



Heddlu Police

DYFED-POWYS

Chief Constable of Dyfed Powys

Statement of Accounts 2018/19
(Single Entity)

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Narrative Report

1.0 Introduction

- 1.1 This narrative report aims to provide information on the most significant matters reported within the Chief Constable's accounts for the services provided by the Chief Constable of Dyfed Powys.
- 1.2 The Police Reform and Social Responsibility Act 2011 created two corporations sole within each police force area, the Police and Crime Commissioner (Commissioner) and Chief Constable. Each individual has 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. Mr Mark Collins was appointed by the Commissioner to the position of Chief Constable in December 2016. A separate Statement of Accounts document is produced which sets out Group Accounts for the Police and Crime Commissioner and the Chief Constable.
- 1.3 This report details the main objective, strategies and principle 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.
- 1.4 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.
- 1.5 The narrative report will focus on the following areas:
- Organisational Overview and External Environment
 - Governance and Operational Performance
 - Organisational Model
 - Financial Performance
 - Risks, opportunities and the Medium Term Financial Outlook
 - Basis of preparation and presentation

2.0 Organisational Overview and External Environment

- 2.1 *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.*



- 2.2 The resident population of 515,870 is spread across extensive rural areas, holiday and market towns as well as more heavily populated areas. The draw of tourism presents unique seasonable demands with large numbers of tourists visiting key towns which impact levels of crime, anti-social behaviour as well as deaths and serious injuries on our roads.
- 2.3 The Welsh language is spoken by 47.2% of Dyfed-Powys residents compared with the national average of 29.9%. As a service we 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 with us via the medium of Welsh.
- 2.4 Police Officer headcount has remained fairly stable over the last 5 years however 2018/19 saw a planned reduction in establishment to 1120 officers (excluding seconded officers and other externally funded posts). The Medium Term Financial Plan (MTFP) included provision for a Voluntary Early Severance scheme for Police Officers which would contribute £1.2m of cost reductions. Rigorous scrutiny and consultation surrounded the implementation of this new policy aimed to assist the efficient running of the Force, allow for succession planning and ensure an optimal and effective skills mix. Police support staff posts have however increased to 675. The workforce also includes 148 PCSOs and 98 special constables.
- 2.5 The financial landscape is challenging and Dyfed Powys has seen central grant funding reductions of 22% or £14.16 million between the 2010 Comprehensive Spending Review and 2018/19. The Force has been required to make savings of £24.7million over this period and has an extensive efficiency and savings plan going forward.
- 2.6 There has been much independent commentary over the last year in relation to Police sustainability, funding, resilience and increased burdens which include increases to employer's pension contributions which all highlight and confirm the very critical and precarious position that Dyfed-Powys and the police service in general face. Both the Commissioner and Chief Constable have continued to articulate concerns and in relation to the very significant impacts and risks that threaten the communities of Dyfed-Powys and these are further detailed in the <http://www.dyfedpowys-pcc.org.uk/media/7137/1920-mtfd-and-precept-report-for-panel-v1601-final.pdf>
- 2.7 Against this challenging financial backdrop, demands continue to grow and become increasingly complex. The Force has experienced increases in recorded crime of 60% since 2014/15, albeit that changes to way in which crimes are recorded has significantly influenced this. All forces in England and Wales have experienced similar increases with the most notable increases in relation to violent crime.
- 2.8 Police officers and staff are called upon to deal with a wide variety of important issues affecting the public.

Antisocial Behaviour	Fraud	Property crime
Brexit	Governance	Resources
CCTV	Justice	Roads policing
Children and young people	Mental health	Sexual crime
Crime investigation	Modern Day Slavery	Specialist capabilities
Cyber crime	Neighbourhood policing	Stop and search
Digital technology	Organised Crime	Terrorism
Domestic abuse	Police Effectiveness	Violent crime
Drugs and alcohol	Police legitimacy	Workforce
Firearms	999 Response	Youth and Policing

- 2.9 The service is evolving quickly to enable its response to new risks, threats and changes in technology many of which require new ways of working.
- 2.10 The Force has developed both a delivery plan for 2017-21 and Vision for 2025 with both of these high level documents being underpinned by detailed plans. The plans recognise the challenging operational and financial environment, the need for continued investment to support sustainable services and the requirement to match force resources and assets to meet force demand appropriately.
- 2.11 With the Commissioner's support, the force has invested significantly in digital policing, providing front line officers and PCSOs with access to force systems through mobile data terminals and body worn video cameras, as well as introducing vehicle based telematics to enhance incident response. CCTV has continued to be rolled out widely across the area, acting both as a deterrent but also providing a valuable and effective crime investigation tool.
- 2.12 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 a number of important services such as Armed Response and responding to the threat of Organised Crime and Terrorism are carried out in collaboration with other Forces.
- 2.13 Dyfed Powys Police contributes to national policing activities and the Force's officers and staff have assisted with a number of high profile policing events and incidents during the year which were reimbursed including;
- Salisbury poisonings - Wiltshire Police
 - US Presidential Visit
 - Commonwealth Heads of Government Meeting
 - Western Balkans Summit (London)
 - The Royal Wedding 12th October 2018
- 2.14 More locally, the Force had a number of significant planned and unplanned operations and events during the year including:
- "Operation Regent" which resulted in a total of 19 people being charged with conspiracy to supply class A drugs in the North Powys area;

- The fatal blaze at the Ty Belgrave House in Aberystwyth. Nine adults and three children were rescued from the hotel after the fire broke out on July 25 last year;
- The tragic murders in the Knighton area in April 2018 and in the Pendine area on the 28th of September;
- A number of other tragic incidents which brought significant operational challenges and extraordinary resourcing requirements.
- Numerous local events and activities including the Royal Welsh Show and the Hay Book Festival

3.0 Governance and Operational Performance

- 3.1 The Governance arrangements by which the Commissioner and Chief Constable operate are complex and have been critically reviewed during 2018/19. An Annual Governance Statement is included as part of this Statement of Accounts and this details the arrangements in place for delivering robust scrutiny and accountability by the Commissioner and Chief Constable.
- 3.2 The Commissioner and Chief Constable each have a clear and separate statutory remit. The operational independence of the Chief Constable is protected in legislation. He 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.
- 3.3 The Police and Crime 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.
- 3.4 The Commissioner is responsible for setting the strategic priorities for the Force through the production of the Police and Crime Plan, ensuring business is conducted in accordance with the law and that proper standards are achieved and maintained.
- 3.5 The Commissioner's Police and Crime Plan is an important document that sets out four priorities and five key delivery principles namely:

Priorities	Delivery Principles
Keeping Communities Safe	Delivering Value for Money
Safeguarding the Vulnerable	Public Engagement
Protecting our communities from serious threats	Working Together
Connecting with communities	Supporting Victims
	Equality and Fairness

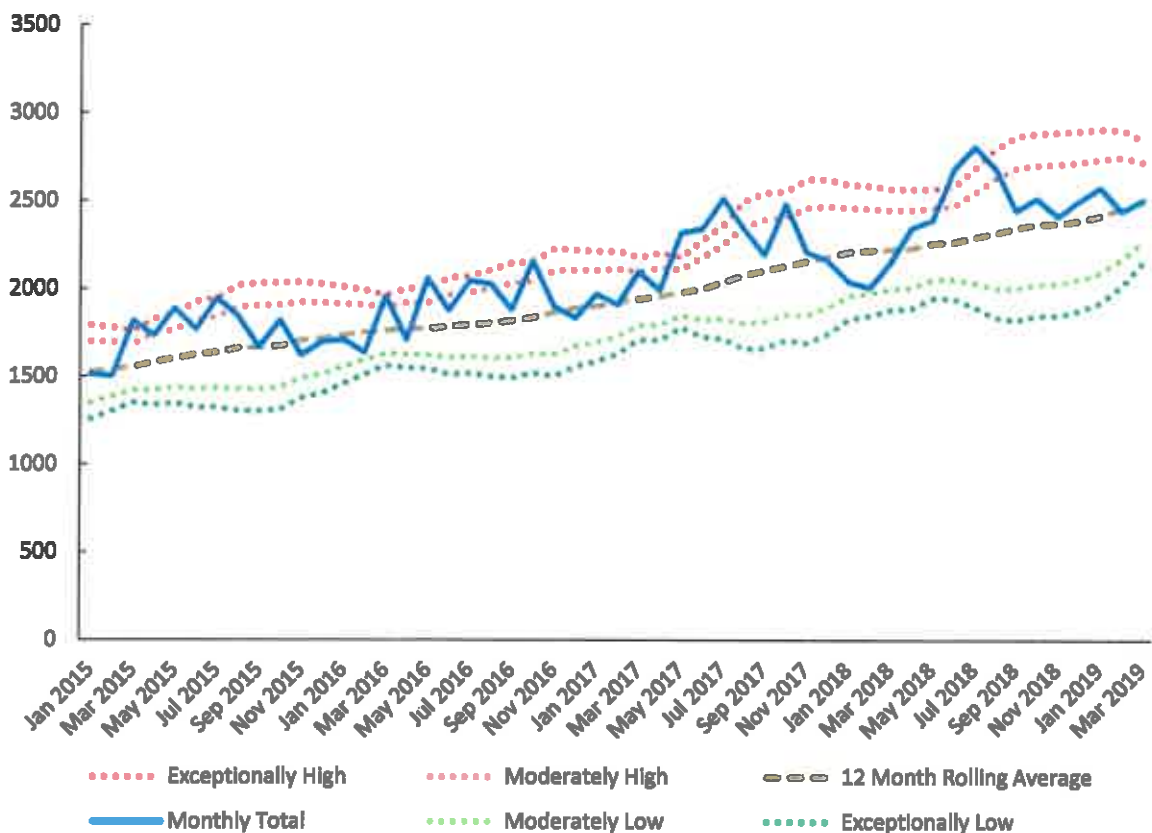
- 3.6 The Commissioner and Chief Constable have continued to consolidate a solid and professional relationship between the two functions but have a single vision of improving Dyfed-Powys Police and the service it provides to the public.
- 3.7 The Chief Constable is responsible for supporting the Commissioner 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 Police and Crime 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>

- 3.8 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 & Crime Plan. All performance is monitored and scrutinised through the appropriate Boards within the Governance structure with a key focus on improvement.
- 3.9 Initial handling of calls for service at our Force Communications Centre is timely and efficient. Dyfed Powys Police have continued to answer 999 calls well within the 10 seconds National Call Handling Standard. Equally, more than 90% of non-emergency number 101 calls are answered in less than 45 seconds. The number of calls for service received at our FCC has remained largely unchanged for the last 4 years and demand is not forecast to change significantly in the coming years.
- 3.10 Response times to calls for service, in accordance with the prioritisation given to them, is very good. Some geographical challenges are faced in places such as Lampeter and Radnorshire Inspector areas however, in comparison, the response times are far better than in other forces.
- 3.11 The Chart demonstrates that total crime recorded has been increasing since February 2018 however would appear to have stabilised since September 2018.

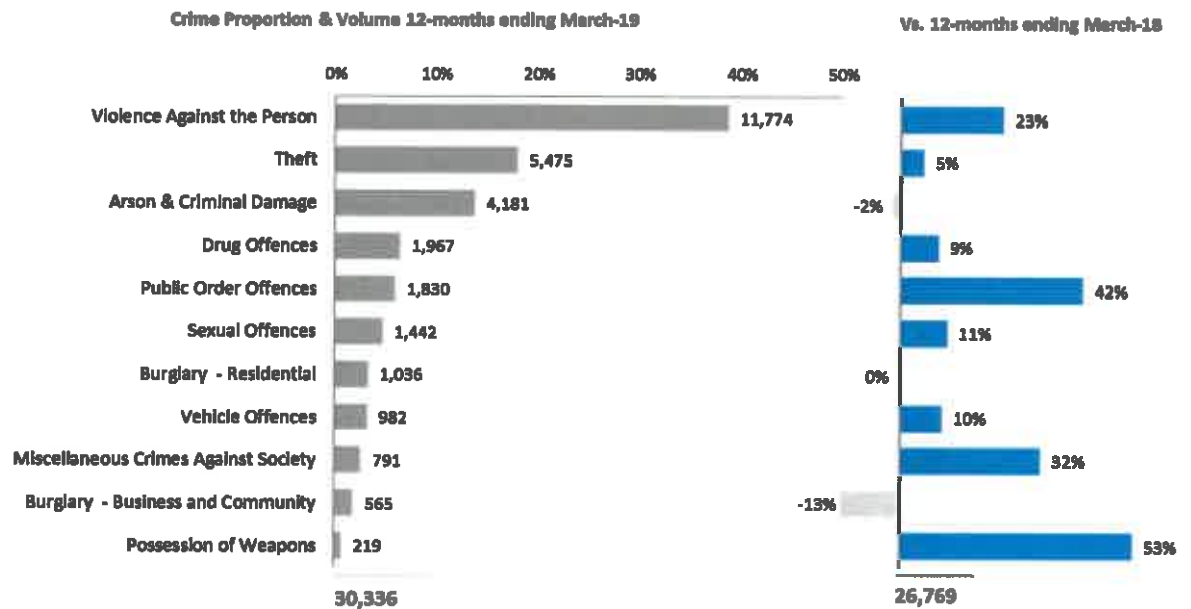
Figure 1: Total recorded crime volume over time



- 3.12 Within the last two years, the largest increases in recorded crime are within Violent Crime, Public Order Offences, Sexual Offences and Cyber-Related Offences.

Increases are also noted within Possession of a Weapon and Robbery offences albeit, these are small in number but given the serious nature of the crimes and indeed the national focus on knife crime, it is important that the force continue to record and deal effectively with such reports.

Figure 2: Crime Category comparison 2017/18 to 2018/19



- 3.13 Mobile phones, computers and tablets that provide access to the Internet and Social Media has facilitated a stark change in the way some crime is committed such as stalking and harassment, sexual offences and fraud. As storage capacity increases on our digital devices, so does the resource and expertise needed to retrieve the data. In the last year, Dyfed-Powys Police's Cyber Crime Unit examined 63.4 terabytes of data compared with 2017 when 19.1 terabytes was examined, but the number of Digital Investigators has not increased. The force has reviewed how it deals with digital investigations and is due to implement a structure that will ensure a fast and efficient service.
- 3.14 County Lines is a term used for Organised Crime Groups that carry out drug dealing in more rural settings but run from larger population centres. Nationally, there has been a widely reported rise in County Lines offences. Dyfed-Powys has a relatively small number of Organised Crime Groups operating in the area. A number of police operations have been run to ensure that we effectively disrupt and dismantle County Lines activity thereby minimising impact on our communities whilst also protecting the vulnerable who are targeted by these groups.
- 3.15 Doing the basics brilliantly is a key commitment of the Chief Constable and this applies across all areas of work. For 2019, Neighbourhood policing and Domestic Abuse have been established as priority areas that the Chief Officer team and other senior leaders are focusing on to drive improvement in further safeguarding our communities.
- 3.16 In terms of domestic abuse, the force has introduced a vulnerability desk as part of a wider programme of work to deal more effectively with all such reports, to ensure the

best possible service is provided to victims. A team of officers quality assure each call received where a domestic incident is reported to ensure the officers attending are fully equipped with all information necessary as well as ensuring that the needs of victims are met.

- 3.17 Quality and timeliness of investigations for Rape and Serious Sexual offences is of utmost importance for Dyfed-Powys Police. Action plans are in place to enable Senior Officers to scrutinise investigations and put in place robust accountability. Progress against these is reported through the force's governance structure.
- 3.18 The length of time take to deal with and close a crime¹ has reduced by 16 days over the last year² as a result of continued efforts to ensure reports are dealt with in a timely fashion and that the allocation of police to calls for service is appropriate at all times.
- 3.19 Court conviction rates at Magistrates Court are consistently better in Dyfed-Powys Police than in other forces. Generally, conviction rates at Crown Court are also better than other forces however, the numbers are lower and more sensitive to fluctuation.
- 3.20 Public opinion of local policing is gauged from two key sources of information. These are the Crime Survey for England and Wales (CSEW) which offers public perception of policing and the Victim Satisfaction Survey which provides victim experience of policing. The CSEW is carried out by the Office for National Statistics and the Victim Satisfaction Survey is carried out by police staff within DPP, a service commissioned by our Police and Crime Commissioner. Generally the Victim Satisfaction Survey suggests that victims are satisfied with the whole experience however, keeping victims informed of progress made against the investigation of the crime is an area that is consistently highlighted as one for improvement.

a. Crime Outcomes

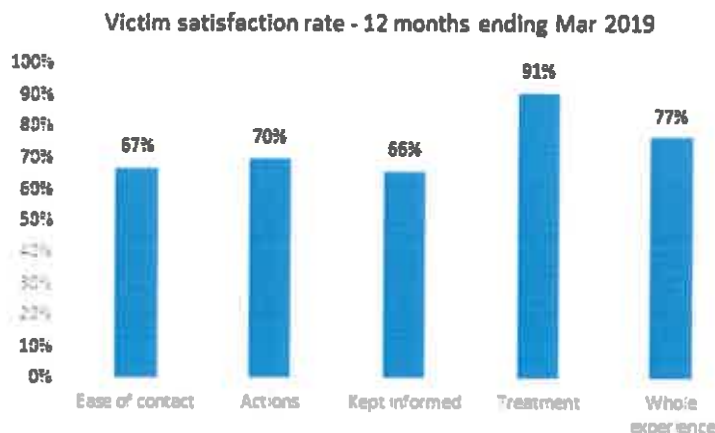
Considering crimes that were reported and assigned an outcome (finalised) in 2018/19, 63% (17,835 crimes) were assigned an outcome within 30 days of it being reported. This is an increase of 4% when compared with 2017/18. The volume of crimes assigned an outcome within 30 days depends highly on both the type, and nature of the crime. Crimes of greater complexity, such as sexual and robbery offences (33% and 47%, respectively) are likely to take longer to assign an outcome, than crimes that are generally considered less complex, such as criminal damage and public order offences (71% and 67%, respectively).

b. Victim satisfaction

798 telephone interviews were conducted in 2018/19 to identify how satisfied victims of crime and anti-social behaviour were with policing services received. The graph on the following page focuses on five aspects of our victims' journey.

¹ through application of an "Outcome"

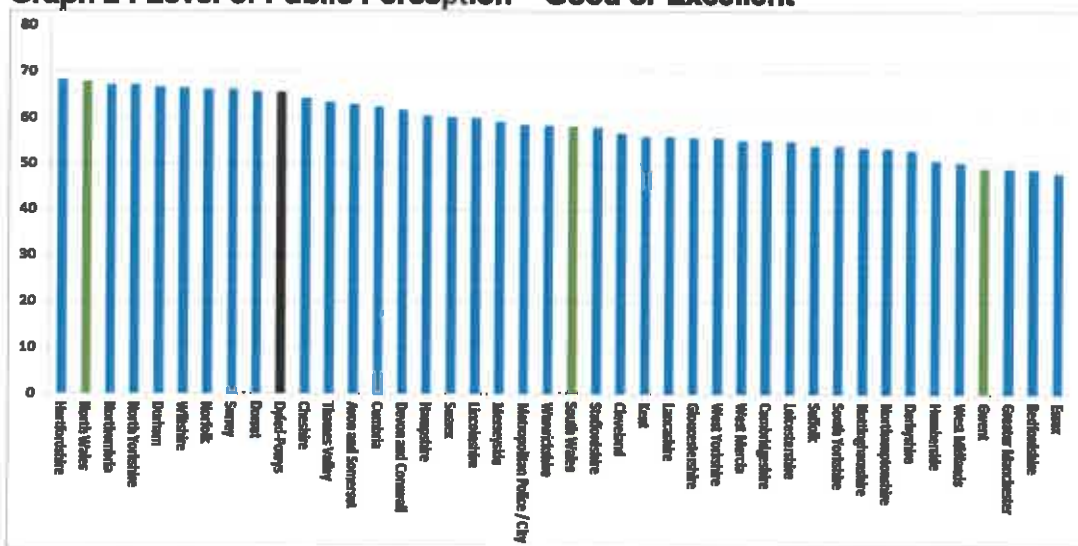
² in financial year 2017/2018, it took an average of 53 days to apply an Outcome to a crime. In 2018/2019, it took 37 days to apply an Outcome to a crime.



Lower satisfaction rates with being kept informed appear to influence an individual's whole experience satisfaction rate. Consideration is being given to implementing measures to address this feedback, thereby improving victim experience.

- 3.21 Despite a number of changes within the Police Chief Officer Group, the Commissioner and Chief Constable continue to work hard together to overcome continued challenges with progress being made in a number of critical areas. A focus on public engagement and working together to safeguard the vulnerable has resulted in a shift in focus, to what has now been recognised nationally as exceptional victim care.
- 3.22 The level of public perception remains high in comparison with levels elsewhere in the country with 65.6% rating the work that Dyfed-Powys Police do as good or excellent (December 2018 Data):

Graph 2 : Level of Public Perception – Good or Excellent



- 3.23 In terms of Victims Satisfaction 77% were satisfied with their whole experience but the Force recognises that there is work to do to focus on keeping victims up to date.
- 3.24 During October 2018 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services HMICFRS undertook the first annual Integrated PEEL inspection of the force. Their findings were published in late April 2019 with the following gradings:

Effectiveness	How effectively does the force reduce crime and keep people safe?	Good
Efficiency	How efficiently does the force operate and how sustainable are its services to the public?	Requires Improvement.
Legitimacy	How legitimately does the force treat the public and its workforce?	Requires Improvement.

- 3.25 Whilst it was disappointing to see the gradings, both the Commissioner and Chief Constable are absolutely committed to providing a first class policing service to the communities of Dyfed Powys. The Force has invested a significant amount of time in better understanding the issues highlighted and continues to focus on addressing these.
- 3.26 HMICFRS recognised the significant progress the Force is making in relation to restructuring services to deliver specialist support to communities and it is also reassuring to hear praise for the work of staff in the Force Contact Centre, who consistently identify vulnerability. 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.
- 3.27 Both the Commissioner and Chief Officer Group are very clear that they want a culture where everyone feels able to be heard and to challenge but it is evident that there is work to do in relation to concerns about perceived fairness. The Force undertook a staff survey during 2018/19 with a high response rate of 62.2% which provided very positive results as well as identifying a number of areas for attention.
- 3.28 The Force has continued to re-shape to meet demand and has made considerable progress in many of the delivery principles which underpin the Police and Crime Plan. The Force has the lowest level of recorded crime and is therefore the safest place to live in England and Wales with public trust and confidence remaining high. It is however, recognised that the landscape of policing is forever changing, and that there is still much work ahead to address future challenges whilst addressing the issues identified within the most recent HMICFRS Report.

4.0 The Organisational Model

- 4.1 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, Assistant Chief Constable and 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's Services	Local Policing	Corporate Finance
Legal Department	Investigations	Fleet
Information Management	Specialist Response	Procurement
Collaboration and Efficiency	Contact Centre	Information Systems and Technology
Corporate Communications	Scientific Support	Business Support Unit
Ill Health Retirements	Criminal Justice	
Major Operations	Partnerships	
Health and Safety		
Professional Standards		

- 4.2 The Force had a budgeted establishment of 1,191 police officers 148 Police Community Support Officers and 675 police staff. A breakdown of the distribution of staffing is shown in the table below:

Breakdown of Budgeted Positions 2018-19

	Police Officers	PCSOs	Police Staff
	FTE	FTE	FTE
Local Policing	596	148	9
Investigations	320	0	162
Operational Support(Including Call Handling)	174	0	158
Criminal Justice	2	0	45
Scientific Support	0	0	21
Professional Standards	9	0	14
Other headings Including Business Support	26	0	244
Seconded and Funded Areas	64	0	22
	1,191	148	675

- 4.3 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. The budget for the year included provision for a Voluntary Early Severance scheme which resulted in 17.4 FTE leaving the organisation during the year. New training arrangements have been implemented from March 2019 under the Police Education Qualifications Framework which will see two intakes of student constables each year with external course providers delivering core elements of their training.
- 4.4 The Commissioner has an Office which supports him to deliver his 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 estates, finance, policy, performance, engagement and partnerships. The Commissioner has a total of 41.4FTE, which includes 22 within the Estates function which transferred to the Commissioner during 2017.
- 5.0 Financial Performance**
- 5.0 The Statement of Accounts shows the financial performance of the Chief Constable and has been prepared on the basis of proper accounting practice which meets the requirements of the 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.
- 5.1 The cost of services within the Comprehensive Income and Expenditure Statement shows that £129.1 million has been spent on providing policing services to the public of Dyfed Powys Police in 2018/19. This is around £2.8 million less than the comparable figure spent in the prior financial year. Of this reduction - some £4.9 million is attributable to changes in current service pension costs.
- 5.2 The Statement provides an analysis across the main service components and reflects organisational structural change with the prior year being restated for comparative purposes. For example, it can be seen that the largest element was spent on Local Policing which accounted for £71.9 million of the total in 2018/19.

- 5.3 The Balance Sheet provides a snap shot of the Chief Constable's assets and liabilities as at 31st March 2019.
- 5.4 The Balance Sheet is dominated by the long term liability of £1,292 million (was £1,183 million) 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 of 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 increased by £109 million during the year predominantly due to changes in financial and demographic assumptions. All current and future police (but not staff) pension costs will be paid for by the Government.

Financial Performance and Variance Analysis 2018/19

- 5.5 A total net budget of £99.100 million was originally set by Commissioner for the year 2018/19 which incorporated a Council Tax increase of 5% at Band D and which relied upon the use of £2.279 million from reserves to support current spending. Of the total budget £95.651 million was set as the budget for the Chief Constable.
- 5.6 This incorporated a 2.29% pay award assumption and an assumed 2.5% increase in general inflation on non-pay costs. This assumption proved to be challenging with certain areas of pressures in relation to utilities, instability within the forensics market, impacts of uncertainty in relation to Brexit and the retail price index being over 3%.
- 5.7 Within this baseline spending level, cost reductions of £1.925 million were already identified from across a number of 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.
- 5.8 Having recognised the critical nature of the financial situation the Chief Constable established a Finance Gold group during 2018/19. This Gold group is chaired by the Chief Constable himself and is attended by all senior managers to ensure that there is a very clear and consistent message and understanding of financial issues across all aspects of the business.
- 5.9 Four specific sub groups have been established with focused representation:
- **medium term financial plan** to consider use of reserves, efficiencies, future funding and resourcing levels
 - **overtime** to critically review of arrangements and requirements
 - **procurement** to critically review arrangements and spend for contracts and supplies & services
 - **income generation** to seek and maximise opportunities.
- 5.10 The following table sets out the final out-turn position for 2018/19 and compares this to the original budget. A revised budget is also shown in this variation statement that reflects additional budgets and movements approved during the year. Virements are processed during the year to ensure that the budget is updated on a timely basis. The changes to the budget referred to below were updated and reported at the monthly Policing Board meetings held through the year.

Variation Statement	Original Budget	Revised Budget	Actual	Variance (Positive for Saving)
Budget Holder	£'000	£'000	£'000	£'000
Budgets Managed Centrally				
Chief Constable's Office	1,118	1,118	1,334	-216
Corporate Budgets and Income	-2,043	-1,611	-2,117	506
Externally Funded National / Regional / Local Services	1,447	1,447	1,706	-259
Staff Associations	205	205	245	-40
Deputy Chief Constable				
People's Services	2,634	2,773	2,622	151
Legal, Information, Efficiency, Health and Safety	2,708	2,693	3,102	-409
Retirements, Major Operations & Corporate Communications	1,136	1,136	865	271
Professional Standards	1,103	1,130	1,090	40
Assistant Chief Constable				
Local Policing	55,965	55,639	55,559	80
Investigations	20,251	20,081	20,113	-32
Scientific Support	1,695	1,705	1,817	-112
Criminal Justice	1,276	1,276	939	337
Director of Finance				
Information Systems and Technology	4,626	4,616	4,249	367
Business Support Unit	1,963	1,963	2,111	-148
Fleet Costs	853	853	837	16
Finance and Procurement	713	653	543	110
Total Budget – Force	95,650	95,677	95,015	662
Revenue Reserves – Force Surplus	-2,279	-2,156	-1,761	-395
Driver Retraining Scheme	0	0	291	-291
In Year Initiatives Funded From Reserves	0	-123	-147	24
Total Revenue Reserves Movements	-2,279	-2,279	-1,617	-662
Total Budget	93,371	93,398	93,398	0

5.11 The Variation Statement above shows that the Chief Constable costs overall were £662K below the revised budget for the year. An explanation of the main reasons for the more material variances in budget for 2018/19 is provided below:

- i. **Chief Constable's Office:** In total, this budget overspent by £216K with around £165K of this being against pay headings. This included the cost consequences of putting two officers through the Senior Command Course and the need to backfill. Non pay budgets also over-spent by £41K as a result of additional events and subscriptions. Income was down by £10K on the budgeted position.

- ii. **Corporate Budgets:** Savings of £291K had been achieved against police staff budgets by utilising staff in the delivery of IT Capital Project Implementations. In addition savings of £481K were gained through procurement and austerity measures in respect of non-pay budgets and capital charges. Income and other minor budgets were down by £266K primarily being accounted for by reductions in Police Led Prosecution income and Mutual Aid / Special Services receipts.
- iii. **Externally Funded National / Regional / Local Services:** A net overspend of £259K was experienced predominantly against Regional Collaborative Activity.
- iv. **Staff Association:** A net overspend of £40K is recorded against this budget due to backfilling of vacancies elsewhere in the organisation.
- v. **People's Services:** People's Services budgets were £151K underspent predominantly thanks to grants received to offset additional setup costs of the new Police Education Qualification Framework.
- vi. **Legal, Information, Efficiency, Health and Safety:** An overspend of £409K has been experienced against this budget which in the main is accounted for by the additional staffing costs associated with a revised Information Management Structure and legal fees associated with past and impending proceedings .
- vii. **Retirements, Major Operations & Corporate Communications:** The Force saved £271K against these headings with the biggest contributors being ill health retirement /pension cost budgets and additional mutual aid receipts.
- viii. **Professional Standards:** A net saving of £40K is recorded against professional standards which arose across pay and non-pay headings with the biggest factor being savings against IT budgets.
- ix. **Operational Budgets Managed by the Assistant Chief Constable:** Local Policing costs came in within £80K of the budget overall despite considerable pressure on overtime budgets of around £449K. Additional Mutual Aid and Counter Terrorism Firearms Officer reimbursements and receipts and a slight saving on police pay headings brought this back within budgets at year end. Investigations and scientific support came in very slightly over budget at £32K and £112K respectively. The Criminal Justice Department underspent against the budget by £337K which mainly related to speed awareness training volumes being higher than anticipated.
- x. **Finance Directorate:** This Directorate encompasses the Corporate Finance, Fleet, ICT, Business Support and Procurement Departments of the Force. Additional income, non-pay procurement and austerity measures resulted in a large planned underspend of £367K against ICT budgets. Income receipts for Firearms Licensing and Vehicle Recovery were lower than anticipated which have resulted in an offsetting overspend of £148K against Business Support headings. Fleet and Finance/ Procurement headings were under budget by £126K due to staffing vacancies and additional income receipts.

5.12

The final reserves position for the Commissioner shows a figure of £16.215 million held as at 31st March 2019 which incorporates a sum of £6.212 million to support future capital budget commitments, a general reserve of £4.032 million for unforeseen events and a sum of £1.336 million that is required to fund predicted future MTFP revenue contributions and deficits. This includes a balance of £1.721 million which is held on behalf of the road safety partnership "Go Safe" and £0.388 million being held for regional collaborative arrangements along with a number of earmarked reserves which are held to support specific projects including two new

reserves to support sustainability/ transformation projects of £0.493 million and an operational fund of £0.385 million to assist the force in dealing with peaks and troughs in operational activity.

6 Risks, Opportunities and the Medium Term Financial Outlook.

- 6.1 Risks are managed at all levels of the organisations 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. The Risk Register is a live document which is updated at least weekly. The main risks that remaining outstanding at the end of 2018/19 include:
- Financial resilience and management
 - Governance and financial controls in respect of Collaborative activities
 - Local availability of services for the forensic medical examination of children
 - Sustainability of external forensics markets
- 6.2 The Risk Register is monitored regularly in order to ensure that risks are allocated an owner responsible for applying appropriate mitigations. Further details in relation to risk management are included in the Annual Governance Statement which is included as part of this document.
- 6.3 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.
- 6.4 The Government have stated that a Comprehensive Spending Review (CSR) is likely in late 2019, albeit there are uncertainties as to timing due to the ongoing Brexit negotiations. A number of national working groups have been formed to gather information and data to support the submissions to the Government which will be aimed to facilitate their consideration. Albeit that the outcomes will remain to be seen, a consistent national approach to budgetary assumptions was been advocated by the Police and Crime Commissioners Treasurers Society which was to assume a cash flat settlement for 2020/21. Clearly there are risks attached to this assumption and this position will be monitored carefully.
- 6.5 The position on the Formula Funding Review is also uncertain however it is understood that the Home Office may look to implement changes to formula after the CSR. The impact of the last unimplemented review would have resulted in £8M less for Dyfed Powys and these reductions have therefore been factored into the MTFP incorporating a reduction of 4% in central grant from 2021/22 onwards.
- 6.6 As outlined previously, there has been much independent commentary over the last year in relation to Police sustainability, funding, resilience and increased burdens which include increases to employer's pension contributions which highlight and confirm the very critical and precarious position that Dyfed-Powys and the police service in general face.
- 6.7 The provisional settlement was announced by the Policing Minister on the 13th December 2018 which included headline figures of £970m additional funding with approximately £813m for local policing: £153m pension grant, £161m additional core grant funding to provide all forces with a 2.1% increase and £509m from additional precept flexibility by raising precept by £24 per year per Band D property.
- 6.8 In outlining the provisional settlements both the Home Secretary and Policing Minister recognised the police services engagement over the last year which has facilitated Governments appreciation that crime is both changing and increasing in

complexity which has resultant impacts on both the demand for resources and the capabilities required to enable response.

- 6.9 The 2019/20 settlement for Dyfed-Powys was £50.348m which was £1.035m or 2.1% higher than 2018/19. However, it is vital that this increase is considered in light of the very significant and unforeseen pressures which have arisen from changes to the employer's contribution rate for Police Officer pensions. A new specific grant for pensions has also been awarded for 2019/20 amounting to £1.302m, but even in addition to the uplift in core grant, still leaves a shortfall of £535k to be met.
- 6.10 Following a rigorous process of scrutiny and deliberations over financial assumptions, risks that continue to threaten the communities and investment priorities which included a number of seminars and presentations to the Commissioner, his staff, the Force Executive Board, Wales Audit Office representatives, Joint Audit Committee, Police and Crime Panel Members and local Members of Parliament the Commissioner submitted his precept proposal for 2019/20 and assumptions that underpin the MTFP to 2024/25 to the Dyfed-Powys Police and Crime Panel on 25th January 2019.
- 6.11 This proposal was duly supported which raised the average band D property precept by £24 to £248.56, a 10.7% increase. This increase was in accordance with the flexibilities advocated by the Government and will raise a total precept of £55.247m. This will provide a total of central and local funding of £106.897m representing a 7.87% increase on funding levels in 2018/19.
- 6.12 This, once again, sees Dyfed-Powys with the lowest council tax precept in Wales of £248.56 compared with £257.52 in South Wales, £255.53 in Gwent and £278.10 in North Wales. It is also worth highlighting that Dyfed-Powys has had the fifth lowest council tax precept increases across England and Wales since 2012/13. The Commissioner has included assumptions of 5% year on year increases in precept for the MTFP.
- 6.13 The Plan incorporates an assumption of 2% growth in pay and inflationary pressures from 2020/21 onwards and has modelled known growth and cost increase pressures and potential loss of specific grants. In addition, the continued reduction in the annual contribution from reserves and an incremental increase in contribution to capital financing and charges to support the forward Capital Programme have been included. Further additional spending on a number of national, regional and local priorities along with the additional costs arising from changes to police pensions have been included.
- 6.14 The Force continues to identify efficiency measures and has a cost reduction plan which is aiming to capitalise on national, regional and local initiatives including the National Commercial Board, Police ICT Company and All Wales Collaboration activities. This plan assumes a significant reshaping of the workforce and cost base through efficiency and productivity which will enable the Commissioner and Force to set a balanced and funded Medium Term Financial position for both revenue and capital whilst protecting the standard of service for the communities of Dyfed Powys.

MEDIUM TERM FINANCIAL PLAN – REVENUE	19-20	20-21	21-22	22-23	23-24	24-25
	£M	£M	£M	£M	£M	£M
Central and Local Funding						
Predicted Central Funding	-51.6	-51.6	-49.9	-47.7	-45.8	-44.0
Local Precept	-55.2	-58.1	-61.2	-64.4	-67.8	-71.4
Total Funding	-106.9	-109.8	-110.9	-112.1	-113.7	-115.5
Revenue Spending						
Predicted Spending	109.8	111.7	115.9	110.1	122.1	125.2
Efficiencies delivered for 19-20	-2.9	0	0	0	0	0
Cumulative Annual Deficit	0	1.8	5.1	6.9	8.4	9.7
Future Cost Reduction Plan						
Sustainability and Capital		-0.4	-0.5	-0.3	-0.2	-0.1
Collaboration and Income		-0.3	-0.4	-0.3	-0.5	-0.3
Demand and Productivity		-0.3	-1.8	-0.7	-0.4	-0.4
Workforce Planning		-0.6	-0.4	-0.4	-0.3	-0.4
Procurement and Non Pay		-0.2	-0.2	-0.1	-0.1	-0.1
Annual Cost Reductions		-1.8	-3.3	-1.8	-1.5	-1.3
Cumulative Annual Anticipated Revenue Deficit		-1.8	-5.1	-6.9	-8.4	-9.7
		0.0	0.0	0.0	0.0	0.0

- 6.15 Investment in Capital Infrastructure is accounted for by the Police and Crime Commissioner as the owner of all fixed assets under Regulations. The Commissioner set a capital programme for 2019/20 to 2023/24 of £48.206 million which includes the Force's priorities for investment in Estates, Fleet and ICT Infrastructure. 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 21st century policing.
- 6.16 There has been a significant reduction in core capital funding allocated by the Home office over recent years. In 2019/20 a total capital grant of £325K will be available for the Commissioner. In addition, central funding will be available to part fund the major communication programme, although £2.6million of the future costs will fall on the Commissioner to fund.
- 6.17 In order to meet future capital investment requirements and mitigate the reductions in capital grant funding, the MTFP and capital programme include revenue contributions to capital from 2019/20 and also includes external borrowing requirements to support the major estates developments. The Commissioner considers his Capital Strategy annually and also assesses his borrowing requirements annually to ensure they are prudent, sustainable and affordable. These documents are shown at:
<http://www.dyfedpowys-pcc.org.uk/media/7689/capital-strategy-2019-20-002.pdf>
<http://www.dyfedpowys-pcc.org.uk/media/7686/2019-03-07-agenda-13-treasury-management-strategy.pdf>
- 6.18 The Force has submitted its second Force Management Statement to Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services, which comprehensively sets out the main operational and business support challenges that the Force is facing. This considers the capability and capacity of the Force in the context of dealing with current and future demand. In summary the document points to challenges which largely mirror those areas already identified in the Risk Register but also highlights challenges in relation to vulnerability, domestic abuse and violent / sexual offending in terms of anticipated future demands.

- 6.19 The Commissioner and Force also 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

7.0 Basis of Preparation and Presentation

7.1 These are the seventh 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.

7.2 The Accounts and Audit (Wales) Regulations 2015 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.

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

- **Independent Auditor's Report** - this sets out the opinion of the external auditor, the Wales Audit Office, on whether the Group accounts presented give a 'true and fair view' of the financial position and operations of the Commissioner for 2018/19;
- **Statement of Responsibilities for the Statement of Accounts** - this statement sets out the responsibilities of the Commissioner and his Chief Finance Officer;
- **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 accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year;
- **Balance Sheet** - this core statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The Commissioner owns the land, buildings and other assets used by the Force. The net assets (assets less liabilities) are matched by the usable and unusable reserves;
- **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;
- **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;
- **An Annual Governance Statement** is included within this Statement of Accounts that 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 a combined statement has been produced for 2018/19 which 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 also provides assurance on the systems of internal control.

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

I approve the Statement of Accounts for financial year 2018/19.




Chief Constable of Dyfed Powys

Date

The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Chief Constable at the reporting date and of its expenditure and income for the year ended 31st March 2019.




Chief Financial Officer to the Chief Constable

Date

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

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

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Dyfed Powys Police and the Dyfed Powys Police Pension Fund as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). 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 Police and the Dyfed Powys Police Pension Fund 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable of Dyfed Powys Police's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise

explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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 2018-19;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the 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 the Chief Constable of Dyfed Powys Police 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 Governance Statement.

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

- proper accounting records have not been kept;
- 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.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Chief Constable of Dyfed Powys Police 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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 21, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Dyfed Powys Police Pension Fund's financial statements, 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 Police's 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website:

www.frc.org.uk/auditorsresponsibilities.

This description forms part of my auditor's report.



Anthony J Barrett
For and on behalf of the Auditor General for Wales
31 July 2019

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the Dyfed Powys Police website is the responsibility of the Chief Constable; 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. The 2017/18 Statement has been restated to reflect changes made to Force Governance Structures and Reporting Arrangements. Please refer to Note 2 'Previous Period Adjustments' for an explanation of these changes.

2017/18 (Restated)			Comprehensive Income and Expenditure Statement	Notes	2018/19		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000	
			<u>Budgets Managed Corporately by the Chief Constable</u>				
1,589	0	1,589	Chief Constable's Office		1,576	0	1,576
7,011	0	7,011	Centrally Managed Corporate Budgets		1,666	0	1,666
5,439	0	5,439	Externally Funded National/Regional/Local Services		5,442	0	5,442
282	0	282	Staff Associations		296	0	296
			<u>Budgets Managed by the Deputy Chief Constable</u>				
3,094	0	3,094	People's Services		3,357	0	3,357
4,034	0	4,034	Legal, Information, Efficiency, Health & Safety		3,772	0	3,772
993	0	993	Retirements, Major Operations and Communications		1,108	0	1,108
1,509	0	1,509	Professional Standards		1,329	0	1,329
			<u>Budgets Managed by the Assistant Chief Constable</u>				
68,043	0	68,043	Local Policing		70,282	0	70,282
26,295	0	26,295	Investigations		26,006	0	26,006
1,679	0	1,679	Scientific Support		2,040	0	2,040
1,812	0	1,812	Criminal Justice		2,831	0	2,831
			<u>Budgets Managed by the Director of Finance</u>				
4,629	0	4,629	Information Systems and Technology		4,742	0	4,742
2,638	0	2,638	Business Support Unit		2,774	0	2,774
1,120	0	1,120	Fleet Costs		1,208	0	1,208
716	0	716	Finance and Procurement		681	0	681
92	0	92	<u>Non-distributed Costs</u>		0	0	0
			Potential Impact of recent Police Pension Legal Challenge (McCloud)				
			<u>Exceptional Items -</u>				
187	0	187	Abnormal Loads – Windfarms		0	0	0
798	0	798	Operation Heath		0	0	0
0	0	0	<u>Potential Impact of recent Police Pension Legal Challenge (McCloud)</u>	17	78,599	0	78,599
131,960	0	131,960	COST OF SERVICES		207,709	0	207,709
33,674	0	33,674	Financing & Investment Income & Expenditure	7	31,444	0	31,444
0	(165,634)	(165,634)	Commissioning Costs (Intra-group transfer)		0	(239,153)	(239,153)
165,634	(165,634)	0	(Surplus)/deficit on Provision of Services		239,153	(239,153)	0
		(167,065)	Actuarial (gains)/losses on pension assets/liabilities				80,914
		167,065	Commissioning Costs (Intra-group transfer)				(80,914)
		0	Total comprehensive income and expenditure				0

Balance Sheet

31st March 2018		Note	31st March 2019
£'000			£'000
0	Property, plant & equipment		0
0	Investment property		0
0	Intangible assets		0
0	Assets held for sale		0
1,182,591	Long term debtors	17	1,370,871
1,182,591	Long term assets		1,370,871
0	Short term investments		0
459	Inventories		463
713	Short term debtors	9	475
0	Cash and cash equivalents		0
(1,172)	Intra-group transfer		(938)
0	Current assets		0
0	Bank Overdraft		0
0	Short term borrowing		0
(6,911)	Short term creditors	10	(10,324)
0	Short term provisions		0
6,911	Intra - group transfer		10,324
0	Current liabilities		0
0	Long term creditors		0
0	Long term borrowing		0
(1,182,591)	Other long term liabilities	17	(1,370,871)
0	Long term provisions		0
0	Grant receipts in advance		0
(1,182,591)	Long term liabilities		(1,370,871)
0	Net assets/liabilities		0
0	Usable reserves		0
0	Unusable reserves		0
0	Total reserves		0

Police Pension Fund

Chief Constable 2017/18		Fund Account	Chief Constable 2018/19	
£'000	£'000		£'000	£'000
		Contributions receivable:		
(10,462)		• Employer contributions	(10,520)	
(441)		• Other income	(256)	
(5,855)		Officers' contributions	(5,879)	
	(16,758)			(16,655)
(46)		Transfers in from other pension funds	(393)	
		Benefits payable:		
24,823		• Pensions	26,483	
10,053		• Commutations and lump sum retirement benefits	9,443	
	34,830			35,533
		Payments to and on account of leavers:		
0		• Transfers out to other pension funds	39	
5		• Refunds of contributions	12	
500		• Scheme Pays tax payments	119	
	505			170
	18,577	Net amount payable for the year		19,048
	(18,577)	Additional contribution from the Police Fund (re Home Office grant)		(19,048)
	0			0

Chief Constable 2017/18	Net Assets Statement	Chief Constable 2018/19
£'000		£'000
	Current Assets	
0	Debtor – net balances owed from the Police fund	908
0		908
	Current Liabilities	
0	Creditors – benefits payable to retiring officers end of March paid April	(908)
0		(908)
0		0

Notes to the Accounts

1. Accounting policies

General Principles

The Statement of Accounts summarises the Chief Constable's transactions for the 2018/19 financial year and the position at the year-end of 31st March 2019. 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 practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

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

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

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

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

Collaborative Arrangements

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

Employee benefitsBenefits 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 2017/18**

The following amendments have been made to the Comprehensive Income and Expenditure Statement for 2017/18. These changes are in respect of Custodial Services and Integrated Offender Management Expenditure which had been categorised incorrectly:

2017/18 (Previous) £000		AMENDMENTS:		2017/18 (Restated) £'000
		Custodial Services £'000	Integrated Offender Management £'000	
	<u>Budgets Managed by the Assistant Chief Constable</u>			
64,151	Local Policing	4,970	(1,078)	68,043
30,187	Investigations	(4,970)	1,078	26,295
94,338		0	0	94,338

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

The Code requires the Police and Crime Commissioner to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The following changes will be required from 1 April 2019:

- amendments to IAS40 *Investment Property*: Transfers of Investment Property;
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*;
- IFRIC 23 *Uncertainty over Income Tax Treatments*;
- amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

The impact of the above changes on the Financial Statements is not known, however, in the Financial Statements for 2019/20, the effect of the changes will be assessed and if necessary, the comparative figures restated.

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

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

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

The items in the Chief Constable's Balance Sheet at 31st March 2019 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 pensions liability of changes in individual assumptions can be measured. For instance, an increase of 0.1% in pay award for the police officer pension scheme would result in an increase to the pension liability of £1.250 million.

6. Events after the Reporting Period

The Draft Statement of Accounts was authorised for issue by the Chief Financial Officer on 30th May 2019.

On 27 June the Supreme Court refused leave to appeal on the Police Pension Legal Challenge (McCloud). As a result, it is envisaged that there will be an increase in Police Pension Scheme liabilities. The increase is reflected in the IAS19 Disclosure as a Past Service Cost and a similar adjustment has been made to Past Service costs in respect of the Local Government Pension Scheme. Please refer to Note 17 for further detail.

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.

2017/18		2018/19
£'000		£'000
33,674	Pensions Interest cost and expected return on pensions assets	31,444
33,674	Total	31,444

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.

The Chief Constable's non-derivative financial liabilities comprise of creditors and are measured at amortised cost.

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. The financial assets held by the Chief Constable during the year are held under the following classification:

- Loans and receivables (financial assets that have fixed or determinable payments and not quoted in an active market) comprising:
- Debtors

Financial Instruments – Balances

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

	Long Term		Current	
	31 st March 2018	31 st March 2019	31 st March 2018	31 st March 2019
	£'000	£'000	£'000	£'000
Creditors*	0	0	(6,911)	(10,324)
Total Financial Liabilities	0	0	(6,911)	(10,324)
Debtors*	0	0	713	475
Total Financial Assets	0	0	713	475

*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 in 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 were no transfers between input levels 1 and 2 during the year.

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

Carrying amount	Fair value		Carrying amount	Fair value
31 st March 2018	31 st March 2018		31 st March 2019	31 st March 2019
£'000	£'000		£'000	£'000
		Financial Liabilities:		
(6,911)	(6,911)	Creditors	(10,324)	(10,324)
(6,911)	(6,911)	Total Financial Liabilities	(10,324)	(10,324)
		Financial Assets:		
713	713	Debtors	475	475
713	713	Total Financial Assets	475	475

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 st March 2018		31 st March 2019
£'000		£'000
713	Prepayments	475
713	Total	475

10. Short-term Creditors

31 st March 2018		31 st March 2019
£'000		£'000
1,365	Trade payables	970
5,546	Other payables	9,354
6,911	Total	10,324

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

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

In 2017/18 an All Wales Collaboration Team was established on a short term basis to coordinate existing activities and identify new opportunities for collaboration across the four Forces in Wales. The team is led by a Deputy Chief Constable and is funded based on agreed contributions from each Force in Wales. The total costs of the team in 2018/19 were £396k (2017/18 – £243k) and Dyfed Powys Police's contribution to these costs was £91.5k in 2018/19 (2017/18 – £61.5k).

The first table below details a summary of the Income and Expenditure Statement for the main activities of the collaborative units based on the funding contributions that each Force made to the collaborative arrangement.

Included in accounting policies under joint arrangements are definitions and an explanation of the new accounting requirements for joint operations, the latter involving shares of income, expenditure, assets and liabilities. As a result of the requirement of IFRS11, the second table below provides revised information relating to Dyfed Powys Police and for other forces to show the totals for each joint operation.

As a result of the requirements of IFRS11, gross expenditure in the CIES has been increased by £1,134k and income/grants have been increased by £792k, an increase in net expenditure of £342k. This net increase has been reversed in the Movement in Reserves Statement 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.

**North Wales Police are basing their Dedicated Security Post (DSP) costs on income and expenditure rather than an allocation based on population in Wales. Their income and expenditure for DSP is therefore not included in the tables below. They are not included in the Regional Task Force, which operate in the Southern Welsh Forces. For the Regional Organised Crime Unit, North Wales Police contribute to the North West Region of England and North Wales.*

The Expenditure and Income Statements for the main collaborative arrangements are in the following table:

2018/19

	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
Service Classification	National Policing	National Policing	National Policing	Intelligence/ Investigation	Intelligence	Specialist Operations	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pay Expenditure	7,541	428	3,805	4,855	1,720	11,480	29,829
Non Pay Expenditure	1,644	46	380	2,333	575	1,656	6,634
Gross Expenditure	9,185	474	4,185	7,188	2,295	13,136	36,463
Specific Grant Income	(9,146)	(474)	(4,159)	(3,787)	0	(1,167)	(18,733)
Income	(39)	0	(26)	(1,512)	(21)	(245)	(1,843)
Total Income & Grants	(9,185)	(474)	(4,185)	(5,299)	(21)	(1,412)	(20,576)
(Surplus) or Deficit - to be funded from Force Contributions as follows:	0	0	0	1,889	2,274	11,724	15,887
Force Contributions (Net):							
Dyfed-Powys	0	0	0	(384)	(463)	(3,645)	(4,492)
Gwent	0	0	0	(491)	(590)	(2,796)	(3,877)
North Wales	0	0	0	0	0	0	0
South Wales	0	0	0	(1,014)	(1,221)	(5,283)	(7,518)
Total Force Contributions	0	0	0	(1,889)	(2,274)	(11,724)	(15,887)

Each Force's contribution towards Expenditure and Income in 2018/19 is as follows:

	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
Service Classification and agreed basis of apportionment	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	Intelligence/ Investigation (Population – national benefit basis)	Intelligence (Agreed Financial Contribution – local delivery)	Specialist Operations (Agreed Financial Contribution – local delivery)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dyfed-Powys	1,519	78	409	1,529	467	4,084	8,086
Gwent	1,727	89	465	1,739	596	3,133	7,749
North Wales	2,046	106	2,262	0	0	0	4,414
South Wales	3,893	201	1,049	3,920	1,232	5,919	16,214
Gross Expenditure	9,185	474	4,185	7,188	2,295	13,136	36,463
Dyfed-Powys	(1,519)	(78)	(409)	(1,127)	(4)	(439)	(3,576)
Gwent	(1,727)	(89)	(465)	(1,282)	(6)	(337)	(3,906)
North Wales	(2,046)	(106)	(2,262)	0	0	0	(4,414)
South Wales	(3,893)	(201)	(1,049)	(2,890)	(11)	(636)	(8,680)
Total Income & Grants	(9,185)	(474)	(4,185)	(5,299)	(21)	(1,412)	(20,576)

2017/18

	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
Service Classification	National Policing	National Policing	National Policing	Intelligence/ Investigation	Intelligence	Specialist Operations	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pay Expenditure	5,574	425	4,356	4,793	1,554	11,292	27,994
Non Pay Expenditure	1,142	30	285	1,201	411	1,568	4,637
Gross Expenditure	6,716	455	4,641	5,994	1,965	12,860	32,631
Specific Grant Income	(6,772)	(455)	(4,641)	(4,320)	(500)	(1,473)	(18,161)
Income	56	0	0	(43)	(2)	(163)	(152)
Total Income & Grants	(6,716)	(455)	(4,641)	(4,363)	(502)	(1,636)	(18,313)
(Surplus) or Deficit - to be funded from Force Contributions as follows:	0	0	0	1,631	1,463	11,224	14,318
<u>Force Contributions (Net):</u>							
Dyfed-Powys	0	0	0	(348)	(298)	(3,457)	(4,103)
Gwent	0	0	0	(394)	(380)	(2,594)	(3,368)
North Wales	0	0	0	0	0	0	0
South Wales	0	0	0	(889)	(785)	(5,173)	(6,847)
Total Force Contributions	0	0	0	(1,631)	(1,463)	(11,224)	(14,318)

Each Force's contribution towards Expenditure and Income for 2017/18 was as follows:

	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port/Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Joint Firearms Unit	TOTAL
Service Classification and agreed basis of apportionment	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	National Policing (Population – national benefit basis)	Intelligence/ Investigation (Population – national benefit basis)	Intelligence (Agreed Financial Contribution – local delivery)	Specialist Operations (Agreed Financial Contribution – local delivery)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dyfed-Powys	1,113	75	472	1,279	400	3,998	7,337
Gwent	1,260	85	535	1,449	510	3,067	6,906
North Wales	1,501	102	2,428	0	0	0	4,031
South Wales	2,842	193	1,206	3,266	1,055	5,795	14,357
Gross Expenditure	6,716	455	4,641	5,994	1,965	12,860	32,631
Dyfed-Powys	(1,113)	(75)	(472)	(931)	(102)	(509)	(3,202)
Gwent	(1,260)	(85)	(535)	(1,054)	(130)	(390)	(3,454)
North Wales	(1,501)	(102)	(2,428)	0	0	0	(4,031)
South Wales	(2,842)	(193)	(1,206)	(2,378)	(270)	(737)	(7,626)
Total Income & Grants	(6,716)	(455)	(4,641)	(4,363)	(502)	(1,636)	(18,313)

12. Officers' remuneration

Senior employees - The remuneration paid to the Chief Constable's senior employees in 2018/19 was as follows:

	Year	Note	From	To	Full-time equivalent salary as at 31.03.19 or end date	Actual salary, including allowances	Benefits in kind - lease cars	Benefits in kind - relocation expenses	Pay in Lieu of Notice / Exit Payment	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
Chief Constable	2018/19		01/04/2018	31/03/2019	139,410	141,645	0	0	0	141,645	33,462	175,107
Deputy Chief Constable	2018/19		01/04/2018	05/01/2019	116,718	94,875	0	0	0	94,875	9,231	104,106
Assistant Chief Constable – Welsh Government	2018/19	1	01/04/2018	31/12/2018	113,475	86,360	2,670	0	0	89,030	8,974	98,004
T/Deputy Chief Constable	2018/19		18/11/2018	31/03/2019	116,718	43,121	0	0	0	43,121	10,435	53,556
Assistant Chief Constable	2018/19		22/04/2018	17/11/2018	100,509	56,807	0	0	0	56,807	13,747	70,554
T/Assistant Chief Constable (A)	2018/19		18/11/2018	31/03/2019	100,509	37,132	1,002	0	0	38,134	8,986	47,120
T/Assistant Chief Constable (B)	2018/19		03/04/2018	31/03/2019	87,327	90,625	0	0	0	90,625	20,782	111,407
Director of Finance/ Chief Financial Officer to the Chief Constable	2018/19		01/04/2018	31/03/2019	86,106	86,420	0	0	0	86,420	11,667	98,087
Total 2018/19						636,985	3,672	0	0	640,657	117,284	757,941

Note 1: 50% of these costs were recharged to Welsh Government.

Note 2: A backdated pay award was paid to support staff employees (excluding the Commissioner, who is not an employee) in May 2018, which covered the period September 2017 - April 2018. The portion of this relating to 17/18 was accrued back in the accounts but is included here in accordance with the Code of Practice.

Note 3: 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 officers are on call at all times. This is in accordance with Section 248A of the ITEPA, which states: "4) 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 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 2017/18 was as follows:

	Year	Note	From	To	Full-time equivalent basic salary as at 31.03.18 or finish date	Actual salary, including allowances	Benefits in kind - lease cars	Benefits in kind - relocation expenses	Pay in Lieu of Notice / Exit Payment	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
					£	£	£	£	£	£	£	£
Chief Constable	2017/18		01/04/2017	31/03/2018	136,677	139,487	0	0	0	139,487	32,939	172,426
Deputy Chief Constable	2017/18		01/04/2017	31/03/2018	114,429	120,441	0	0	0	120,441	27,577	148,018
Assistant Chief Constable	2017/18	1	01/04/2017	30/09/2017	111,240	56,620	2,420	0	0	59,040	15,594	74,634
Assistant Chief Constable - Welsh Government	2017/18	1	01/10/2017	31/03/2018	111,240	57,079	2,420	0	0	59,499	11,218	70,717
Deputy Chief Constable - Gwent Police	2017/18	2	24/07/2017	06/12/2017	115,383	42,684	832	0	0	43,516	9,386	52,902
T/Assistant Chief Constable (A)	2017/18		01/04/2017	23/07/2017	103,851	34,347	697	0	0	35,044	8,377	43,421
T/Assistant Chief Constable (B)	2017/18		01/04/2017	31/03/2018	98,538	41,007	0	0	0	41,007	8,234	49,241
Director of Finance/ Chief Financial Officer to the Chief Constable	2017/18		01/04/2017	31/03/2018	81,723	75,121	0	0	0	75,121	10,141	85,262
Director of Resources	2017/18	3	01/04/2017	27/10/2017	70,893	41,891	0	0	16,154	58,045	5,655	63,700
Total 2017/18						608,677	6,369	0	16,154	631,200	129,121	760,321

Note 1: The Assistant Chief Constable was seconded to Welsh Government as the Assistant Chief Constable - Welsh Government. 50% of her costs while seconded were recharged to Welsh Government.

Note 2: The Temporary Assistant Chief Constable was promoted to DCC of Gwent Police on a secondment basis, after which she formally transferred to the employment of Gwent Police. Her costs while seconded were recharged to Gwent Police in full.

Note 3: The Director of Resources took early retirement and received payment in lieu of notice as part of his exit package. The post was then removed from the structure.

Note 4: 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 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 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:

2017/18		2018/19
Number of employees		Number of employees*
10	£60,000 - £64,999*	10
2	£65,000 - £69,999	6
4	£70,000 - £74,999*	3
1	£75,000 - £79,999	3
5	£80,000 - £84,999	2
1	£85,000 - £89,999	2
0	£90,000 - £94,999	1
0	£95,000 - £99,999	0

Ratio of Chief Constable Remuneration

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

- the remuneration of the body's Chief Constable during the year to which the accounts relate
- the median full-time equivalent remuneration of all the body's employees in post at 31st March 2019; 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 remuneration of the Chief Constable for 2018/19 was £141,645 (the Chief Constable received no benefits in kind in 2018/19, please refer to note 1 of the Officers' Remuneration table, above). The median full-time equivalent remuneration of all the Chief Constable's employees as at 31st March 2019 was £35,176. The ratio of the Chief Constable's remuneration to the median Chief Constable employee's remuneration was 4.03:1 (3.93:1 in 2017/18).

Members

The Scheme of Governance states that Members' expenses should be split equally between the Commissioner and Chief Constable. In 2018/19, allowances and expenses paid amounted to £3k in total (£1k in 2017/18). As 50% of this amount is not material, the costs have not been accounted for in the Chief Constable's accounts.

13. External audit costs

In 2018/19 the Commissioner and Chief Constable jointly incurred costs of £79k 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 (2017/18: £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 his 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/ the Commissioner; as it is responsible for providing the statutory framework within which Dyfed-Powys Police/ the Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that Dyfed-Powys Police/ the Commissioner has with other parties. Grants received from government departments are set out in Note 30 of the Group Statement of Accounts, most of which have strict terms and conditions.

Entities Controlled or Significantly Influenced by the Chief Constable

The Chief Constable and Chief Financial Officer to the Chief Constable are trustees of the "Safer Dyfed Powys Diogel" trust. In 2018/19 The Chief Constable did not undertake any financial transactions with Safer Dyfed-Powys Diogel (2017/18: £0). Further information about the Trust is included in note 38 of the Group Statement of Accounts.

Members

The total of Members' allowances paid in 2018/19 is shown in note 12.

None of the Members, or parties related to them, have undertaken any material transactions with the Chief Constable in 2018/19.

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 st March 2018		31 st March 2019	
£'000		£'000	
90	Not later than one year	148	
357	Later than one year and not later than five years	544	
838	Later than five years	1,346	
1,285	Total	2,038	

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

2017/18		2018/19	
£'000		£'000	
168	Minimum lease payments	187	
168	Total	187	

16. Termination benefits

The number of exit packages per band, along with total cost of the departures agreed for 2018/19 and 2017/18 is set out in the table below:

Exit package cost band	2017/18	2017/18	2018/19	2018/19
	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
£0 - £20,000	0	0	2.0	39
£20,001 - £40,000	0	0	12.7	477
£40,001 - £60,000	1	47	2.7	130
	1	47	17.4	646

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 the top-up grant from the Home Office via the Commissioner.

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	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement:				
<i>Cost of services:</i>				
• Current service cost	(6,745)	(6,646)	(28,048)	(23,230)
• Past service cost	(47)	(3,278)	0	(75,453)
• Other	(130)	(116)	0	0
<i>Financing and Investment Income and Expenditure:</i>				
• Net interest cost	(938)	(868)	(32,736)	(30,577)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(7,860)	(10,908)	(60,784)	(129,260)
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</i>				
<i>Re-measurement of the net defined benefit liability comprising:</i>				
• Return on plan assets (excluding the amount included in the net interest expense)	1,241	4,500	0	0
• Experience (gain)/loss	0	0	53,017	0
• Re-measurement gains and losses arising on changes in demographic assumptions	7,669	0	50,973	0
• Re-measurement gains and losses arising on changes in financial assumptions	0	(11,290)	54,186	(74,124)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,050	(17,698)	97,392	(203,384)
Commissioning Costs (Intra-group transfer)	(1,050)	17,698	(97,392)	203,384
Total net cost	0	0	0	0
<i>Movement in Reserves Statement:</i>				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	0	0	0	0
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• Employers' contributions payable to scheme	0	0	0	0
• Employers' contributions payable to scheme	0	0	0	0

An intra-group transfer has been processed to 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:

	Local Government Pension Scheme		Police Pension Scheme	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	(161,629)	(186,877)	(1,147,093)	(1,321,002)
Fair value of plan assets	126,534	136,722	0	0
Net liability arising from defined benefit obligation	(35,095)	(50,155)	(1,147,093)	(1,321,002)

The total liability recorded in the Chief Constable's accounts is £1,370,871k. Due to materiality levels no split is available between the Chief Constable's and Commissioner's accounts, therefore the figure stated above is for the Group.

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

	Local Government Pension Scheme		Police Pension Scheme	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	119,772	126,534	0	0
Interest income	3,147	3,448	0	0
Re-measurement gain / (loss)				
• The return on plan assets, excluding the amount included in the net interest expense	1,241	4,500	0	0
Contributions from employer	3,070	3,240	28,928	29,475
Contributions from employees into the scheme	1,408	1,501	5,854	5,879
Benefits paid	(1,974)	(2,385)	(34,782)	(35,354)
Other (if applicable)	(130)	(116)	0	0
Closing fair value of scheme assets	126,534	136,722	0	0

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Police Pension Scheme	
	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000
Opening Balance at 1st April:	(159,043)	(161,629)	(1,273,413)	(1,147,093)
Current service cost	(7,050)	(6,926)	(28,048)	(23,230)
Interest cost	(4,127)	(4,352)	(32,736)	(30,577)
Contributions from scheme participants	(1,408)	(1,501)	(5,854)	(5,879)
Actuarial gains and (losses)				
• Actuarial gains / losses arising from changes in demographic assumptions	0	0	53,017	0
• Actuarial gains / losses arising from changes in financial assumptions	8,072	(11,576)	50,973	(74,124)
• Other (if applicable)	0	0	54,186	0
Past service cost	(5)	(3,278)	0	(75,453)
Losses / (gains) on curtailment (where relevant)	(42)	0	0	0
Benefits Paid	1,974	2,385	34,782	35,354
Closing balance at 31st March	(161,629)	(186,877)	(1,147,093)	(1,321,002)

Local Government Pension Scheme assets comprised:

	Fair value of Scheme assets	
	2017/18	2018/19
	£'000	£'000
Cash and cash equivalents	760	820
Equity Instruments	89,333	94,475
Bonds	24,547	22,833
Property	11,894	18,594
Total Assets	126,534	136,722

Basis for estimating Assets and Liabilities

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

Both the LGPS and Police Officer pension scheme liabilities have been estimated by Mercer Human Resource Consulting, an Independent firm of actuaries, estimates for the LGPS Fund being based on the latest full valuation of the scheme as at 31 March 2018.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Police Pension Scheme	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions:				
Longevity at 65 (60 for police scheme) for current pensioners:				
• Men	22.9	23.0	26.4	26.5
• Women	25.6	25.7	28.4	28.4
Longevity at 65 (60 for police scheme) for future pensioners:				
• Men	25.1	25.2	28.3	28.4
• Women	27.9	28.1	30.3	30.4
Other assumptions:				
Rate of Inflation	2.1%	2.2%	2.1%	2.2%
Rate of Increase in salaries	3.6%	3.7%	3.5%	3.7%
Rate of Increase in pensions	2.2%	2.3%	2.2%	2.3%
Rate for discounting scheme liabilities	2.7%	2.5%	2.7%	2.5%

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 2018/19	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (Increase or decrease by 1 year)	3,542	0
Rate of Inflation (Increase or decrease by 0.1%)	4,148	0
Rate of Increase in salaries (Increase or decrease by 0.1%)	855	0
Rate for discounting scheme liabilities (Increase or decrease by 0.1%)	0	4,059
Police Pension Scheme 2018/19	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase or decrease by 1 year)	35,534	0
Rate of Inflation (Increase or decrease by 0.1%)	27,192	0
Rate of Increase in salaries (increase or decrease by 0.1%)	5,169	0
Rate for discounting scheme liabilities (Increase or decrease by 0.1%)	0	26,588

Impact on the Group's Cash flows

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

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

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

The Chief Constable of Dyfed-Powys Police, along with other Chief Constables and the Home Office, currently has 50 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination.

On 27 June the Supreme Court refused leave to appeal on the McCloud case. In light of this it is envisaged that the Court will require changes to arrangements for employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (Mercers) using specific assumptions and applying these across the Police scheme as a whole have estimated the potential increase in scheme liabilities for Dyfed-Powys Police to be approximately 6.5% or £75.4m of pension scheme liabilities. This increase is reflected in the IAS19 Disclosure as a Past Service Cost. The actuaries have highlighted that this estimate is based on one potential remedy, the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police 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 enough 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 police authority in the form of a central government top-up grant.

With regard to the LGPS a similar adjustment to past service costs within the IAS19 Disclosure has been made for the McCloud judgment. This corresponds to a 3.2% or £3.2m increase in liabilities. The impact of an increase in scheme liabilities arising from McCloud /

Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

As 'transitional protection' was offered to members of all the main public service pension schemes, the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. Continuing to resist the full implications of the judgment in Court would only add to the uncertainty experienced by members.

The matter will be remitted to the Employment Tribunal in respect of the litigants in the firefighters and judicial pension schemes. It will be for the Tribunal to determine a remedy. Alongside this process, government will be engaging with employer and member representatives, as well as the devolved administrations, to help inform their proposals to the Tribunal and in respect of the other public service pension schemes.

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 will examine the contribution undercover policing has made to tackling crime, how it was and is supervised and regulated, and its effect on individuals involved – both police officers and others who came into contact with them.

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. All other legal matters to date involving Dyfed Powys Police have been dealt with in-house.

At this stage, the inquiry is not far enough progressed to reliably estimate future costs therefore no provision has been made in the 2018/19 Accounting Statements.

Dedicated Source Handling Unit On-Call Allowance Claims

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. The claimants are serving, and/or retired police officers and are members of the "Dedicated Source Handling Unit (Covert Human Intelligence Sources)". They claim that their roles require them to answer mobile telephones and deal with those who wished to provide covert intelligence to the police. They also claim to have supervised source handlers and these tasks required them to monitor their phones on a daily basis.

At this stage, liability has not been established and therefore it would not be appropriate to make a provision in the 2018/19 Accounting Statements. In addition it's not possible to provide a reasonable estimate of liability at this stage.

19. Nature and extent of risks arising from financial instruments

Credit Risk

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.

Group Gross Debtors £'000	Bad Debt Provision for the Group 2018/19 £'000	Bad Debt Provision for 2018/19 as a % of Group Trade Debtors
2,091	51	2.45

Joint Annual Governance Statement 2018-19

Introduction and Scope of Responsibilities

The Police and Crime Commissioner and the Chief Constable are responsible for ensuring their business is conducted in accordance with the law, to proper standards and that public money is safeguarded, properly accounted for and used effectively, efficiently and economically. They also have a duty to make arrangements to secure continuous improvement in the way in which their functions are exercised.

In discharging their overall responsibility, the Police and Crime Commissioner and the Chief Constable are also responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

This Statement explains how the Police and Crime Commissioner and Chief Constable have complied with the Code of Corporate Governance, which reflect the principles in the Chartered Institute of Public Finance and Accountancy's guidance (CIPFA) *Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales 2016 Edition*. It also meets the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended), in relation to the statement of internal control and the publication of the annual governance statement. The approach taken this year differs to that of previous in that this document sets out evaluation findings to governance arrangements and is supported by a matrix of evidence detailing how the Police and Crime Commissioner and Chief Constable demonstrate the principles and behaviours of good governance.

Principles of Good Governance

A joint [Corporate Governance Framework](#) comprises the systems, processes, culture and values by which both the Office of Police and Crime Commissioner and Dyfed-Powys Police will govern their activities, both jointly and separately. The Framework enables the Police and Crime Commissioner and Chief Constable to monitor achievement against the Police and Crime Plan and to consider whether they have led to the delivery of appropriate, cost effective services, including achieving value for money.

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

The CIPFA/Solace Framework *Delivering Good Governance in Local Government* that covers policing bodies sets out the seven principles which underpin effective governance arrangements to ensure that the intended outcomes are defined and achieved. This Statement provides an assessment against each of these principles.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Both Corporations Sole operate in an open and transparent way, with processes in place to support the core principle of ethics and integrity which are in accordance with the College of Policing's Code of Ethics. The Police and Crime Commissioner and the Chief Constable have policies and procedures in place that comply with the law and conform to appropriate ethical standards and standards of professional behaviour. Declarations of interests and registers of gifts and hospitality for both the Police and Crime Commissioner and Chief Constable are published and procedures are in place to enable any conflicts of interest to be recorded if required.

A review of police effectiveness, efficiency, legitimacy (PEEL) undertaken by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in 2018 highlighted Dyfed-Powys as being 'Good' at encouraging ethical decision-making, with leaders promoting the Force's Code of Ethics and setting an ethical tone. Training is provided for leaders which includes ethical dilemmas.

The Police and Crime Commissioner and the Chief Constable have a whistleblowing policy in place and a newly implemented and widely accessible Fairness at Work policy and process. It also has a programme of random drug-testing against substance misuse.

The Ethics Committee which meets monthly includes representatives from both the Office of the Police and Crime Commissioner and the Force and benefits from having an independent chair from academia. It gets referrals from the workforce through the force intranet, which can be made anonymously. When it receives the referrals, the committee decides whether a topic constitutes an ethical issue. If it does, it commissions further research and obtains legal advice, if needed, to determine the response with escalation to the Force's People Board if deemed appropriate.

However, overall HMICFRS assessed Dyfed-Powys Police's legitimacy as 'Requiring Improvement'. Areas for improvement outline the following:

- The limited capability and capacity for counter corruption to effectively and fully monitor all systems to proactively identify breaches and misuse.
- A requirement to improve access to and transparency of the fairness at work procedures,
- The need to establish processes to identify any disproportionality in recruitment, retention and progression of the workforce together with fair and accessible promotion processes.

The recommendations will be progressed by the appropriate governance boards, with oversight from the HMICFRS Governance Group.

B. Ensuring openness and comprehensive stakeholder engagement

Effective public engagement is a statutory responsibility of Police and Crime Commissioners, who must seek the views of the community in order to act as the bridge between policing and the public. This engagement informs local policing priorities set by the Police and Crime Commissioner as detailed with the Dyfed-Powys Police and Crime Plan 2017-2021, to which the Chief Constable is held to account.

The Police and Crime Commissioner and Chief Constable regularly publish information on the Commissioner and Chief Constable's work and achievements through the respective websites, social media and local and national news reports. This includes the publication of an Annual Report, the Commissioner's bi-monthly newsletters, papers and minutes of public meetings, as well as records of any decisions taken by the Police and Crime Commissioner.

Public consultation is undertaken on an on-going basis to inform decision-making and support the Police and Crime Commissioner's scrutiny activity. Targeted consultation takes place for specific decisions such as the public consultation on the council tax precept and for scrutiny of Force activity such as the use of force and their approach to tackling the use of illegal drugs. The Police and Crime Commissioner is scrutinised by the Police and Crime Panel which consists of members from local authorities who also consult their local communities and offer feedback to the Police and Crime Commissioner. Two primary responsibilities of the Police and Crime Panel are to review the precept level sought as well as approve the appointment of the Chief Constable and statutory roles within the OPCC.

'Connecting with Communities' is a priority within the Police and Crime Plan and whilst there is evidence of good practice, there is a lack of co-ordination between Force and Office of the Police and Crime Commissioner activity. This has been recognised as an area for improvement and changes have been proposed to the organisational governance arrangements to address this which will facilitate the alignment of the Police and Crime Commissioner's and the Chief Constable's engagement strategies in a jointly chaired Board.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Police and Crime Plan is the five year corporate plan set by the Police and Crime Commissioner for delivery by the Chief Constable. In support of this, the Chief Constable has developed a Delivery Plan, progress against which is reported to the Police and Crime Commissioner. The OPCC communicates activity to the public through the website and by various engagement activities such as the council tax leaflet which is sent to every household within the Dyfed-Powys area.

Improving the way it plans for the future is however an area for improvement for the Force according to the HMICFRS PEEL inspection. There is a need for the Force to have a better understanding of demand and what affects it, so that it can use its resources efficiently and plan for the future effectively. With a clear understanding of current and future demand, the organisation would be in a position of strength of having a sound evidence base to inform organisational strategy, for example in relation to estates, IT and agile working. In so doing, the Force should better itself to ensure that business benefits and return on investment in capital schemes is captured and realised, a matter that HMICFRS criticised the force for recently.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

Detailed resource planning is carried out annually and published within the Medium Term Financial Plan. This assesses resource requirements based on appropriate

assumptions to enable the Police and Crime Commissioner and Chief Constable to prioritise competing demands for services.

Governance arrangements introduced during 2018/19 support robust decision making in order to achieve the required outcomes. The revised structure sought to bring together a number of disparate meetings and provide a clear reporting line for decisions and actions to be taken. In distilling down the number of meetings, governance arrangements are predominantly led by Chief Officers however, decision-making has been devolved to enable flexible and responsive action and better outcomes. Accountability is supported by the governance structure and processes in place. Mechanisms for performance monitoring are currently under review to support evidenced based decision-making.

Within the structure, risks are managed and progressed during meetings as depicted within the Corporate and Dynamic Risk Registers; recommendations borne out of HMICFRS thematic and ad hoc inspections; along with any actions arising from the annually produced and forward looking Force Management Statement (FMS).

Learning the lessons is a fundamental mechanism to ensure continuous improvement to the delivery of an efficient and effective service that is dynamic and responsive to community need. However, our assessment suggests that there are opportunities to cascade learning in a more structured and consistent manner, by introducing processes which are driven through the governance structure and therefore do not wholly depend on individuals.

There is a formal business case process whereby projects are considered and project boards are in place which monitor the implementation and achievement of agreed initiatives and plans.

Demonstrable progress has been made to explore opportunities to work in collaboration with others to increase efficiency and provide better, more resilient services. However, concerns have been raised in relation to governance arrangements relating to some regional police based collaborative activity and how assurance can be achieved that such activity is delivering value for money. To ensure appropriate focus is given to establishing good governance and financial management of all collaborative arrangements, this has been placed on the Corporate Risk Register and is regularly monitored through the governance structures. Furthermore, the Police and Crime Commissioner will become the Chairman for the All Wales Policing Group and intends to focus on good governance in the collaborative arena.

During 2018, a review was undertaken of the Police and Crime Commissioner's Commissioning Board, which resulted in a change of membership, Terms of Reference and emphasis. The renamed Commissioning Advisory Board now acts as the reviewing body for Dyfed Powys Police and Crime Commissioner advising him in relation to the awarding of grant funding or the tendering for services. This includes ensuring that there is a return on investment and evaluation of services impact. The Board, which includes a member of the Police and Crime Panel and representatives from the Commissioner's volunteering schemes, focus on scrutinising services and holding service providers to account. This has been a significant development in supporting the evaluation of commissioned services, but there is more to be done to ensure that there is a clear understanding of the impact and return on investment of such services.

E. Developing the entity's capacity, including the capability of its leadership and individuals within it

The Police and Crime Commissioner and the Chief Constable have defined structures and roles within the organisations to enable effective leadership. This is supported by the Corporate Governance Framework which sets out the roles and responsibilities and is critical to enable delivery of the strategies and plans in place.

In October 2018, a new development system was introduced to track individual performance and progression. The Development Assessment Profile (DAP) replaced a previous performance system which was no longer meeting organisational needs. It will enable an individual's performance to be monitored throughout their career and will facilitate talent management and the development of skills. However, the system is currently in its infancy and needs to be embedded throughout the organisations.

The Organisational Transformational Leadership programme has supported a culture shift towards a coaching style and continuous improvement approaches within the Force and Office of the Police and Crime Commissioner. The continued roll out of this programme will ensure all officers ranked inspector and above and police staff equivalents receive training to further embed the ethos of transformational leadership.

Improved demand analysis, strategic workforce planning and future forecasting will enable recruitment and training to be undertaken so that the Force's capacity remains appropriate and sustainable to meet future demand.

The Force's Professional Standards Department continues to work hard to improve timeliness of complaint handling, a matter that has been subject to close scrutiny by the Independent Office of Police Complaints (IOPC). It is positive to note that significant improvements have been made over the last few years, and in respect of the time taken to finalise cases by way of local resolution and proportionate investigation, the Force's performance is either better than, or on par with, the Most Similar Force (MSF) and national averages. In respect of recording complaints within 10 working days, performance is consistently better than the MSF and national averages. A previous backlog in vetting identified by HMICFRS has also been cleared.

Clearly therefore, the Department has made considerable progress in respect of timeliness overall and this is the consequence of significant improvements in complaint handling over the last few years. One of the key problems the Department has faced in respect of timeliness has been the build-up of 'legacy cases' which have distorted the overall performance of the Department. There are only a small number of these cases left to be finalised.

The Professional Standards Department hold bi-annual meetings with the IOPC liaison officer during which, the Force are held to account for performance in relation to complaint and conduct handling. In 2018/19 there were no significant recommendations from the IOPC.

F. Managing Risks and Performance through Robust Internal Control and Strong Public Financial Management

There is an embedded risk management culture across both organisations and at all levels, with robust processes in place to ensure that risks are identified and monitored via corporate and dynamic risk registers. The consideration of risk is a standing agenda item on all boards across the Force, and they are regularly reviewed both at Force

Executive Board and Policing Board. The Joint Audit Committee oversees risk management arrangements and provides advice and guidance on a regular basis.

Force assurance arrangements comprise of the three lines of defence. The first line of defence being supervisory responsibility; the second line of defence being dip sampling and quality assurance checks carried out by management and internal audit; and the third line being independent assurance through scrutiny at the governance boards, office of the Police and Crime Commissioner, and external audit and other inspectorates.

The system of internal control is a significant part of the Corporate Governance Framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can only provide reasonable, and not absolute, assurance of effectiveness. Findings of the annual review of the system of internal control are considered by the Commissioner and Chief Constable and independently reviewed by the Joint Audit Committee (JAC).

Governance arrangements support timely and targeted performance monitoring at various levels of the organisations. In discharging his statutory responsibilities, the Police and Crime Commissioner publically holds the Chief Constable to account for Force performance at the quarterly Policing Accountability Board, where he constructively challenges and encourages debate on organisational performance. In turn, the Police and Crime Panel hold the Police and Crime Commissioner to account for discharging his statutory responsibilities on a quarterly basis.

Whilst arrangements are in place to monitor performance, there is scope to improve our understanding of business benefits. There are examples of good practice within business realisation plans, but this needs to be embedded throughout the organisation, to ensure that decisions are being made based on accurate and robust information. Work is ongoing to redefine departmental structures to support this.

G. Implementing good practices in transparency reporting and audit to deliver effective accountability

The Police and Crime Commissioner and the Chief Constable ensure that decision-makers involved in service delivery are accountable to them through the governance arrangements in place in both organisations. Both of their websites publish information which is pertinent to the public and stakeholders in line with legalisation. The Commissioner has been awarded the Transparency Quality Mark by Comparing Police and Crime Commissioners (CoPaCC), a national organisation which monitors police governance, in recognition for the level and breadth of information contained on the website.

Decisions made by the Police and Crime Commissioner are published on his website in a timely manner and publically reported to the Police and Crime Panel for their scrutiny on a quarterly basis.

The Joint Audit Committee advises on the annual programme of internal audit and produces an annual report summarising key findings of all audit activity and outcomes. Recommendations for service improvements are acted upon and reported to the Committee, although there are at times concern in relation to the timeliness of progressing actions. As such, arrangements are now in place for Internal Audit activity findings to be monitored by the Joint Force and Commissioner's Office Audit and Quality Assurance Group, which will encourage timely progression of actions.

Furthermore the Joint Audit Committee have assumed more responsibility in terms of independent scrutiny and opinion on HMIC Recommendations and Risk Identification and Management.

Capacity within the force to audit and quality assure many aspects of policing processes is limited which in turn has impacted the ability to utilise audit outcomes to drive improvement.

Review of Effectiveness

The Chief Constable and Commissioner have responsibility for conducting, at least annually, a review of the effectiveness of their governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group, senior managers within the organisations who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report and also by comments made by the external auditor and other review agencies and inspectorates. The Corporate Governance Group is predominantly responsible for the review of governance, with minutes and actions being reviewed by the Joint Audit Committee. The Chair of the Joint Audit Committee sits within the Corporate Governance Group, the Minutes to which are reported to the Joint Audit Committee.

The Corporate Governance Group met four times in the last year to collate evidence and assess progress against a matrix of evidence designed to demonstrate the Policing Services' compliance with the Core Principles. This matrix forms the evidence base for this Annual Governance Statement.

In accordance with regulation, the Police and Crime Commissioner and the Chief Constable have reviewed the effectiveness of its internal audit service. The service has complied with all Public Sector Internal Auditing Standards (PSIAS).

The primary role of Internal Audit is to give an assurance to the Commissioner and Chief Constable on the effectiveness of the controls in place to manage risks. To this end the internal auditor delivers an annual opinion of the effectiveness of the controls reviewed by the internal audit team during the year. This annual opinion, set out in the annual report of the Internal Auditor, is one of the key sources of evidence in support of the Annual Governance Statement. With reference to 2018/19 the internal auditor, TIAA Ltd expressed the following opinion:

"TIAA is satisfied that for the areas reviewed during the year that the Police and Crime Commissioner for Dyfed-Powys and Chief Constable Dyfed-Powys Police has reasonable and effective risk management, control and governance processes in place. Also, there was evidence to support the achievement of value for money with regard to economy, efficiency or effectiveness of the systems reviewed. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability which must be obtained by the Police and Crime Commissioner and the Chief Constable from the various sources of assurance".

The Wales Audit Office issued unqualified audit opinions in respect of the 2017/18 accounts to both the Commissioner and Chief Constable, and were satisfied that the Commissioner and Chief Constable had appropriate arrangements in place in the year to secure economy, efficiency and effectiveness in their use of resources.

Both the Police and Crime Commissioner and Chief Constable have complied with the new statutory requirement for closure of accounts to be finalised by the end of July. The reduced deadline has significantly impacted timescales for the production of the statement of accounts and annual governance statement, however these have been adequately prepared for and delivered against.

A summary of the actions that were endorsed as in progress, within the Annual Governance Statement for 2017/18 are provided below:

Action	Progress
Consider sustainable development principles for all key developments as part of a new front door process for ideas, business cases and future planning	In progress: Business case models are being rolled out within Dyfed-Powys. All cases for resource must be submitted in a reasoned business case, aligned to the Treasury Green Book Model. A corporate template for business cases has been developed and will ensure reference to sustainable development principles.
Embed the Police and Crime Plan (PCP) Delivery Plan into the organisation through appropriate governance arrangements including performance structures	Complete: The police and crime delivery plan is fully embedded in throughout the organisation and within the governance arrangements.
Complete the Historic Areas for Improvement included in HMICFRS Police Efficiency Effectiveness and Legitimacy (PEEL) inspections to improve the grading across the four strands.	In progress: There is a rolling programme in place to scrutinise all outstanding Areas For Improvement (AFIs) resulting from HMICFRS inspections and considerable progress has been made with closing these. Responsibility for addressing these rests with the various Governance Boards and Groups and further oversight is delivered by the HMICFRS Governance group to ensure progress.
Establish and publish a plan of our own audit of processes and systems and compliance testing. Link corporate governance action plan to risk register.	In progress: An audit plan is in development following an exercise to understand what audit and testing already takes place throughout the Force. Overseeing progress in relation to this work is the Audit and Quality Assurance Group.

A summary of the actions for 2018/19 together with detail as to the progress made is provided on the following page:

Action	
Embed the HMICFRS Force Management Statement (FMS) process and utilise this as a strategic planning tool to identify gaps in force capability to and address policing priorities.	Complete: This is fully in place. A working group chaired by the DCC was held monthly and the development of chapters for FMS 2019/20 is underway. The submission of FMS2 2019/20 is due on 31 st May 2019.
Establish a 'Front door process' to corporately identify and prioritise emerging major change projects, initiating the required capacity to implement these programmes.	Complete: A 'Front door process' has been established, initially through the Change Oversight Forum for reporting to Finance, Efficiency and Futures Board.
Establish and consistently embed audit and quality assurance mechanisms to drive up data quality and improve the force's approach to information management	<p>In progress: progress has been made however, it is unlikely that this will be fully resolved with the current IT systems. Improvements made so far in terms data quality and information management are detailed below</p> <ul style="list-style-type: none"> • Data quality presentation (Fill it, check it, match it) • Review of auto matching procedures within Police National Intelligence (PNI) • Identification of Management Of Police Information 1 nominals and rectifying of duplicate records • Changes to mobile data processes to encourage early checks against PNI records and matching where appropriate. • Undertaking procurement process for new Records Management System (RMS) • Information Commissioner's Officer (ICO) inspection in early February 2019. <p>More needs to be done from an information security perspective. The force has recruited a Data Protection Auditor.</p> <p>Audit plans around Information management will become more developed when resources are embedded.</p> <p>Limited capacity to undertake and coordination of internal quality assurance checks and dip-sampling impacts the flow of information via the governance structure, thus limiting the ability to drive improvement.</p>
Improve financial management arrangements to ensure early identification of financial pressures to facilitate robust mitigation plans.	<p>In progress: The Finance Gold Group has been established to which 4 sub-groups report. The 4 sub-groups are Overtime Working, Income Generation, Medium Term Financial Plan and Procurement.</p> <p>In addition, recruitment has taken place for extra capacity within the finance team within the force. Two additional Accountants started in November 2018 as well as the Assistant Director – Finance</p>

	<p>in December 2018.</p> <p>Monitoring of the financial position continues through both the formal governance structure and the Finance Gold Group which has continued to meet monthly.</p> <p>The Annual Finance Seminar was held on the 30th November 2018 and building upon this, the Police & Crime Panel 'accepted' the Commissioner's proposal to increase the precept by 10.7% at its meeting on 25th January 2019. Discussion has continued in relation to financial resilience and sustainability over the medium term and this will focus the work of the Medium Term Financial Planning sub group and the Demand & Efficiency Group over coming months.</p> <p>Work is ongoing within the Finance Department to review and streamline financial reporting arrangements and consideration is also being given to the timing and sequencing of financial reporting through the governance structure. Considerations are also currently being given to the optimal resourcing structure for the Finance Department.</p>
<p>Develop a comprehensive Force Strategy in line with Policing Vision 2025 and regional priorities, clearly setting out force priorities in relation to Estates, ICT, People and service delivery.</p>	<p>Complete: The Force Strategy has been integrated with future long term strategic planning. This has been presented in the HMIC Strategic Presentation.</p> <p>The document and one page summary was submitted to the Policing Board for agreement.</p>
<p>Undertake a review of governance structures to ensure effectiveness and robust accountability and communication.</p>	<p>In progress: A report was submitted to Chief Officers and considered more widely at Force Executive Board in May 2019. A revised structure was agreed and will be implemented from 3rd June 2019.</p>
<p>Establish and embed assurance mechanisms to compliment and support force audit and assurance activity, providing Independent, public focussed scrutiny of performance</p>	<p>In progress: Scrutiny deep dives and scrutiny panels are embedded. Public feedback is used to focus future scrutiny themes. Enhanced scrutiny framework, once approved, will increase the OPCC's variety of assurance mechanisms, involving wider stakeholders including the public.</p>
<p>Establish and embed internal performance monitoring activity within the OPCC to provide focus and demonstrate accountability and effectiveness.</p>	<p>Complete: The OPCC has developed a performance indicator framework based on the Policing Protocol 2011. This has been populated with data for quarters two to four of 2018/19 and reported to the Police and Crime Panel on a quarterly basis to demonstrate the office's delivery against the Commissioner's statutory responsibilities.</p>

Opinion

No statement of internal control can provide absolute assurance against material loss; this statement is intended to provide reasonable assurance.

On the basis of the review of the sources of assurance set out in this statement, we are satisfied that the Police and Crime Commissioner and Chief Constable had in place satisfactory governance arrangements, including appropriate systems of internal control and risk management which facilitate the effective exercise of functions.


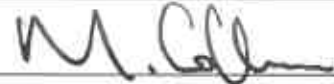
Conclusion



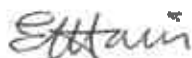
The review of governance arrangements for the Police and Crime Commissioner and Chief Constable over the last year has identified a number of areas of Policing Services that, if achieved, would demonstrate enhanced accountability, transparency and effective working arrangements as well as strengthening further the governance arrangements in place.

The Commissioner and Chief Constable are committed to a process of continual improvement of governance and will take steps to address the areas for improvement identified. The monitoring of their implementation and operation will form part of the next annual review.

Next Steps

Action	Owner
Capability and capacity to counter corruption effectively and fully monitor systems to proactively identify breaches and misuse	DCC, Ch Supt PSD
Accessibility and transparency of a number of HR processes	AD People Services
Co-ordination of engagement activity between the Office of the Police and Crime Commissioner and Force	Chief of Staff OPCC & DCC
Improved understanding of current and future demand to support future planning and inform organisational strategy	DCC
A more structured and consistent approach to learning from problem solving, mistakes and lessons learned.	DCC
Governance and financial management of collaboration arrangements.	AD Collaboration
Embedding of the Development Assessment Profile (DAP) within the organisation	DCC, AD People Services.
Improved understanding of business benefits	DCC
Timeliness of auctioning Internal Audit recommendations	AD Collaboration & OPCC Chief of Staff
Evaluation of commissioned services	Chief of Staff OPCC
Purdah for elections of Police and Crime Commissioner – relationship management and ensuring fairness and equity.	Chief of Staff (and Monitoring Officer), OPCC

Signed: 	Signed: 
Dafydd Llewelyn	Mark Collins
Police and Crime Commissioner	Chief Constable
Date: 30 th July 2019	Date: 30.7.19

Signed: 	Signed: 	Signed: 
Beverley Peatling	Carys Morgans	Edwin Harries
Chief Financial Officer, OPCC	Chief of Staff and Monitoring Officer	Director of Finance
Date: 30 th July 2019	Date: 30-07-2019	Date: 30/7/19