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THE CHIEF CONSTABLE OF DYFED-POWYS POLICE

# STATEMENT OF ACCOUNTS



FOR THE YEAR ENDED  
31 MARCH 2022

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## Narrative Report

### 1 Introduction

The Police Reform and Social Responsibility Act 2011 created two corporations sole within each Police Force area, the Commissioner and Chief Constable. Each individual has a clear and separate statutory remit. The Commissioner is publicly elected and therefore, represents the public's voice on policing matters.

Mr Dafydd Llywelyn was elected as Commissioner in May 2016 and then re-elected as the third-term Commissioner in May 2021.

Mr Mark Collins retired as Chief Constable in March 2021, and given the proximity to the Police and Crime Commissioner elections and the importance of the relationship between the two corporations sole, the Commissioner decided not to progress with the appointment process at that time and temporarily promoted Mrs Claire Parmenter to Temporary Chief Constable in February 2021. A competitive recruitment campaign was launched in June 2021 which saw the successful appointment of Dr Richard Lewis, who took up post in December 2021. Dr Lewis returned to Dyfed-Powys Police after two years as Chief Constable of Cleveland Police.

The establishment of the two Corporations sole requires each body to produce their own Statement of Accounts with the Commissioner producing a separate Statement of Accounts for the Group and Police Pension Fund. The Accounts and Audit (Wales) Regulations 2014 as amended, require Local Government Bodies to prepare a Statement of Accounts in accordance with proper practices. The Code of Practice on Local Authority Accounting in the UK (the Code) is identified as representing proper practices.

This narrative report aims to provide information on the most significant matters reported within the Statement of Accounts for the services provided by the Chief Constable of Dyfed-Powys. It aims to outline the main objectives, strategies, and principal risks that the Chief Constable of Dyfed-Powys faces. It provides a commentary on how resources have been used to achieve desired outcomes in line with these objectives and strategies.

It aims to give a fair, balanced, and understandable analysis of financial and operational performance, which can be used to provide context to the financial information included with the financial statements to aid the understanding of the reader. The narrative report will focus on the following areas:

- Organisational Overview and External Environment
- Governance and Performance
- Organisational Model
- Financial Performance
- Risks, Opportunities and the Medium-Term Financial Outlook
- Basis of preparation and presentation

## 2 Organisational Overview and External Environment

Spanning 4,188 square miles, Dyfed-Powys is the largest Force area in England and Wales. With 13,842 miles of roads, 2 large ports, 350 miles of coastline and vast areas of countryside, the geography presents significant demand and resourcing challenges.



The resident population of 518,062 is spread across extensive rural areas, holiday and market towns as well as more heavily populated areas. The draw of tourism presents unique demands with large numbers of tourists visiting key towns. This presents its own implications for crime, anti-social behaviour and roads policing.

The Welsh language is spoken by 40.9% of Dyfed-Powys residents compared with the national average of 28.4%. Both the Commissioner and Chief Constable are committed to ensuring that the workforce is representative of the communities it serves so that members of the public are, whenever possible, afforded the opportunity to communicate via the medium of Welsh.

Policing is a non-devolved service in terms of the Welsh Government, however much of the work that is undertaken across the four county areas is rightly done in partnership with Local Authorities, Fire Authorities, Local Health Boards and many other partners including the third sector. In addition, Dyfed-Powys also collaborate on an All-Wales basis to deliver policing responsibilities covering several important services such as Armed Response and responding to the threat of Organised Crime and Terrorism.

There has been much independent commentary over recent years in relation to Police funding, sustainability, resilience and increased financial burdens compounded by a number of one-year grant settlements which have significantly hampered effective medium-term planning. Although some progress has been made, pressures continue to arise from the changing nature of crime and more recently the complex array of financial and economic consequences arising from the Covid-19 pandemic compounded by significant inflationary pressures emerging from world affairs and market conditions.

The Medium Term Financial Plan (MTFP) for 2022/23 further details the array of financial considerations and sets the outlook for the next five years. Further information is provided in section 6 of this narrative report:

<https://www.dyfedpowys-pcc.org.uk/media/11152/2223-mtft-and-precept-report-for-panel-final.docx>

Against a challenging financial backdrop, demands continue to grow and become increasingly complex. The Force has experienced year on year increases in recorded crime with incidents involving mental ill-health and more complex inquiries into child sexual exploitation and cybercrime. Work continues to improve crime data integrity and the Force's focus on vulnerability over the last year has realised a positive increase in the reporting and recording of crimes. The service continues to evolve quickly to enable its response to new risks, threats and changes in technology, many of which have required new ways of working.

The Commissioner is responsible for setting the strategic priorities for the Force through the production of a Police and Crime Plan, ensuring business is conducted in accordance with the law and that proper standards are achieved and maintained.

After extensive consultation, the Commissioner published his new Police and Crime Plan in March 2022 and work is ongoing to develop an underpinning performance framework. The plan sets out three priorities and four values which will underpin delivery:

Priorities	Values
Victims are supported	Working Together
Harm is prevented	Being Accountable
Our justice system is more effective	Being Sustainable
	Engaging Widely

The Chief Constable is statutorily required to support the Police and Crime Commissioner in the delivery of these priorities. The Chief Constable carried out '100-Days of Conversation' with the workforce, partners and the public prior to agreeing complementary organisational priorities for the Force in April 2022. There is a commitment for these to remain in place for the same duration as the Police and Crime Plan meaning that there is a real opportunity to work differently to achieve more, whilst ensuring consistency and clarity of purpose.

Priorities
Making the Dyfed-Powys area hostile to those that deal drugs
The elimination of Domestic Abuse, Stalking and Harassment
A compassionate response to victims of rape and serious sexual assault and the relentless pursuit of offenders

Detailed delivery plans will be developed to underpin the delivery of the Police and Crime Plan and the Chief Constable's priorities. These plans will take cognisance of the challenging operational and financial environment, the need for continued investment to support sustainable services and the requirement to match resources and assets to meet evolving demands and legislation.

Despite ongoing national and local restrictions associated with the Covid-19 pandemic, policing adapted quickly to enforcing the changing UK and Welsh legislation whilst maintaining service delivery and protecting its workforce.

2021/22 was a busy year with the Force's officers and staff dealing with a number of high-profile policing events and both significant planned and unplanned operations and incidents:

- Significant operational demand during the summer months as a consequence of increased visitors to the force area;
- Black Lives Matter and other protests;
- Success in combatting controlled drugs during the Covid-19 pandemic;
- Covid-19 pandemic restrictions – enforcement;
- Increases in reports of Anti-Social Behaviour;
- Provision of mutual aid resources for the UN Climate Change Conference and the G7 Summit.

### 3 Governance and Performance

#### Governance

The Governance arrangements by which the Commissioner and Chief Constable operate are complex. These have been critically reviewed over recent years and continue to be strengthened and streamlined to ensure effective organisational management, oversight and scrutiny.

The Joint Corporate Governance Framework sets out the principles, structures and processes by which the Office of the Police and Crime Commissioner and Dyfed-Powys Police will be governed, both jointly and separately, and this is reviewed and updated annually.

The Commissioner and Chief Constable each have a clear and separate statutory remit. The Commissioner is statutorily responsible for securing an efficient and effective police Force and holding the Chief Constable to account for the exercise of his functions. The Commissioner is responsible for setting the annual police budget (including precept level) and ensuring that public money is accounted for and that it is used economically, efficiently and effectively.

The operational independence of the Chief Constable is protected in legislation. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services provided by the Force. The Chief Constable is accountable in law for the exercise of police powers and to the Commissioner for the delivery of efficient and effective policing, management of resources and Force expenditure. The Chief Constable holds Office under the Crown and is responsible for maintaining the Queen's Peace.

The Annual Governance Statement (AGS) is published separately this year, and this provides greater detail on the internal control environment and an evaluation of governance arrangements against the seven principles for delivering good governance.

#### Performance

The Chief Constable is responsible for supporting the Commissioner in the delivery of the priorities set out in the Police and Crime Plan. His operational delivery, performance monitoring frameworks and financing decisions focus on these priorities. Progress against the plan is reported quarterly at the Policing Accountability Board; a public meeting where the Commissioner holds the Chief Constable and his senior team to account. The latest Performance Report can be obtained within the agenda for the last meeting at:

<http://www.dyfedpowys-pcc.org.uk/en/accountability/policing-accountability-board>

There are a number of volume and output metrics that are monitored as part of the assurance and governance arrangements. This analysis provides indicators of progress and performance against the priorities within the Police and Crime Plan. All performance is monitored and scrutinised within the Governance structure with a key focus on improvement.

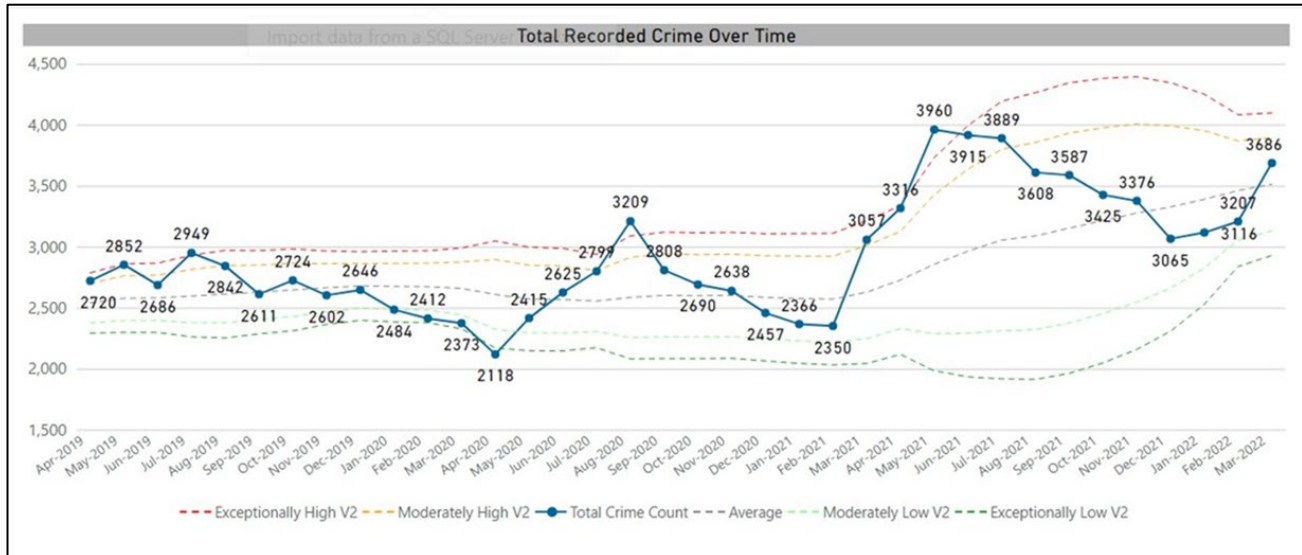
For the year ending March 2022, Dyfed-Powys Police have continued to answer 999 calls within the 10 second target set by the Code of Practice for the Public Emergency Call Service. The average speed of answer for the period was 3.2 seconds with 90% being answered in under 9 seconds.

101 performance in terms of average speed of answer and abandonment has remained relatively stable over time. Demand through the Force Communications Centre (FCC) has also remained consistent with notable increases in calls for service during March and August 2021. Demand levels to the FCC fluctuated with the imposing and easing of restrictions.

Response times to calls for service, in accordance with the prioritisation given to them, is good. Some geographical challenges are faced in places such as Lampeter and Radnorshire areas however, in comparison, the response times are far better than in other Forces.

The Force is more accessible than ever before enabling the community and partners to make contact via multiple digital channels including web services and social media. A technology upgrade due in early 2023 will further expand available contact channels to include live chat and other social media integrations.

**Total recorded crime volume over time\***



\*Crime data is dynamic and historic figures can alter for a number of reasons including changes to crime recording practices.

The above chart demonstrates total crime recorded over the last year. The pattern of crime was largely influenced by local and national restrictions as was the types of crimes reported. For 2021/22 the largest increases in recorded crime were behavioural related crimes, such as Public Order, Violence Against the Person and Stalking and Harassment although it should be noted that increases were also due to improved recording practices.

A significant proportion of offences recorded now require an element of digital/cyber investigations. The ever-increasing number and complexity of devices and the continued rise in the volume of data represent significant challenges for the Digital Forensics Unit. However, the development of a robust gatekeeping model to ensure that the examination of devices is prioritised and phased, has been instrumental in managing the workload within the unit. In addition, the introduction of an imaging lab, a viewing room for officers, and robust forensic strategies to incorporate triage software to negate the need for in depth examination of a large number of devices for each case have allowed the unit to service the significant demand in this area.

Managing Serious and Organised Crime (SOC) remains a key priority and is reflected in the Force Control Strategy, Police and Crime Plan and the Chief Constables priorities. An annual Strategic Assessment which provides an overview of the current and medium-term issues affecting or likely to affect Dyfed-Powys Police and its response to SOC is reviewed on a six-monthly basis and is cognisant of the National Crime Agency, National Strategic Assessment and the Regional Organised Crime Unit Regional Strategic Assessment.

Since 2018/19, Dyfed-Powys Police has seen the number of Organised Crime Groups (OCGs) being managed at any given time stabilise between 15 and 20 annually, this is still accurate for 2021/22 and it is envisaged that this will remain relatively stable. Based on the trend over the past three years, it is anticipated the ratio percentage between Class A drugs related OCGs and other Control Strategy areas will change as the Force continues to effectively identify and assess non-drug related SOC threats. For 2021/22, 26 out of a total of 33 OCGs / Vulnerabilities were linked to Class A criminality, representing 79%



of all mapped OCGs with the remaining being mapped across Organised Acquisitive Crime and Money Laundering / Fraud criminality.

During 2021/22, the conviction rates in Dyfed-Powys for both Crown (2 out of 4 quarters) and Magistrates' court (3 out of 4 quarters) have consistently remained higher than the other Welsh Police Forces. Although the conviction rates have fluctuated on a quarterly basis, the trends remain steady in the last two months of 2021/22 at 81.5% to 85.3% in the Crown Court and 91.2% to 90.6% in the Magistrates' Court. Due to the low number of cases, the figures are susceptible to fluctuation. (Please note that the above is based on Joint Operational Improvement Meeting data, where the comparison is between Dyfed-Powys Police and other Welsh Forces rather than National data.)

Out of the 42,150 crimes recorded for the year 2021/22 a total of 2,257 are still subject to an on-going investigation. This equates to 5.3% of the crimes recorded. In 2020/21, it took on average 44 days for a crime to have an outcome applied but 154 crimes are still classed as investigations on-going. Whilst in 2021/22 the average amount of days for a crime to be applied an outcome is 32 days which is 12 days less than the previous year which suggests overall the timeliness of investigations have improved.

### **Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)**

The Force accepted an invitation from HMICFRS to be a pilot Force for their new Continuous Assessment Police, Effectiveness, Efficiency and Legitimacy (PEEL) framework, with the inspection taking place in early 2021. The report is expected to be published in summer 2022 and will provide an assessment of the Force's performance and gradings against the framework's core question areas.

HMICFRS recognised the significant progress the Force is making in relation to restructuring services to deliver specialist support to communities. It is also reassuring to hear praise for the work of staff in the FCC, who consistently identify vulnerability. HMICFRS have further provided positive feedback to progress made around the new strategic direction and model for Neighbourhood Policing. The Force was graded as good for treating the public fairly, which is testament to the work undertaken daily to support and safeguard the communities of Dyfed-Powys. A programme of change is already in place which will deliver significant process and cultural change with elements seeking to improve the Force's ability to manage demand, support victims, improve the timeliness and quality of investigations and supervision of crime.

As part of the inspection carried out in 2021, HMICFRS issued a cause for concern in relation to crime data integrity. The Chief Constable initiated a Gold Group to critically review the issues and oversee the development and implementation of an appropriate action plan. Significant improvements have been made and HMICFRS formally discharged the cause for concern in June 2022.

### **Force Management Statement (FMS)**

The Chief Constable submitted the most recent FMS to the HMICFRS in December 2021. The FMS is a self-assessment of:

- The demand the Force expects to face in the next four years;
- How the Force will change and improve the condition, capacity, capability, serviceability, performance and security of supply of its workforce and other assets to cope with that demand;
- How the Force will improve to make sure the gap between future demand and future capacity is as small as it can be;
- The money the Force expects to have to do all the above.

The Force revised its approach to producing the FMS to address recommendations previously made by HMICFRS in relation to improving the way it plans. The new approach to the FMS has brought a centralised co-ordination and is more closely aligned to the MTFP and strategic planning.

The 2021 FMS identified a number of cross-cutting themes and priorities:

- Analytical Capacity;
- Crime Data Integrity/ Auditing;
- Covid-19 pandemic recovery;
- Demand and Capacity;
- End to End Project - a Review of Force level crime, investigations and outcomes;
- Non-Human Assets - lack of resilience;
- Forensic Pathology Provision;
- Training capacity;
- Workforce Planning – recruitment, retention, resilience and retirements.

#### 4 The Organisational Model

The Force is organised on both a geographic and functional basis. The Chief Constable is supported by a Chief Officer Team which comprises the Deputy Chief Constable, the Assistant Chief Constable and the Director of Finance. The main responsibilities of the three positions supporting the Chief Constable are shown in the table below:

Deputy Chief Constable	Assistant Chief Constable	Director of Finance
People Services	Local Policing	Corporate Finance
Legal Department	Investigations	Fleet
Corporate Services / Performance	Specialist Response	Procurement
Information Management	Force Contact Centre	Information and Communications Technology
Collaboration and Efficiency	Scientific Support	Business Support Unit
Corporate Communications	Criminal Justice	Estates (from 1.4.22)
Professional Standards	Partnerships	
Major Operations		
Health and Safety		

The Force has continued to re-shape to meet demand but it is, however, recognised that the landscape of policing is forever changing and there is still much work ahead to deliver against the new Police & Crime Plan and Chief Constable's priorities whilst addressing issues identified within the latest FMS.

For the 2021/22 financial year, the Commissioner and Force had a budgeted establishment of 1,242 Police Officers, 148 Police Community Support Officers (PCSOs) and 821 Police Staff. A breakdown of the distribution of staffing is shown in the table below:

Budgeted Positions 2021/22	Police Officers FTE	PCSOs FTE	Police Staff FTE	Total FTE
Local Policing	610	148	30	788
Investigations	339	0	172	511
Operational Support (including Call Handling)	175	0	131	306
Criminal Justice	1	0	57	58
Scientific Support and Digital Forensics	8	0	42	50
Professional Standards	8	0	18	26
Other including Business Support	36	0	301	337
Office of the Police and Crime Commissioner (inc. Estates)	0	0	39	39
Seconded and Funded Areas	65	0	31	96
<b>Total</b>	<b>1,242</b>	<b>148</b>	<b>821</b>	<b>2,211</b>

Recruitment intakes have been carefully planned and managed during the year to ensure optimal resourcing levels, availability of specialist skills and to allow the proportionate geographical distribution of staff. New training arrangements were implemented from March 2019 under the Police Education Qualifications Framework (PEQF) which continues to see intakes of student constables each year with external course providers delivering core elements of their training.

As well as recruiting to replace normal retirements and leavers, the Force is also increasing establishment in line with the Home Office Police Uplift Programme to recruit an additional 20,000 officers by March 2023. The Government targets have seen an increase of 42 in 2020/21, a further 42 in 2021/22 and a final allocation of 57 for 2022/23 and will see the number of full time equivalent (FTE) Police Officers increasing to 1,299 by 31 March 2023. The financial implications are further outlined within the MTFP.

The Commissioner has an Office which supports him to deliver their statutory responsibilities as set out in The Policing Protocol Order 2011. In addition to the statutory roles of Monitoring Officer and Chief Finance Officer, the Commissioner has a team of professionals to advise on matters relating to finance, policy, performance, engagement, commissioning and partnerships. The Commissioner had a budgeted establishment of 38.6 FTE for 2021/22 which included 20 within the Estates function. As part of a comprehensive review of the Estates related matters, the Commissioner transferred the function back to the Chief Constable with effect from 1 April 2022.

## 5 Financial Performance

The Chief Constable's Statement of Accounts shows the financial performance of the Force and has been prepared on the basis of proper accounting practice which meets the requirements of the CIPFA Chartered Institute of Public Finance & Accountancy's Code of Practice. This differs slightly from the budgets that are managed and monitored on a day-to-day basis as these exclude some elements such as depreciation and movements on pension liabilities which under statute do not need to be financed fully in the year.

The cost of services included within the Comprehensive Income and Expenditure Statement shows that £156.1m (2020/21: £144.1m) has been spent on providing policing services to the public of Dyfed-Powys Police in 2021/22. The Statement provides an analysis across the main cost components. For example,

the largest element was spent on Police Officer Pay which accounted for £69.7m (2020/21: £68.4m) of the total in 2021/22.

The Balance Sheet provides a snapshot of the Chief Constable's assets and liabilities as at 31 March 2022.

The Balance Sheet is dominated by the long-term liability of £1,701m (previously £1,676m) that exists in respect of future pension liabilities for police officers and staff. This represents the amount that would need to set aside at the balance sheet date to cover future payments of pensions for all current serving and retired officers and staff. This figure has been calculated independently on an actuarial basis and takes account of future salary levels, inflation, mortality rates etc. This has remained fairly static between the two years despite a full actuarial calculation being undertaken in the current year.

The next largest item on the Balance Sheet is the £15.8m (2020/21; £12.4m) of short-term creditors representing the amounts owed by the Chief Constable at the end of the year which has increased by £3.4m since March 2021. Further details and breakdowns in respect of Balance Sheet items are included in the notes to the accounts.

### Financial Performance and Budget Variance Analysis 2021/22

The Commissioner set a budget of £119.8m as a Revenue Budget for the financial year 2021/22 which incorporated a use of reserves of £1.6m as well as financial savings of £1.6m which were deducted from baseline budgets. These cashable savings were to be delivered across several initiatives including workforce structures, collaborative arrangements, ICT developments, income generation and significant reductions in non-pay spending delivered through procurement and other cost reduction initiatives. The budget assumed the continuation of the public sector pay freeze for both officers and staff, along with a 2.5% increase in general inflation on non-pay costs.

Of the total budget, £113.6m was set as the budget for the Chief Constable. This took account of several specific grants including £1.3m that was paid by Home Office to partly offset the cost of previous increases in Police Officer pension employer contribution rates and £1.2m to support the first tranche of the Home Office Uplift Programme.

The following table sets out the final out-turn position for 2021/22 and compares this to the original and revised budget. The revised budget reflects the additional budgets and reserve movements approved during the year. Virements are approved in accordance with the Corporate Governance Framework. The changes to the budget referred to below were reported at the monthly Policing Board meetings and quarterly public Police Accountability Boards held throughout the year.

The original budget required the use of £1.6m from reserves that was intended to cushion the impact of one-off cost pressures arising from on-going operations linked to the asylum seeker camp at Penally and the on-going uncertainty attached to the Covid-19 pandemic. Policing continues to be a dynamic environment and after the initial budget was set it then became apparent that operations linked to the Penally camp would end in March 2021, reducing the need to draw on reserves by £0.7m. Furthermore the force was allocated additional funding, including £0.4m by the Home Office to meet on-going Pandemic cost pressures and £0.3m from the Welsh Government to recognise the inflationary cost increases of PCSOs. These developments, combined with ever changing view of the impact of the pandemic, enabled the Commissioner to reduce the contribution required from reserves by £1.4m to £0.2m. The budget available to the Chief Constable was adjusted to take account of these developments on the 13 April 2021 and this is reflected in the revised budget shown in the following table:

Variation Statement	Original Budget	Revised Budget	Actual	Variance (Positive for Saving)
Budget Holder	£M	£M	£M	£M
<b>Chief Constable</b>				
Police Pay and Allowances	67.9	67.9	67.4	0.5
Police Officer Overtime	2.4	1.6	2.1	(0.5)
Bank Holidays	0.7	0.7	1.0	(0.3)
Police Staff Pay and Allowances	33.2	33.2	32.4	0.8
Police Staff Overtime	0.2	0.2	0.2	0.0
Pension Costs	1.7	1.7	1.6	0.1
Recruitment and Training	1.9	1.9	1.6	0.3
Other Non-Pay Costs	10.5	10.3	10.5	(0.2)
Telephone Analysis and Forensics	2.3	2.4	2.3	0.1
Collaboration Payments	3.5	3.5	3.2	0.3
Grants	(8.4)	(9.1)	(9.1)	0.0
Income	(2.8)	(2.8)	(3.6)	0.8
Capital Financing	2.3	2.5	2.6	(0.1)
Recharges	(0.2)	(0.2)	(0.1)	(0.1)
<b>Total Budget – Force</b>	<b>115.2</b>	<b>113.8</b>	<b>112.1</b>	<b>1.7</b>
Contribution to/(from) Reserves - Chief Constable	(1.6)	(0.2)	1.5	(1.7)
<b>Net Spending After Transfer from Revenue to Reserves</b>	<b>113.6</b>	<b>113.6</b>	<b>113.6</b>	<b>0.0</b>
<b>Holding Accounts and self balancing accounts</b>				
Driver Retraining Programme	0.0	0.0	(0.3)	0.3
Transfer to/(from) Reserves - Driver Retraining	0.0	0.0	0.3	(0.3)
<b>Total Holding Accounts</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

2021/22 saw continued levels of unprecedented operational demand which along with financial pressures required careful and prudent management throughout the year. The Variation Statement above shows that the Chief Constable's costs were £1.7m below the revised budget for the year. An explanation of the main reasons for the material variances is provided below:

- i. Police Officers Pay and Allowances: This budget was underspent by £0.5m at the end of the year. Earlier retirement, career breaks, dismissals and transfers of police officers leaving were higher than anticipated. This necessitated the recruitment of transferees late in the financial year in order to attain Home Office Uplift targets. Employer pension contributions were below budget however this was largely offset by additional allowances and National Insurance charges that arose as a result of overtime paid to the significant number of officers providing mutual aid support for policing the Climate Conference (COP26) and the G7 Summit.
- ii. Police Officer Overtime: Police Officer overtime was £0.5m over budget with payments made to officers supporting mutual aid events accounting for around £0.3m of this,

although this expenditure was offset by income. In addition, £0.1m of overtime worked was attributable to additional activity linked to the Pandemic which was matched by additional Home Office grant. The Resource Management Group continued to apply considerable scrutiny and control to overtime spending. More routine overtime was around £0.1m over budget in the year which reflects considerable activity in relation to summer demand, proactive operations, to cover staffing shortages and rising crime enquiries more generally.

- iii. Police Officer Bank Holiday Payments: This budget overspent by £0.3m during the year. With Christmas Day, Boxing Day and New Year's Day dates all falling on the weekend in 2021/22, additional payments were also due under Police Regulations to officers working the additional 3 Public Holidays allocated on weekdays in lieu of these days. This was not reflected in the original or revised budget however it was recognised that slippage elsewhere in the budget was sufficient to absorb this overspend.
- iv. Police Staff Pay and Allowances: This budget underspent by £0.8m during the year as a result of delays in appointing replacement police staff as vacancies arose. The Strategic Establishment Review Group meets weekly to consider all vacancy requests prior to advert. Significant scrutiny and challenge has been applied with many vacancies being actively held open in order to meet the savings needed to balance budgets in 2021/22 and 2022/23 financial year. This mainly affected office-based positions with welfare and operational impacts being kept under review.
- v. Police Staff Overtime: These costs were largely as budgeted.
- vi. Police Officer Pension Costs: Pension payments were under budget by £0.1m as a result of decisions around permanence and injury awards that were taken on medical grounds. There was a small overspend on recurring payments to pensioners however this was offset by an underspend in relation to capital charges required to be paid into the pension fund for new ill-health retirements.
- vii. Recruitment and Training: Recruitment and training costs were £0.3m under budget at the end of the financial year. The budget for 2021/22 included a rollover of additional training of £0.4m from the previous financial year in recognition of backlogs that arose as a result of the Pandemic. Difficulties in securing training places has again impacted this budget and a sum of £0.4m was carried over into 2022/23. The Force has needed to absorb and accrue additional costs of £0.2m in pension capital costs and historic statutory scheme sanction charges which is offset by savings of £0.1m against recruitment and relocation cost budgets in the year.
- viii. Other Non-Pay Costs: An overspend of £0.2m is recorded against this budget. There is an overspend of £1m being recorded against the legal and prosecution cost headings which reflects a mixture of both legal fees paid and provisions set aside for known claims arising in the year and a legal case referred to in Note7 'Events after the Reporting Period'. This overspend has been offset by a number of underspends, mostly attributable to budgets that were set aside to meet the recurring costs of a new Records Management System (£0.1m) and the new Contact Management and Telephony System (£0.3m) that were due to be implemented during 2021/22. Unavoidable delays caused by procurement and Covid-19 pandemic related challenges have seen the expected go live dates of these systems being pushed into 2023 resulting in a one-off saving in the current year. There are also savings of £0.5m across a number of miscellaneous headings including interpreters' fees, miscellaneous expenses, service contracts and fixtures and fixture headings.

- ix. Telephone Analysis and Forensics: These budgets were underspent by £0.1m at year end and included reduced spending on outsourced custody medical examinations, digital forensic and scientific support forensic procurement contracts.
- x. Agency and Collaboration Payments: This budget showed an underspend of £0.3m overall which incorporates savings in payments to outside agencies including Regional and National collaborative Units. The charge due to the Joint Firearms Unit was lower than anticipated due to vacancies across Southern Wales and the changes expected in relation to a new weapons system which was not delivered by the end of the year.
- xi. Grants: This income was largely in line with budget.
- xii. Income: The Force received £0.8m more income than was anticipated over the course of the year predominantly linked to mutual aid recovery linked to the COP26 and G7 Summit. The reductions in income headings that were anticipated during the year as a result of the ongoing Covid-19 pandemic restrictions did not materialise and by year end the position had improved considerable compared to the projected pressures that had been anticipated.
- xiii. Capital Financing: There was a net overspend of £0.1m against capital financing charges and direct revenue financing which was the result of a need to correctly categorise some equipment purchases as capital expenditure in line with proper accounting practice and policies.
- xiv. Recharges: Where IT or Estates staff are involved in bringing a capital asset into use, proper accounting practice requires their costs to be charged against that asset. In recognition of this an annual income recharge budget of £0.2m is set aside for this purpose. The nature of capital schemes delivered in 2021/22 meant that only £0.1m fell into this definition resulting in an additional cost of £0.1m falling on revenue budgets.
- xv. Transfer to/from Reserves: The overall financial position of the Force as outlined in the above table resulted in an overall underspend of £1.5m to be transferred as a contribution to earmarked reserves at the end of the year. The budget assumed a net contribution from earmarked reserves of £0.2m.

The Force budget also incorporates self-balancing holding accounts in respect of the Go Safe Partnership, collaboration funded posts and Secondments which were largely self-balancing overall. Driver Retraining activities were impacted as a consequence of the Covid-19 pandemic, and the move to on-line rather than on-premises delivery did result in a saving which allowed a contribution to reserves of £0.3m for use by the Commissioner in support of road and community safety initiatives.

The Force exercised considerable financial restraint and prudence over the year despite some considerable operational demands which made the accurate assessment of the final outturn challenging however the year-end position is very positive and puts Dyfed-Powys in a stronger position to deal with future financial challenges. When setting the 2022/23 budget, an underspend of around £1.0m was anticipated and this sum was budgeted to offset against the 2022/23 budget requirement to meet additional one-off cost pressures falling in coming years.

The final out-turn position was discussed in detail at the Policing Board meeting on the 24 May 2022. In this meeting, the Commissioner approved several reserve movements:

- The creation of a Police Education Qualifications Framework (PEQF) Reserve of £120k to mitigate the peak in uplift officer training costs profiled for 2022/23 - this was a planned reserve movement as part of the MTFP for 2022/23;

- The creation of a Bank Holiday Reserve totalling £511k which will mitigate the costs of the pattern of bank holidays over the next two years - this was a planned reserve movement as part of the MTFP for 2022/23;
- An increase of £404k in the Transformational Projects Reserve to provide additional pump priming to support organisational projects and change;
- Creation of a specific Budget Adjustment Reserve of £75k to offset an error in the calculation of council tax base during budget setting;
- A net increase of £281k in the Commissioner's Reserves to support Term 3 Police and Crime Plan priorities and other initiatives;
- Transfer of £213k to the Capital Reserve to reduce future borrowing requirements for IT capital infrastructure which will realise annual revenue savings as a result of lower debt charges;
- A net increase of £45k into the Regional Collaboration Reserve and a reduction of £86k from the Go Safe Revenue Reserve;
- Two reserve re-classifications for Covid 19 and Victim Services.

The final reserves position for the Commissioner shows a figure of £18.9m held as at 31 March 2022 compared to £16.9m at the beginning of the year. This incorporates a sum of £8.0m to support future capital budget commitments and a general reserve of £4.0m. This also includes a balance of £1.6m which is held on behalf of third parties. Reserves are further detailed in the Group/Commissioner's Statement of Accounts.

## 6 Risks, Opportunities and the Medium-Term Financial Outlook

Risks are managed at all levels of the organisation through the Governance Structure and a Corporate Risk Register is used to record, manage and mitigate the main risks which could affect the delivery of Police and Crime Plan outcomes and the Chief Constable's priorities.

The main risks that remained 'live' at the end of 2021/22 included:

- Crime Recording and HMICFRS cause for concern;
- Health and Safety Compliance - Mandatory Training;
- Information Management & Compliance - risks associated with the ineffective management of police records;
- PNC - risks associated with turnaround times, delays and arrangements for oversight of data accuracy and integrity;
- Delay in implementing IT system for automatic Firearms background checks;
- Radox Toxicology Forensic Provision;
- Police National Database and Information Assets – inconsistency of data sets;
- Non-compliance with statutory requirements to undertake Health and Safety Inspections;
- Road Traffic Toxicology samples and Drugs casework nearing Forensic Science Service delivery capacity;
- Loss of forensic Home Office pathology capability within Wales;
- Risk concerning security of ICT network and inability to join national programmes such as National ANPR Service and National Enabling Program;



- Risk of Cyber-attack involving, but not limited to, malware on ICT systems, Ransomware, Hacking, Phishing, Distributed denial of service attacks;
- Force Control Centre Fall-back site;
- Covid-19 pandemic;
- Disclosure Staff unable to research Outlook for personal data for Subject Access Requests;
- Delay in affray alarm activations in Custody suites reaching the FCC requests under the Data Protection Act 2018;
- Resourcing within the Records Management System project team;
- Windows 10 – out of support May 2021;
- Continued uncertainty in relation to police funding including the review to the police funding formula;
- Estates - concerns in relation to contract management, resourcing, project management, governance and financial management.

The Risk Register is monitored regularly in order to ensure that risks are allocated a Risk Owner responsible for applying appropriate mitigations and actions. Further details in relation to risk management are included within the Annual Governance Statement (AGS).

In terms of the Medium-Term Financial Outlook, Dyfed-Powys Police has faced significant financial challenges since 2010 due to reductions in funding from central government along with cost pressures and continual changes in the demand for policing services.

In 2018, the Government announced that after eight years of cuts and tax increases, austerity was over, and pledged that after the exit from the European Union, the government would seek to boost investment in public services and recognise the financial pressures that the Police were facing. The government declared that it had “turned the page on austerity” as it set out plans to raise spending across all departments and outlined the commitment to tackling crime and keep people safe with plans to recruit 20,000 officers by 2023.

October 2021 saw the Chancellor of the Exchequer announce the outcome of his Comprehensive Spending Review which set out a number of headline figures and commitments for the three-year period to 2024/25 along with the end to public sector pay freeze in 2022. This is the first three-year settlement for a number of years, but despite being welcomed, there are concerns that there is no clarity underpinning the headline figures for years two and three or whether they reflect the true extent of financial pressures which continue to make medium term planning challenging.

The impact of the continued lack of longer-term clarity and uncertainties around both core and specific grant funding make both short-term and medium-term planning very difficult and both the national APCC and NPCC along with their respective working groups continue to work closely with the Home Office to make representations wherever possible.

The 2022/23 settlement included:

- £550m increase in Government grant funding in 2022/23, a further £100m in 2023/24 (total £650m) and a further £150m in 2024/25 (total £800m). This additional funding will realise the completion of the Home Office Police Uplift Programme by March 2023 with £135m being ring-fenced and allocated according to funding formula shares and paid in line with progress on recruitment;
- Up to £246m additional funding from council tax precept, assuming all PCCs maximise their flexibility by £10 in England, without triggering the need for a referendum;

- £100m of savings to be delivered by 2024/25 with £80m already being reflected within the settlement. The Government also outlined expectations in relation to increased productivity to be realised through the investment in technology infrastructure and interoperable systems, with their Efficiency in Policing Board having a renewed focus on improving the measurement and delivery of productivity gains.

The 2022/23 grant settlement for Dyfed-Powys is £60.7m, being £3.2m (5.5%) higher than 2021/22. In addition, the continuation of the specific grant of £1.3m which was introduced in 2019/20 to partly mitigate pressures arising from changes to the employer's contribution rate for Police Officer pensions has been confirmed, along with additional specific funding to support the final tranche of recruitment of officers under the Home Office Police Uplift Programme.

Each year seems to bring additional and unforeseen financial pressures and burdens and 2022/23 is unfortunately no different with increases in the employer's rate for National Insurance, as a result of the Health & Social Care Levy and significant pay and price inflationary pressures which required budget growth of 8.7% taking account of every-day and capital spending plans.

To reduce the burden of this on the local taxpayer, the MTFP reflects a challenging and ambitious savings/ efficiency plan of £6.8m over the next five years albeit it is recognised that cashable savings are proving harder to realise. It is recognised this needs to continue to be an area of focus to enable the Commissioner and Force to set a balanced and sustainable medium term financial position for both revenue and capital whilst protecting the standard of service for the communities of Dyfed-Powys.

The MTFP includes assumptions of 5% year on year increases in precept and incorporates a range of assumptions on cost pressures and growth in pay and inflationary pressures, albeit this is an area of severe pressure and volatility due to wider market conditions. Utility costs are an area of specific concern with indications of increases ranging from 70%-130%. The MTFP also includes incremental increases in contribution to capital financing and borrowing costs to support the Capital Programme. Further additional spending on a number of national, regional and local priorities along with the additional costs arising from changes to police pensions are included.

Following a rigorous process of scrutiny and deliberations over the financial assumptions, risks that continue to threaten the communities and investment priorities, the Commissioner submitted his precept proposal for 2022/23 and Medium-Term Financial Plan to 2026/27 to the Dyfed-Powys Police and Crime Panel on 28 January 2022. This process included several seminars and presentations to the Commissioner, the Commissioner's staff, Joint Audit Committee, Police and Crime Panel Members and staff from Audit Wales.

The Commissioner's proposal was unanimously supported by the Police and Crime Panel, which raised the average band D property precept by £14.60 to £290.16, a 5.3% increase raising a total precept of £66.8m. This will provide a total of central and local funding of £127.4m representing a 6.4% increase on funding levels in 2021/22, and once again, sees Dyfed-Powys with the lowest council tax precept in Wales.

The Commissioner set a capital programme for 2021/22 to 2026/27 of £91.0m which includes investment in Estates, Fleet and ICT infrastructure for both local, regional and national projects. This investment has been prioritised towards strategic priorities, unavoidable spending, areas that reduce future revenue expenditure and recognises the need to be adequately equipped to face the changing demands of 21<sup>st</sup> Century policing.

The capital programme sees the depletion of capital reserves and includes borrowing requirements of £60.6m. Much of this borrowing will fund the building of a new custody facility for Carmarthenshire, provide a solution for the ageing police facility in Brecon and fund a new training facility for the Joint

Firearms Unit. In order to meet future capital investment requirements and mitigate the cessation of capital grant funding, the MTFP includes increasing revenue contributions to capital.

The Capital Programme will be revised to reflect the final outturn position for 2021/22 and will be kept under review as part of the iterative work to reassess the MTFP.

The Commissioner and Force face a number of unknown potential future financial commitments which are referred to further in the contingent liabilities and pensions notes including:

- Police Pension Legal Challenge - Career Average Revalued Earnings
- Undercover Policing Inquiry
- Dedicated Source Handling Unit On-Call Allowance Claims
- A claim relating to Police Staff Allowances relating to concurrency

There are continued uncertainties and complexities surrounding the future financial implications of the Supreme Court judgment in the McCloud/Sargeant case that the transitional protection contained in the Judiciary and Firefighters Pension Regulations Reform gave rise to unlawful age discrimination. Subsequently the government announced that it accepted that the judgment applies to all the main public service pension schemes, including the Police Pension Schemes. Early work suggests that the employer's contribution rate for Police Officers could increase to over 50% in 2024/25 and there is no certainty that this significant additional cost will be met by grant funding

The Government recommenced the Funding Formula Review in May 2021 establishing a Senior Sector Group and Technical Reference Group to consider the wide range of issues and implications. The outcome of this remains a risk, with the impact of the last unimplemented review potentially resulted in £8m less for Dyfed-Powys.

Despite the assumed increases in council tax precept there is a need for continued efficiency requirements over the term of the MTFP with uncertainties around future core and specific grant funding, complexities in relation to pensions costs set against the wider economic landscape mean that the financial environment is likely to remain challenging for the foreseeable future.

## 7 Basis of Preparation and Presentation

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

The Accounts and Audit (Wales) Regulations 2014 as amended require local government bodies to prepare a Statement of Accounts in accordance with proper practices. The Chartered Institute of Public Finance & Accountancy's Code of Practice is identified as representing proper practices.

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

- **Statement of Responsibilities for the Statement of Accounts** - this statement sets out the responsibilities of the Chief Constable and their Chief Finance Officer;

- **Independent Auditor's Report** - this sets out the opinion of the external auditor, the Auditor General for Wales, on whether the Chief Constable's accounts presented give a 'true and fair view' of the financial position and operations of the Chief Constable for 2021/22;
- **Comprehensive Income and Expenditure Statement** - this core 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 accrual's basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year;
- **Balance Sheet** - this core statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The Chief Constable has no reserves to account for. These are the responsibility of the Commissioner. Net assets net to nil by means of an intra group debtor and creditor for working capital to meet short term debtors, inventories and creditors;
- **Police Pension Fund Account** - is a statement that shows expenditure, income, assets and liabilities pertaining to Police Pensions in the year. 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 account and effectively underwrites the deficit. This practice would work in reverse if the Pensions Fund Account were to show a surplus at the year-end;
- **Notes to the financial statements** - these provide additional information that further explains items included within the main statements with an aim of improving the readers' understanding of the main financial statements and sets out the Accounting Policies used as the basis of preparing the financial statements as required by the Code of Practice;
- **A Joint Annual Governance Statement (AGS)** is published separately to this Statement of Accounts and sets out details of how the Commissioner and Chief Constable exercise governance over their affairs. The Statement is a statutory document for each corporation sole, albeit it continues to be a combined statement for 2021/22. This aims to aid transparency and understanding to the reader, clearly demonstrating where arrangements are consistent and where they differ between the Commissioner and the Chief Constable. The statement includes an annual review of the adequacy of the governance arrangements and provides assurance on the systems of internal control.
- **Movement in Reserves Statement** – this statement is not applicable given that all reserves are the responsibility of the Commissioner;
- **Cash Flow Statement** - this statement is not applicable as bank accounts are held by the Commissioner and are operated on a Group basis.
- **Expenditure and Funding Analysis** – No separate Expenditure and Funding Analysis (EFA) is presented for the Chief Constable as it would provide an incomplete picture of the required disclosures. The Group EFA is presented on page 28 of the Police and Crime Commissioner for Dyfed-Powys Group Financial Statements and shows the complete analysis as required.

## Statement of Responsibilities

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

### The Chief Constable's responsibilities

The Chief Constable is required to:

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

I approve the Statement of Accounts for financial year 2021/22.



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**Chief Constable of Dyfed-Powys**

**Date: 26 July 2023**

### 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 their 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 Chief Constable at the reporting date and of its expenditure and income for the year ended 31 March 2022.



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**Chief Financial Officer to the Chief Constable**

**Date: 26 July 2023**

## The Independent auditor's report of the Auditor General for Wales to the Chief Constable for Dyfed-Powys

### Opinion on financial statements

I have audited the financial statements of:

- Chief Constable of Dyfed Powys; and
- Dyfed Powys Police Pension Fund

for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

The Chief Constable of Dyfed Powys' financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the related notes, including a summary of significant accounting policies.

The Dyfed Powys Police Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Dyfed Powys and the Dyfed Powys Police Pension Fund as at 31 March 2022 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Chief Constable of Dyfed Powys in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable of Dyfed Powys and the Dyfed Powys Police Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Report on other requirements**

#### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; and
- the information given in the joint Annual Governance Statement of the Police and Crime Commissioner for Dyfed Powys and the Chief Constable for Dyfed Powys for the financial year for which the financial statements are prepared is consistent with the financial statements and the joint Annual Governance Statement has been prepared in accordance with guidance.

#### **Matters on which I report by exception**

In the light of the knowledge and understanding of Chief Constable of Dyfed Powys and the Dyfed Powys Police Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the joint Annual Governance Statement.

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, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial 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.

#### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, and the Dyfed Powys

Police Pension Fund, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Chief Constable of Dyfed Powys and the Dyfed Powys Police Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management, the Chief Constable of Dyfed Powys and his head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Chief Constable of Dyfed Powys and the Dyfed Powys Police Pension Fund policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias when calculating accounting estimates.
- obtaining an understanding of the Chief Constable of Dyfed Powys and the Dyfed Powys Police Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Chief Constable of Dyfed Powys operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Chief Constable of Dyfed Powys and the Dyfed Powys Police Pension Fund.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Joint Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;



- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Chief Constable of Dyfed Powys and the Dyfed Powys Police Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

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

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



Adrian Crompton  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ  
27 July 2023

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

## 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.

2020/21 (Restated)					2021/22		
Gross Expend. £'000	Gross Income £'000	Net Expend. £'000	Comprehensive Income and Expenditure Statement	Note	Gross Expend. £'000	Gross Income £'000	Net Expend £'000
68,426	0	68,426	Police Officer Pay		69,674	0	69,674
2,774	0	2,774	Police Officer Overtime		3,264	0	3,264
16,370	0	16,370	Police Officer Pensions		20,678	0	20,678
32,360	0	32,360	Police Staff Pay		33,250	0	33,250
168	0	168	Police Staff Overtime		185	0	185
3,971	0	3,971	Police Staff Pensions		6,331	0	6,331
935	0	935	Other Employee Related Costs		1,672	0	1,672
382	0	382	Premises Costs		460	0	460
1,711	0	1,711	Transport Costs		1,989	0	1,989
10,001	0	10,001	Supplies & Services		11,733	0	11,733
2,916	0	2,916	Agency & Contracted Services		3,358	0	3,358
4,091	0	4,091	Capital Financing Costs *		4,315	0	4,315
<b>144,105</b>	<b>0</b>	<b>144,105</b>	<b>Total Cost of Services</b>		<b>156,909</b>	<b>0</b>	<b>156,909</b>
32,725	0	32,725	Financing & Investment Income & Expenditure	7	36,375	0	36,375
0	(176,830)	(176,830)	Commissioning Costs (Intra-group transfer)		0	(193,284)	(193,284)
<b>176,830</b>	<b>(176,830)</b>	<b>0</b>	<b>Surplus/Deficit on Provision of Services</b>		<b>193,284</b>	<b>(193,284)</b>	<b>0</b>
		196,680	Actuarial (gains)/losses on pension asset/liabilities				(19,989)
		<b>(196,680)</b>	<b>Commissioning Costs (Intra-group transfer)</b>				<b>19,989</b>
		<b>0</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>0</b>

\* To represent the Chief Constable's use of the PCC's assets, the CC receives charges equivalent to the capital financing incurred by the PCC. This charge is recognised in the Comprehensive Income and Expenditure Statements.

## Balance Sheet

31 March 2021 £'000		Note	31 March 2022 £'000
1,676,003	Long term debtors	17	1,701,477
<b>1,676,003</b>	<b>Long term assets</b>		<b>1,701,477</b>
574	Inventories		608
1,117	Short term debtors	9	1,145
(1,691)	Intra-group transfer		(1,753)
0	<b>Current assets</b>		0
(14,693)	Short term creditors	10	(15,832)
14,693	Intra-group transfer		15,832
0	<b>Current liabilities</b>		0
(1,676,003)	Other long-term liabilities	17	(1,701,477)
<b>(1,676,003)</b>	<b>Long term liabilities</b>		<b>(1,701,477)</b>
0	<b>Net assets/(liabilities)</b>		0

## Police Pension Fund

Chief Constable 2020/21		Fund Account	Chief Constable 2021/22	
£'000	£'000		£'000	£'000
		Contributions receivable		
(13,919)		Employer contributions	(14,243)	
(570)		Other Income (Employers ill health contributions)	(336)	
(6,006)		Officers' contributions	(6,141)	
	<b>(20,495)</b>	<b>Contributions receivable</b>		<b>(20,720)</b>
	<b>(661)</b>	<b>Transfers in from other pension funds</b>		<b>(560)</b>
		Benefits payable		
29,182		Pensions	30,030	
7,277		Commutations and lump sum retirement benefits	7,707	
	<b>36,459</b>	<b>Benefits Payable</b>		<b>37,737</b>
		Payments to and on account of leavers		
0		Transfers out to other pension funds	0	
7		Refunds of contributions	22	
491		Scheme Pays tax payments	169	
	<b>498</b>	<b>Payments to and on account of leavers</b>		<b>191</b>
	<b>15,801</b>	<b>Net amount payable for the year</b>		<b>16,648</b>
(15,801)		Intra-group transfer	(16,648)	
	<b>(15,801)</b>	<b>Total Intra-group transfer</b>		<b>(16,648)</b>
	<b>0</b>	<b>Total</b>		<b>0</b>

Chief Constable 2020/21		Net Assets Statement	Chief Constable 2021/22	
£'000	£'000		£'000	£'000
		Current Assets		
0		Debtor – net balances owed from the Police fund	544	
<b>0</b>		<b>Current Assets</b>	<b>544</b>	
		Current Liabilities		
0		Creditors – benefits payable to retiring officers end of March paid April	(544)	
<b>0</b>		<b>Current Liabilities</b>	<b>(544)</b>	
<b>0</b>		<b>Net Assets</b>		<b>0</b>

## **Notes to the Police Pension Fund Accounts**

- The accounting policies followed, and assumptions made regarding the Police Pensions Account are in line with those set out in Note 1 - Accounting Policies;
- The Police Pension Scheme is administered by Carmarthenshire County Council under a Service Level Agreement;
- There are no investment assets in the fund. The payments in and out of the Pension fund are balanced to nil each year by receipt of additional contributions from the General Police Fund, which in turn is reimbursed by a specific Home Office grant (Top Up Grant). This grant is received by the Commissioner and passed on to the Chief Constable by way of an intra-group transfer; and
- The Pension Fund's financial statements do not take account of future pension obligations after the 31 March 2022. However, these are presented on the Balance Sheet under 'Other Long Term Liabilities, with detailed disclosures in Note 17 - Defined Benefit Pension Schemes.

## **Notes to the Accounts**

### **1. Accounting policies**

#### **General Principles**

The Statement of Accounts summarises the Chief Constable's transactions for the 2021/22 financial year and the position at the year-end of 31 March 2022. The Chief Constable is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 as amended, which require them to be prepared in accordance with proper accounting practice. This practice primarily comprises the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

#### **Accruals of Income and Expenditure**

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

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

### **Overheads and Support Services**

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

### **Exceptional Items**

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

### **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.

#### Financial Assets

The financial assets held by the Chief Constable during the year are financial assets that have fixed or determinable payments and not quoted in an active market.

#### Foreign currency translation

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

## **Inventories**

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

## **Joint arrangements - Accounting for the consolidation of joint arrangements**

Where the Commissioner/ Chief Constable have entered into collaborative arrangements with other Commissioners and Chief Constables an assessment has been made against IFRS 11 Joint Arrangement to determine the appropriate accounting treatment. IFRS 11 requires all such arrangements to be classed as either Joint Ventures or Joint Operations. All of the Commissioner's/ Chief Constable's such arrangements are classed as Joint Operations where the Commissioner/ Chief Constable is entitled to their fair share of the Joint Operation's Assets and Liabilities.

Further details can be found under the Collaborative Arrangements note.

## **Employee benefits**

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which the employees render service. An accrual is made for the cost of holiday entitlements (including time off in lieu and flexi leave) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

This Police Officer Pension scheme is “unfunded” which means that no investment assets are built up to pay pensions and other benefits in the future, and therefore no provision to meet the liability for future payments of benefits is included in the balance sheet. The liabilities of the Local Government Scheme that are attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

#### Discretionary Benefits

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

#### **Leases**

##### **The Chief Constable as Lessee (Operating Leases)**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. where there is a rent-free period at the commencement of the lease).

##### **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**

### **Comprehensive Income and Expenditure Statement (CIES)**

The CIES has been restated for 2020/21 to reflect presentational changes in respect of the charge from the Commissioner for the use of non-current assets. These changes have no impact on other primary statements within the Chief Constable's Statement of Accounts.

In 2020/21, the charges from the Commissioner for the use of non-current assets were previously being shown against the 'Premises', 'Transport' and 'Supplies and Services' headings which resulted in the figures being misleading. The CIES has now been restated as follows to show the charges against the 'Capital Financing Costs' heading with an explanatory footnote being provided:



Chief Constable	Net Income/Expenditure 2020/21		
	Net Income/Expenditure (as previously stated)	Net Income/Expenditure (as restated)	Correction
	£'000	£'000	£'000
Police Officer Pay	68,426	68,426	0
Police Officer Overtime	2,774	2,774	0
Police Officer Pensions	16,370	16,370	0
Police Staff Pay	32,360	32,360	0
Police Staff Overtime	168	168	0
Police Staff Pensions	3,971	3,971	0
Other Employee Related Costs	935	935	0
Premises Costs	1,413	382	(1,031)
Transport Costs	2,819	1,711	(1,108)
Supplies & Services	11,953	10,001	(1,952)
Agency & Contracted Services	2,916	2,916	0
Capital Financing Costs	0	4,091	4,091
<b>Total Cost of Services</b>	<b>144,105</b>	<b>144,105</b>	<b>0</b>

\* To represent the Chief Constable's use of the PCC's assets, the CC receives charges equivalent to the capital financing incurred by the PCC. This charge is recognised in the Comprehensive Income and Expenditure Statements.

### **Balance Sheet**

The Balance Sheet for the Chief Constable has been restated for 2020/21. The Short-term creditors figure has been adjusted in order to account for reclassifications between the Commissioner and the Chief Constable. This change has no impact on the Group Balance Sheet and does not affect any of the other statements within the Statement of Accounts. The change is as follows:

	Short-term Creditors as at 31 March 2021 (as previously stated)	Short-term Creditors as at 31 March 2021 (as restated)	Correction
	£'000	£'000	£'000
Trade payables	(1,233)	(1,233)	0
Other payables	(11,174)	(13,460)	(2,286)
<b>Total Cost of Services</b>	<b>(12,407)</b>	<b>(14,693)</b>	<b>(2,286)</b>

### **3. Accounting Standards issued but not yet been adopted**

The Code requires the Chief Constable 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 annual IFRS improvement programme describes changes to the following standards.

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
- IAS 37 (Onerous contracts) – clarifies the intention of the standard;
- IFRS 16 (Leases) - The implementation date for this Standard has been further deferred to 1 April 2024;

- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances;
- IAS 16 (Property, Plant and Equipment) – Amendment to Proceeds before Intended Use.

It is anticipated that the above changes will have no impact on the current Financial Statements. When compiling the Financial Statements for 2022/23, the effect of the changes will be reassessed and if necessary, the comparative figures restated.

#### 4. Critical judgements in applying accounting policies

There continues to be a high degree of uncertainty about future funding levels for the Chief Constable. The Comprehensive Spending Review announced in 2021 indicated that police funding will rise by £100m in 2023/24 and £150m in 2024/25. Significant cost pressures are anticipated locally during these two financial years as a result of pay awards, inflationary pressures, capital financing and officer uplift cost pressures with the Home Office indicating that the Force will need to maintain officer numbers until at least 2026. The Home Office is also undertaking work to update the funding formula which is used to allocate resources amongst policing bodies in England and Wales. In addition, the Police Officer Pension Scheme is in the process of being revalued and it is expected that any change in contribution rate will be applied from 2024/25. This would include the impact of the McCloud / Sargeant remedy as well as demographic or other changes. These matters will take some time to crystallise both in terms of local impact and also within the wider economic landscape. The Police and Crime Commissioner has determined that this uncertainty is not yet sufficiently defined to provide an indication to the Chief Constable if assets may be impaired, as a result of a need to close facilities, or of a need to reduce the level of service provision.

#### 5. Assumptions and other major sources of estimation uncertainty

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

The items in the Chief Constable's Balance Sheet as at 31 March 2022 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
Pensions liability	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.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase of 0.1% in pay award for the police officer pension scheme would result in an increase to the pension liability to £1,628m.

#### 6. Events after the Reporting Period

The Draft Statement of Accounts was authorised for issue by the Chief Financial Officer on 26 July 2023.

The Chief Constable of Dyfed-Powys along with other Chief Constables have had claims lodged against them in relation to "On Call Allowance" under Regulation 34 Annex U Police Regulations 2003.

On 10 October 2022 the High Court of Justice handed down judgment in the case of KSO and others v Commissioner of the Metropolis (2019) in favour of the Claimants. Forces are currently considering judgment and the guidance issued within with a view to formulating a fair and reasonable claims evidencing and quantification process.

The judgement occurred after the balance sheet date but was in relation to a condition that existed at the balance sheet date. Although the exact calculation has not yet been completed, a reasonable estimate of the obligation that existed at the end of the reporting period has been provided for in the 2021/22 Group Statement of Accounts.

## 7. 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.

2020/21 £'000		2021/22 £'000
32,725	Pensions interest cost and expected return on pensions assets	36,375
<b>32,725</b>	<b>Total</b>	<b>36,375</b>

## 8. Financial Instruments

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

### Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Chief Constable and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Chief Constable.

### Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Chief Constable that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

### Financial Instruments – Balances

The financial assets and liabilities in the Balance Sheet are analysed across the following categories:

	Long Term		Current	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 (restated) £'000	31 March 2022 £'000
Creditors	0	0	(14,693)	(15,832)
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>(14,693)</b>	<b>(15,832)</b>
Debtors	0	0	1,117	1,145
<b>Total Financial Assets</b>	<b>0</b>	<b>0</b>	<b>1,117</b>	<b>1,145</b>

An intra-group transfer will take place from the Chief Constable's Accounts to the Commissioner's accounts based on the net current asset position as the Chief Constable is unable to hold cash balances.

### Gains and Losses

No gains and losses have been recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments.

### Fair Values

The Chief Constable's long-term financial liabilities are carried on the Balance Sheet at amortised cost.

The 2010 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in Financial Reporting Standard 26 (FRS 26) as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price.

There has been no change in the valuation technique used during the year.

Carrying amount 31 March 2021 (restated) £'000	Fair value 31 March 2021 (restated) £'000		Carrying amount 31 March 2022 £'000	Fair value 31 March 2022 £'000
		Financial Liabilities		
(14,693)	(14,693)	Creditors	(15,832)	(15,832)
<b>(14,693)</b>	<b>(14,693)</b>	<b>Total Financial Liabilities</b>	<b>(15,832)</b>	<b>(15,832)</b>
		Financial Assets		
1,117	1,117	Debtors	1,145	1,145
<b>1,117</b>	<b>1,117</b>	<b>Total Financial Assets</b>	<b>1,145</b>	<b>1,145</b>

### Financial Liabilities

For creditors, the carrying value has been used as a reasonable approximation of fair value therefore the fair value at the Balance Sheet date is the same as the carrying amount.

### Financial Assets

For debtors, the carrying value has been used as a reasonable approximation of fair value therefore the fair value at the Balance Sheet date is the same as the carrying amount.

## 9. Short-term Debtors

31 March 2021 £'000		31 March 2022 £'000
1,007	Prepayments	1,025
0	Trade receivables	0
110	Other receivables	120
<b>1,117</b>	<b>Total</b>	<b>1,145</b>

**10. Short-term Creditors**

31 March 2021 (restated) £'000		31 March 2022 £'000
1,233	Trade payables	3,220
13,460	Other payables	12,612
<b>14,693</b>	<b>Total</b>	<b>15,832</b>

**11. 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, the Commissioner will look to work in collaboration with other Commissioners and Forces to provide the most effective service possible. Such agreements are regulated by Section 22A of the Police Act 1996, as amended by the Police Reform and Social Responsibility Act 2011.

The collaborative services and their funding continue under revised Commissioner and Force governance arrangements. These are in effect considered as 'Pooled Budgets' with agreements for funding contributions made and varied from time to time, supported by certain specific government grants. The pooled budgets are effectively hosted by the Police and Crime Commissioner and Chief Constable for South Wales Police on behalf of the four Police Forces in Wales.

The total costs of the collaborative team in 2021-22 were £135k (2020-21 £162k) and Dyfed Powys Police's contribution to these costs was £28k in 2021-22 (2020-21 £40k).

Income and Expenditure for the main activities of the collaborative units is presented below along with the funding contributions made by each participating Force.

Included in accounting policies under collaborative arrangements is an explanation of the accounting requirements for joint operations. IFRS11, Accounting for Joint Arrangements, requires income and expenditure to be subject to a different accounting treatment than actually incurred. Accordingly, expenditure in the Chief Constable's Comprehensive Income and Expenditure Statement has been increased by £1.015m and income/grants in the Commissioner/Group Statement have been increased by £1.135m; a net decrease in expenditure of £0.120m for the Group. This net decrease has been reversed in the Group Movement in Reserves Statement in the Group Accounts with no impact on the Police Fund balance.

Assets, debtors and creditors in respect of the arrangements have remained in the balance sheets of Forces on the basis of materiality.

Expenditure and Income Statements for 2021/22 for the main collaborative arrangements are as follows:

Service Classification	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	Total
	National Policing	National Policing	National Policing	Intelligence/ Investigation	Intelligence	Specialist Operations	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pay Expenditure	6,115	534	3,895	7,508	1,909	13,255	<b>33,216</b>
Non-Pay Expenditure	1,222	34	312	1,209	527	2,195	<b>5,499</b>
<b>Gross Expenditure</b>	<b>7,337</b>	<b>568</b>	<b>4,207</b>	<b>8,717</b>	<b>2,436</b>	<b>15,450</b>	<b>38,715</b>
Specific Grant Income	(7,303)	(568)	(4,207)	(5,000)	0	(1,354)	<b>(18,432)</b>
Income	(34)	0	0	(86)	(46)	(265)	<b>(431)</b>
<b>Total Income &amp; Grants</b>	<b>(7,337)</b>	<b>(568)</b>	<b>(4,207)</b>	<b>(5,086)</b>	<b>(46)</b>	<b>(1,619)</b>	<b>(18,863)</b>
<b>(Surplus) or Deficit to be funded from Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,631</b>	<b>2,390</b>	<b>13,831</b>	<b>19,852</b>
Force Contributions (Net)							
Dyfed-Powys	0	0	0	(739)	(486)	(4,149)	<b>(5,374)</b>
Gwent	0	0	0	(943)	(621)	(2,766)	<b>(4,330)</b>
North Wales	0	0	0	0	0	0	<b>0</b>
South Wales	0	0	0	(1,949)	(1,283)	(6,916)	<b>(10,148)</b>
<b>Total Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,631)</b>	<b>(2,390)</b>	<b>(13,831)</b>	<b>(19,852)</b>

Each Force's contribution towards Expenditure and Income for 2021/22 is as follows:

Service Classification and agreed basis of apportionment	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	Total
	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	Intelligence/ Investigation (Population – national benefit basis)	Intelligence (Agreed Financial Contribution – local delivery)	Specialist Operations (Agreed Financial Contribution – local delivery)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dyfed-Powys	1,210	94	402	1,848	495	4,635	<b>8,684</b>
Gwent	1,385	107	461	2,114	633	3,090	<b>7,790</b>
North Wales	1,628	126	2,308	0	0	0	<b>4,062</b>
South Wales	3,114	241	1,036	4,755	1,308	7,725	<b>18,179</b>
<b>Gross Expenditure</b>	<b>7,337</b>	<b>568</b>	<b>4,207</b>	<b>8,717</b>	<b>2,436</b>	<b>15,450</b>	<b>38,715</b>
Dyfed-Powys	(1,210)	(94)	(402)	(1,078)	(9)	(486)	<b>(3,279)</b>
Gwent	(1,385)	(107)	(461)	(1,234)	(12)	(324)	<b>(3,523)</b>
North Wales	(1,628)	(126)	(2,308)	0	0	0	<b>(4,062)</b>
South Wales	(3,114)	(241)	(1,036)	(2,774)	(25)	(809)	<b>(7,999)</b>
<b>Total Income &amp; Grants</b>	<b>(7,337)</b>	<b>(568)</b>	<b>(4,207)</b>	<b>(5,086)</b>	<b>(46)</b>	<b>(1,619)</b>	<b>(18,863)</b>

Expenditure and Income Statements for 2020/21 for the main collaborative arrangements were as follows:

Service Classification	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	Total
	National Policing	National Policing	National Policing	Intelligence/ Investigation	Intelligence	Specialist Operations	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pay Expenditure	5,814	527	4,111	6,292	1,627	12,375	<b>30,746</b>
Non-Pay Expenditure	870	12	263	1,407	350	1,801	<b>4,703</b>
<b>Gross Expenditure</b>	<b>6,684</b>	<b>539</b>	<b>4,374</b>	<b>7,699</b>	<b>1,977</b>	<b>14,176</b>	<b>35,449</b>
Specific Grant Income	(6,674)	(539)	(4,371)	(4,532)	0	(1,234)	<b>(17,350)</b>
Income	(10)	0	(3)	(125)	(12)	(76)	<b>(226)</b>
<b>Total Income &amp; Grants</b>	<b>(6,684)</b>	<b>(539)</b>	<b>(4,374)</b>	<b>(4,657)</b>	<b>(12)</b>	<b>(1,310)</b>	<b>(17,576)</b>
<b>(Surplus) or Deficit to be funded from Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,042</b>	<b>1,965</b>	<b>12,866</b>	<b>17,873</b>
Force Contributions (Net)							
Dyfed-Powys	0	0	0	(619)	(400)	(3,860)	<b>(4,879)</b>
Gwent	0	0	0	(790)	(510)	(2,573)	<b>(3,873)</b>
North Wales	0	0	0	0	0	0	<b>0</b>
South Wales	0	0	0	(1,633)	(1,055)	(6,433)	<b>(9,121)</b>
<b>Total Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,042)</b>	<b>(1,965)</b>	<b>(12,866)</b>	<b>(17,873)</b>



Each Force's contribution towards Expenditure and Income for 2020/21 was as follows:

Service Classification and agreed basis of apportionment	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	Total
	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	Intelligence/ Investigation (Population – national benefit basis)	Intelligence (Agreed Financial Contribution – local delivery)	Specialist Operations (Agreed Financial Contribution – local delivery)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dyfed-Powys	1,102	89	413	1,631	402	4,253	<b>7,890</b>
Gwent	1,260	102	472	1,864	513	2,835	<b>7,046</b>
North Wales	1,483	119	2,424	0	0	0	<b>4,026</b>
South Wales	2,839	229	1,065	4,204	1,062	7,088	<b>16,487</b>
<b>Gross Expenditure</b>	<b>6,684</b>	<b>539</b>	<b>4,374</b>	<b>7,699</b>	<b>1,977</b>	<b>14,176</b>	<b>35,449</b>
Dyfed-Powys	(1,102)	(89)	(413)	(986)	(2)	(393)	<b>(2,985)</b>
Gwent	(1,260)	(101)	(472)	(1,128)	(3)	(262)	<b>(3,226)</b>
North Wales	(1,483)	(120)	(2,424)	0	0	0	<b>(4,027)</b>
South Wales	(2,839)	(229)	(1,065)	(2,543)	(7)	(655)	<b>(7,338)</b>
<b>Total Income &amp; Grants</b>	<b>(6,684)</b>	<b>(539)</b>	<b>(4,374)</b>	<b>(4,657)</b>	<b>(12)</b>	<b>(1,310)</b>	<b>(17,576)</b>

## 12. Officers' remuneration

Senior employees - The remuneration paid to the Chief Constable's senior employees in 2021/22 was as follows:

	Year	From	To	Full-time equivalent salary as at 31.03.22 or end date £	Actual salary, including allowances £	Benefits in kind - lease cars (Note 1) £	Benefits in kind - relocation & rent £	Pay in Lieu of Notice / Exit Payment £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Chief Constable	2021/22	12/12/2021	31/03/2022	161,115	48,941	0	12,169	0	61,110	15,172	76,282
Temporary Chief Constable	2021/22	01/04/2021	11/12/2022	146,469	104,956	0	0	0	104,956	28,964	133,920
Deputy Chief Constable	2021/22	12/12/2021	31/03/2022	122,628	38,086	0	0	0	38,086	11,547	49,633
Temporary Deputy Chief Constable	2021/22	01/04/2021	11/12/2022	122,628	85,378	0	0	0	85,378	26,467	111,845
Assistant Chief Constable	2021/22	12/12/2021	31/03/2022	119,220	36,215	0	0	0	36,215	11,227	47,442
Temporary Assistant Chief Constable	2021/22	01/04/2021	11/12/2022	105,600	73,523	0	0	0	73,523	19,760	93,283
Assistant Chief Constable - All Wales Collaboration	2021/22	01/04/2021	29/01/2022	105,600	89,053	4,893	0	0	93,946	27,104	121,050
Director of Finance/ Chief Financial Officer to the Chief Constable	2021/22	01/04/2021	31/03/2022	94,482	94,482	0	0	0	94,482	16,818	111,300
<b>Total 2021/22</b>					<b>570,634</b>	<b>4,893</b>	<b>12,169</b>	<b>0</b>	<b>587,696</b>	<b>157,059</b>	<b>744,755</b>

Note 1: The Chief Constable and Deputy Chief Constable are provided with vehicles, however no liability to income tax arises in respect of the benefit as these two officers are on call at all times. This is in accordance with Section 248A of the ITEPA, which states: "1) This section applies where a) an emergency vehicle is made available to a person employed in an emergency service for the person's private use and b) the terms on which it is made available prohibit its private use otherwise than when the person is on call or engaged in on call or engaged in on-call commuting and c) the person does not make private use of it other than in such circumstances, 2) No liability to income tax arises by virtue of Chapter 6 or 10 or Part 3 (taxable benefits: cars, vans etc. and residual liability to charge) in respect of the benefit."

Senior employees - The remuneration paid to the Chief Constable's senior employees in 2020/21 was as follows:

	Year	From	To	Full-time equivalent salary as at 31.03.21 or end date £	Actual salary, including allowances £	Benefits in kind - lease cars (Note 1) £	Benefits in kind - relocation expenses £	Pay in Lieu of Notice / Exit Payment £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Chief Constable	2020/21	01/04/2020	24/03/2021	146,469	145,534	0	0	0	145,534	44,089	189,623
Temporary Chief Constable	2020/21	27/02/2021	31/03/2021	131,823	12,188	0	0	0	12,188	3,649	15,837
Deputy Chief Constable	2020/21	01/04/2020	26/02/2021	122,628	112,522	0	0	0	112,522	34,234	146,756
Temporary Deputy Chief Constable (A)	2020/21	28/02/2021	31/03/2021	122,628	10,826	0	0	0	10,826	3,281	14,107
Temporary Assistant Chief Constable (A)	2020/21	01/04/2020	03/05/2020	109,662	12,476	0	0	0	12,476	4,354	16,830
Temporary Assistant Chief Constable (B)	2020/21	01/04/2020	20/06/2020	103,023	23,574	1,136	0	0	24,710	7,097	31,807
Assistant Chief Constable	2020/21	04/05/2020	27/02/2021	119,220	102,143	0	0	0	102,143	29,510	131,653
Temporary Assistant Chief Constable (C)	2020/21	28/02/2021	31/03/2021	105,600	8,800	0	0	0	8,800	2,323	11,123
Assistant Chief Constable - All Wales Collaboration	2020/21	03/01/2021	31/03/2021	105,600	26,433	3,862	0	0	30,295	8,008	38,303
Director of Finance/ Chief Financial Officer to the Chief Constable	2020/21	01/04/2020	31/03/2021	94,482	93,522	0	0	0	93,522	16,647	110,169
<b>Total 2020/21</b>					<b>548,018</b>	<b>4,998</b>	<b>0</b>	<b>0</b>	<b>553,016</b>	<b>153,192</b>	<b>706,208</b>

Note 1: The Chief Constable and Deputy Chief Constable are provided with vehicles, however no liability to income tax arises in respect of the benefit as these two officers are on call at all times. This is in accordance with Section 248A of the ITEPA, which states: "1) This section applies where a) an emergency vehicle is made available to a person employed in an emergency

*service for the person's private use and b) the terms on which it is made available prohibit its private use otherwise than when the person is on call or engaged in on call or engaged in on-call commuting and c) the person does not make private use of it other than in such circumstances, 2) No liability to income tax arises by virtue of Chapter 6 or 10 or Part 3 (taxable benefits: cars, vans etc. and residual liability to charge) in respect of the benefit."*

Other employees (excludes senior officers – itemised above)

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

2020/21 Number of employees		2021/22 Number of employees
25	£60,000 - £64,999*	31
6	£65,000 - £69,999	4
6	£70,000 - £74,999	3
2	£75,000 - £79,999	8
2	£80,000 - £84,999	2
5	£85,000 - £89,999	4
1	£90,000 - £94,999	2
0	£95,000 - £99,999	1
0	£100,000-£104,999	0
0	£105,000-£109,999	0
0	£110,000-£114,999	0
0	£115,000-£119,999	0
0	£120,000-£124,999	0
0	£125,000-£129,999**	1

\*No other staff employed by the Commissioner received remuneration of more than £60,000 in 2021/22

\*\* Remuneration includes a compensation for loss of office payment

Salaries over £150,000

One police officer, Dr Richard Lewis, Chief Constable, receives an annual salary of £161,115 (2020/21: none)

Ratio of Chief Constable Remuneration

The Accounts and Audit Regulations (Wales) in 2014 as amended, requires disclosure of the following remuneration ratio information.

- the remuneration of the body's Chief Constable during the year to which the accounts relate
- the median full-time equivalent remuneration of all the body's employees in post at 31 March 2022; and
- the ratio of the amount in sub-paragraph (a) to the amount in sub-paragraph (b).

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

The Chief Constable was appointed mid-year. The annualised remuneration for the Chief Constable was £161,115 (2020/21: £149,842). In addition, the Chief Constable received a benefit in kind of £12,169 during 2021/22 (2020/21: none)

The median full-time equivalent remuneration of all the Chief Constable's employees as at 31 March 2022 was £35,485 (2020/21: £35,019)

The ratio of the Chief Constable's remuneration to the median Chief Constable employee's remuneration was 4:86:1 (2020/21: 4:28:1)

The Temporary Chief Constable/Deputy Chief Constable was the highest paid person in the year. The actual remuneration was £143,042 (2020/21: £134,330)

The median full-time equivalent remuneration of all the Temporary Chief Constable's employees as at 31 March 2022 was £35,484 (2020/21: £35,019)

The ratio of the Temporary Chief Constable/Deputy Chief Constable's actual remuneration to the median Chief Constable employee's remuneration was 4:03:1 (2020/21: 3:84:1)

### Members

The Scheme of Governance states that Members' expenses should be split equally between the Commissioner and Chief Constable. In 2021/22, allowances and expenses paid amounted to £2,000 in total (2020/21: £2,000). As 50% of this amount is not material, the costs have not been accounted for in the Chief Constable's accounts but accounted for in full within the Group accounts.

### **13. External audit costs**

In 2021/22 the Commissioner and Chief Constable jointly incurred costs of £82k 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 Force's external auditors (2020/21: £79k).

### **14. Related parties**

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

#### Central Government

Central government has significant influence over the general operations of Dyfed-Powys Police and the Police and Crime Commissioner as it is responsible for providing the statutory framework within which both Dyfed-Powys Police and the Police and Crime Commissioner operate. It also provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that Dyfed-Powys Police and the Police and Crime Commissioner have with other parties. A number of grants are received from the Home Office and the Welsh Government, most of which have strict terms and conditions and these are set out in Note 31 of the Group Accounts.

#### Local Government

The Police and Crime Commissioner for Dyfed-Powys receives income in the form of precepts from the Council Tax Collection Funds of Local Authorities. The income received for 2020/21 and 2021/22 is provided on the following page:

2020/21 £'000		2021/22 £'000
(19,283)	Carmarthenshire County Council	(20,509)
(14,931)	Pembrokeshire County Council	(15,758)
(16,258)	Powys County Council	(17,246)
(8,321)	Ceredigion County Council	(8,793)
<b>(58,793)</b>	<b>Total</b>	<b>(62,306)</b>

#### Entities Controlled or Significantly Influenced by the Chief Constable

The Chief Financial Officer to the Chief Constable is trustee of the "Safer Dyfed-Powys Diogel" trust. In 2021/22 The Chief Constable did not undertake any financial transactions with "Safer Dyfed-Powys Diogel" (2020/21: none). Further information about the Trust is included in note 39 of the Group Statement of Accounts.

#### Members

The total of Members' allowances paid in 2021/22 is shown in note 12.

None of the members, or parties related to them, have undertaken any material transactions with the Chief Constable in 2021/22 or in 2020/21. During 2020/21, one member of the Joint Audit Committee has been the Director of Finance and ICT for Barcud Housing Association. During 2021/22, the Police and Crime Commissioner for Dyfed-Powys did not undertake any financial transactions with Barcud Housing Association.

## 15. Leases

### Chief Constable as Lessee

#### Finance Leases

The Chief Constable does not have any Finance Leases.

#### Operating Leases

The Chief Constable of Dyfed-Powys leases property from other property owners where appropriate and affordable, to provide suitable accommodation for operational policing and support. Dyfed-Powys 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 March 2021 £'000		31 March 2022 £'000
140	Not later than one year	192
404	Later than one year and not later than five years	300
353	Later than five years	314
<b>897</b>	<b>Total</b>	<b>806</b>

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

2020/21 £'000		2021/22 £'000
157	Minimum lease payments	224
<b>157</b>	<b>Total</b>	<b>224</b>

## 16. Termination benefits

During 2021/22 there were two exit packages or flexible retirements (2020/21: none).

Exit package cost band	2020/21		2021/22	
	Number of departures agreed in each band	Departure cost (including payment in lieu of notice) £'000	Number of departures agreed in each band	Departure cost (including payment in lieu of notice) £'000
	FTE	£'000	FTE	£'000
£0 - £20,000	0.0	0	1.0	1
£20,001 - £40,000	0.0	0	0.0	0
£40,001 - £60,000	0.0	0	0.0	0
£60,001 - £80,000	0.0	0	1.0	68
	<b>0.0</b>	<b>0</b>	<b>2.0</b>	<b>69</b>

## 17. Defined benefit pension schemes

### Participation in Pension schemes

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

The Chief Constable participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Carmarthenshire County Council – this is a funded defined benefit CARE (Career Average Revalued Earnings) scheme, meaning that the Chief Constable and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. It should be noted that all staff are employed by the PCC, however for the majority of staff direction and control lies with the Chief Constable. Costs have been apportioned to reflect this.
- The Police Officer Pension Scheme – this is an unfunded defined benefit CARE (Career Average Revalued Earnings) 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 a top up grant from the Home Office via the Commissioner.



**Valuation of Scheme Liabilities**

As a key part of the annual Statement of Accounts compilation exercise, actuaries are engaged to undertake an assessment of pension liabilities, assets and costs for inclusion in the Balance Sheet and Comprehensive Expenditure and Income Statement under International Financial Reporting Standards (IFRS). Traditionally these have been undertaken on a full valuation basis every 3 years with a roll-forward approach being applied in the interim years.

During 2020/21 in order to best manage the uncertainties arising from the McCloud case, the actuaries recommended using the provisions of the CIPFA code to extend the roll-forward valuation to a fourth year. This was consistent with the approach being adopted by others across the sector.

**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.

These costs are reversed out of the Chief Constable's accounts into the Commissioner's accounts as the Chief Constable is not responsible for holding any reserves. This is shown on the next page as an intra-group transfer:

	Local Government Pension Scheme		Police Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	(8,698)	(10,954)	(29,224)	(36,313)
Past service cost (including McCloud)	0	0	0	0
Other	(104)	(109)	0	0
Financing and Investment Income and Expenditure				
Net interest cost	(1,722)	(1,784)	(31,003)	(34,591)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(10,524)</b>	<b>(12,847)</b>	<b>(60,227)</b>	<b>(70,904)</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Re-measurement of the net defined benefit liability comprising				
Return on plan assets (excluding the amount included in the net interest expense)	32,527	8,173	0	0
Experience (gain)/loss	3,727	(597)	13,499	13,822
Re-measurement gains and losses arising on changes in demographic assumptions	0	1,984	0	38,616
Re-measurement gains and losses arising on changes in financial assumptions	(36,723)	5,587	(209,710)	(47,596)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(10,993)</b>	<b>2,300</b>	<b>(256,438)</b>	<b>(66,062)</b>
<b>Commissioning Costs (intra-group transfer)</b>	<b>10,993</b>	<b>(2,300)</b>	<b>256,438</b>	<b>66,062</b>
<b>Net cost</b>	<b>0</b>		<b>0</b>	<b>0</b>
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	0	0	0	0
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	0	0	0	0

An intra-group transfer has been included in the Chief Constable's accounts, as the Chief Constable is not responsible for managing reserves.

Pensions Assets and Liabilities recognised in the Balance Sheet

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 accounts.

The net liability arising from the defined benefit obligation:

2021/22	Local Government Pension Scheme £'000	Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(265,357)	(1,621,351)	(1,886,708)
Fair value of plan assets	185,847	0	185,847
<b>Net liability arising from defined benefit obligation (Group)</b>	<b>(79,510)</b>	<b>(1,621,351)</b>	<b>(1,700,861)</b>
Amount attributable to Police and Crime Commissioner	(616)	0	(616)
<b>Net liability arising from defined benefit obligation</b>	<b>(80,126)</b>	<b>(1,621,351)</b>	<b>(1,701,477)</b>

2020/21	Local Government Pension Scheme £'000	Police Pension Scheme £'000	Total £'000
Present value of the defined benefit obligation	(257,304)	(1,589,193)	(1,846,497)
Fair value of plan assets	170,475	0	170,475
<b>Net liability arising from defined benefit obligation (Group)</b>	<b>(86,829)</b>	<b>(1,589,193)</b>	<b>(1,676,022)</b>
Amount attributable to Police and Crime Commissioner	19	0	19
<b>Net liability arising from defined benefit obligation</b>	<b>(86,810)</b>	<b>(1,589,193)</b>	<b>(1,676,003)</b>

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

	Local Government Pension Scheme		Police Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
<b>Opening fair value of scheme assets</b>	<b>131,637</b>	<b>170,475</b>	<b>0</b>	<b>0</b>
Interest income	3,066	3,786	0	0
Re-measurement gain / (loss) - The return on plan assets, excluding the amount included in the net interest expense	32,527	8,505	0	0
Contributions from employer	4,642	4,920	30,242	33,904
Contributions from employees into the scheme	1,697	1,787	6,005	6,141
Benefits paid	(2,990)	(3,517)	(36,247)	(40,045)
Other (if applicable)	(104)	(109)	0	0
<b>Closing fair value of scheme assets</b>	<b>170,475</b>	<b>185,847</b>	<b>0</b>	<b>0</b>

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Scheme	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
<b>Opening Balance as at 1 April</b>	<b>(211,858)</b>	<b>(257,304)</b>	<b>(1,362,997)</b>	<b>(1,589,193)</b>
Current service cost	(8,866)	(11,399)	(29,224)	(36,313)
Interest cost	(4,858)	(5,642)	(31,003)	(34,591)
Contributions from scheme participants	(1,697)	(1,787)	(6,005)	(6,141)
Remeasurement gains / (losses)				
Remeasurement gains / losses arising from changes in demographic assumptions	0	2,065	0	13,822
Remeasurement gains / losses arising from changes in financial assumptions	(36,742)	5,814	(209,710)	38,616
Other (if applicable)	3,727	(621)	13,499	(47,596)
Past service cost (including McCloud)	0	0	0	0
Losses / gains on curtailment (where relevant)	0	0	0	0
Benefits Paid	2,990	3,517	36,247	40,045
<b>Closing balance as at 31 March</b>	<b>(257,304)</b>	<b>(265,357)</b>	<b>(1,589,193)</b>	<b>(1,621,351)</b>

Local Government Pension Scheme Assets

	2020/21 £'000	2021/22 £'000
<b>Fair value of Scheme assets</b>		
Cash and cash equivalents	1,995	3,159
Equity instruments	126,288	134,312
Bonds	19,775	17,228
Property	18,837	24,290
Alternatives	3,580	6,858
<b>Total Assets</b>	<b>170,475</b>	<b>185,847</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 including mortality rates and salary levels.

Both the LGPS and Police Officer pension scheme liabilities have been estimated by Mercer Limited, an independent firm of actuaries.

The significant assumptions used by the actuary have been:

Mortality & Other Assumptions	Local Government Pension Scheme		Police Pension Scheme	
	2020/21	2021/22	2020/21	2021/22
Longevity at 65 (60 for police scheme) for current pensioners				
Men	23.1	23.0	26.4	26.2
Women	25.0	24.9	28.5	28.4
Longevity at 65 (60 for police scheme) for future pensioners				
Men	24.7	24.4	28.6	28.5
Women	27.2	27.1	30.7	30.6
Other assumptions				
Rate of inflation	2.7%	3.2%	2.7%	3.2%
Rate of increase in salaries	4.2%	4.7%	4.1%	4.8%
Rate of increase in pensions	2.8%	3.3%	2.8%	3.3%
Rate for discounting scheme liabilities	2.2%	2.8%	2.2%	2.8%

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 2021/22	Impact on the defined benefit obligation in the scheme	
	Increase £'000	Decrease £'000
Longevity (increase by 1 year)	7,648	0
Rate of inflation (increase by 0.1%)	5,814	0
Rate of increase in salaries (increase by 0.1%)	1,017	0
Rate for discounting scheme liabilities (increase by 0.1%)	0	5,689

Police Pension Scheme 2021/22	Impact on the defined benefit obligation in the scheme	
	Increase £'000	Decrease £'000
Longevity (increase by 1 year)	49,359	0
Rate of inflation (increase by 0.1%)	35,360	0
Rate of increase in salaries (increase by 0.1%)	7,061	0
Rate for discounting scheme liabilities (increase by 0.1%)	0	34,565

### Local Government Police Scheme - Impact on 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 latest Actuarial Valuation was completed on 31 March 2019 and details of prior and current employer's rates are shown below.

Year	Employer rate
2021/22	17.8%
2022/23	17.8%

The contribution rate will be reassessed as part of the Actuarial Valuation being undertaken during 2022/23 and new contributions will be payable from 1 April 2023.

### Police Pension Legal Challenge - Career Average Revalued Earnings (McCloud/Sargeant)

The Chief Constable, along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in Oct 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015. Legislation has been enacted and this change was made from April 2022.

#### Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. For the Police and Crime Commissioner, this affects the vast majority of pre 2012 joiners. Scheme actuaries originally estimated the increase in scheme liabilities to be 5.4% or £85.5m of the total police pension scheme liabilities of £1.589 billion. This was recognised in the 2018/19 and 2019/20 accounts.

The accounting figures prepared in 2021 already include an allowance for McCloud that is substantially in line with the eligibility criteria and assumes that protected members currently accrue benefits in their legacy schemes. In 2020/21, the estimate remained unchanged.

For the 2022 exercise, full membership calculations were performed however in the absence of individual membership data reflecting the McCloud remedy (given that calculations have yet to be undertaken by the administration teams) the allowance for McCloud has been assessed in a similar manner to previous years. The 2022 calculations allow for all active members to accrue benefits in the reformed career average scheme from 1 April 2022 onwards. The position will be reviewed in 2023 depending on the extent to which remedy has been implemented.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement on contribution rates for employers and employees will be measured at the next pension valuation process. The next Police Pension valuation is due to be reported in 2023/24, and the indication is that this will affect contribution rates in 2024/25 although this timetable is subject to change.

The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require Chief Constable as Scheme Manager to maintain a pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the Commissioner in the form of a central government top-up grant.

#### Compensation Claims

Claimants have lodged claims for compensation in respect of this case. The Home Secretary has accepted liability for settling these claims and consequently the Chief Constable (and consequently the Police and Crime Commissioner) is no longer making a provision for settlement (2020/21: £50k)

#### Impact of Economic Conditions on Police Staff Pensions

There has been substantial volatility in financial markets since the start of the COVID-19 pandemic. Despite a period of relative stability, recently this volatility has increased again with the situation in Ukraine. This has consequence for asset values, and any changes in markets will be reflected in the accounting figures. Over the same period, volatility has extended to corporate bonds, but ultimately AA-rates corporate bond yields at 31 March 2022 have settled at around 2.7% - 2.8% p.a. higher than at the start of the accounting year. Finally, market-implied RPI has been variable during the year, and has ultimately increased.

The financial assumptions for IAS19 & FRS101/102 depend on market yields at the accounting date. Those yields vary between employers depending on the duration of their pension liabilities. For accounting purposes, actuaries assess the duration at the date of the latest formal actuarial valuation of the Fund (or date of admission to the Fund if later). Overall, the discount rate is based on a yield on corporate bonds of 2.7% - 2.8% p.a. at 31 March.

Pre 2020, actuarial practice was to deduct 1.1% from market implied RPI to calculate proposed CPI assumption. This margin was partly to allow for an "inflation risk premium" (i.e. supply and demand characteristics in the index-linked gilts market) and partly because CPI is currently a lower measure of inflation than RPI. However, Government has since confirmed that RPI will increase in line with CPIH from 2030. CPIH is generally lower than RPI, meaning RPI inflation will be lower from 2030. The scheme actuaries expect the long-term average for CPI and CPIH to be similar.

## **18. Contingent Liabilities**

#### Undercover Policing Inquiry

The purpose of this inquiry is to investigate and report on undercover police operations conducted by English and Welsh Police Forces in England and Wales since 1968. The inquiry is examining the contribution undercover policing has made to tackling crime, how it was and is supervised and regulated, and its effect on individuals involved – both police officers and others who came into contact with them.

A liability has been established and along with 11 other Forces, external solicitors are engaged to represent serving officer(s). There is an agreement for Dyfed-Powys Police to meet a 5% share of generic preparation costs incurred by the legal firm and all costs incurred to date have been reflected in revenue accounts.

At this stage, the inquiry is not far enough progressed to reliably estimate future costs and therefore no provision has been made in the 2021/22 Accounting Statements.

#### Concurrent Allowances

In November 2019 the Chief Constable received a number of claims from police staff in respect of claims for unsociable hours and nighttime allowances to be paid concurrently with overtime pay.

Staff are being represented by UNISON in this matter and no formal agreement on the existence of such entitlement has been reached. No liability has been established and no provision has been made in the 2021/22 Accounting Statements.



## 19. Nature and extent of risks arising from financial instruments

### Trade Receivables

The following analysis summarises the Chief Constable's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. 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.

Bad Debt Provision is calculated on a Group Level as the Chief Constable does not hold provisions. These figures are therefore for information only.

	31 March 2021	31 March 2022
Gross Trade Debtors for the Group (£'000)	1,950	1,845
Bad Debt Provision as a percentage of Group Trade Debtors	14.0%	4.8%
Credit risk exposure	267	278