash equivalents	(266)	695
Equity Instruments	58,038	64,104
Bonds	15,072	19,385
Property	7,628	9,646
<b>Total Assets</b>	<b>80,472</b>	<b>93,830</b>

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 2015.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2013/14	2014/15	2013/14	2014/15
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity investments	7.0%	6.5%		
Bonds	7.7%	5.1%		
Other	6.7%	6.4%		
<b>Mortality assumptions:</b>				
Longevity at 65 (60 for police scheme) for current pensioners:				
• Men	23.2	23.3	27.1	27.2
• Women	25.7	25.8	29.6	29.7
Longevity at 65 (60 for police scheme) for future pensioners:				
• Men	25.4	25.5	29.5	29.7
• Women	28.0	28.1	32.1	32.2
<b>Other assumptions:</b>				
Rate of inflation	2.4%	2.1%	2.4%	2.0%
Rate of increase in salaries	3.9%	3.6%	3.9%	3.5%
Rate of increase in pensions	2.4%	2.1%	2.4%	2.0%
Rate for discounting scheme liabilities	4.6%	3.4%	4.5%	3.3%

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 2014/15	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	2,325	
Rate of inflation (increase or decrease by 0.1%)	2,905	
Rate of increase in salaries (increase or decrease by 0.1%)	1,025	
Rate for discounting scheme liabilities (increase or decrease by 0.1%)		2,839

Police Pension Scheme 2014/15	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	20,825	
Rate of inflation (increase or decrease by 0.1%)	20,693	
Rate of increase in salaries (increase or decrease by 0.1%)	5,240	
Rate for discounting scheme liabilities (increase or decrease by 0.1%)		20,250

#### 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 31<sup>st</sup> March 2014 and details of the future employers' rates are shown below:

Year	Employer rate
2015/16	11.6%
2016/17	11.6%

#### **42. Contingent Liabilities**

The Commissioner/Group has a contingent liability in relation to overtime payments. Recent court and employment tribunal cases have ruled that employees of private companies are entitled to have overtime payments included in the calculation of holiday pay. As a result companies and public sector bodies may be liable to claims from employees for underpaid holiday pay. The Police and Crime Commissioner for Dyfed-Powys have not received any claims from officers or staff and the amount of the contingent liability cannot be reliably estimated.

#### **43. 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 one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party.
- *Liquidity Risk:* The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.

- **Market Risk:** The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

### Credit Risk

#### **Loans and Receivables**

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. Limits are placed on the amount of money that can be invested with a single counterparty. The Commissioner also sets a total group investment limit for institutions that are part of the same banking group.

It must also be noted that although credit ratings remain a key source of information, the Commissioner recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Commissioner's Investment Strategy for 2014/15. The 2014/15 Investment Strategy can be found via the following web link: [www.dyfed-powys.pcc.police.uk](http://www.dyfed-powys.pcc.police.uk)

In accordance with the Annual Investment Strategy, throughout 2014/15, the Commissioner has continued to maintain a counterparty list on the advice of the Commissioner's Treasury Management Advisor, Arlingclose, who monitor and update the credit standing of the institutions on a regular basis. This assessment includes credit ratings from the major credit rating agencies and other alternative assessments of credit strength (for example, statements of potential government support). Banks and Building Societies have only been utilised if they have a minimum long term rating of A+ or equivalent and minimum short term rating of F1 or equivalent.

Arlingclose recommended that the Commissioner invest with Non-UK Banks and Money Market Funds, and as such, these options were included in the Commissioner's Counterparty Policy as set out in its Investment Strategy for 2014/15. When the Investment Strategy was approved, the Chief Financial Officer's advice to the Commissioner at that time was that Money Market Funds were not be utilised until the following financial year.

The table below summarises the nominal value of the Commissioner's investment portfolio at 31<sup>st</sup> March 2015, 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 <sup>st</sup> March 2015?	Balance Invested as at 31 March 2015 £'000s				Total £'000
			Up to 1 month	> 1 month and < 3 months	> 3 months and < 6 months	> 9 months and < 12 months	
	Y/N	Y/N	£'000	£'000	£'000	£'000	£'000
UK Banks	Y	Y	4,000	11,000	1,000	0	16,000
Foreign Banks	Y	Y	5,000	2,000	6,000	0	13,000
UK Building Societies	N/A	N/A	4,000	3,000	0	0	7,000
Call Accounts	Y	Y	4,000	0	0	0	4,000
<b>Total</b>			<b>17,000</b>	<b>16,000</b>	<b>7,000</b>	<b>0</b>	<b>40,000</b>

The above analysis shows that all deposits outstanding as at 31<sup>st</sup> March 2015 met the Commissioner's credit rating criteria on the 31<sup>st</sup> March 2015. The analysis excludes the estimated carrying value after impairment of the Commissioner's Icelandic Bank investment of £33k.

**Trade Receivables**

As per the Code of Practice requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e. tax and NNDR payments) are excluded from this disclosure note, as they have not arisen from contractual trading activities.

	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015
Gross Debtors (£'000)	1,415	1,542
Bad Debt Provision for the Group (£'000)	66	112
Bad Debt Provision as a % of Group Gross Debtors	4.66	7.26

Liquidity Risk

The Commissioner has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. At 31<sup>st</sup> March 2015 the Commissioner invests, on a weekly basis, up to a maximum of 1 month to manage short term liquidity requirements.

If unexpected movements happen, the Commissioner has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Commissioner will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. No new borrowing was undertaken during 2013/14.

The maturity analysis of financial liabilities is as follows:

31 <sup>st</sup> March 2014 £'000	Loans maturing within:	31 <sup>st</sup> March 2015 £'000
131	Under 1 Year	144
131	<b>Total Current Borrowing</b>	144
144	1 – 2 years	157
519	2 – 5 years	569
1,252	5 – 10 years	1,371
684	10 – 15 years	358
0	15 + years	0
2,599	<b>Total Long Term Borrowing more than 12 months</b>	2,455

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

Market Risk**Interest Rate Risk**

All borrowing and investing is currently undertaken at fixed rates. There is therefore no interest rate exposure.

**Price Risk**

The Commissioner does not invest in 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.

**44. 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.

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

Financial year end	Income	Spending	Net position
	£	£	£
31 <sup>st</sup> Mar 2014	(103,347)	96,955	(6,392)
31 <sup>st</sup> Mar 2013	(103,218)	110,855	7,637

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
2014/15	This refers to the period covered by these accounts - 1 April 2014 to 31 March 2015.
2013/14	This refers to the period covered for comparative purposes by these accounts – 1 April 2013 to 31 March 2014.
Accounting policies	These are a set of rules and codes of practice the 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"> <li>• Events have not coincided with the actuarial assumptions made in the last valuation ;or</li> <li>• The actuarial assumptions have changed.</li> </ul>
Amortisation	Intangible assets should be amortised on a systematic basis over their economic lives.
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"> <li>• a possible obligation arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control; or</li> <li>• a present obligation arises from past events but is not recognised because: <ol style="list-style-type: none"> <li>i. it is not probable that a transfer of economic benefits will be required to settle the obligation, or</li> <li>ii. the amount of the obligation cannot be measured with sufficient reliability.</li> </ol> </li> </ul>
Corporate and democratic core costs	These represent the costs of delivering public accountability and representation in policy-making and meeting the Commissioner's statutory reporting obligations.
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.
Defined contribution scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
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.
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.
Interest cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.



**POLICE & CRIME COMMISSIONER FOR DYFED POWYS**

<b>Term</b>	<b>Definition</b>
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.
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"> <li>• an entity has a present obligation as a result of a past event;</li> <li>• it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;</li> <li>• a reliable estimate can be made of the amount of the obligation</li> </ul>
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.