

**THE POLICE AND CRIME COMMISSIONER  
FOR SOUTH WALES  
(Group Accounts)**

**STATEMENT OF ACCOUNTS  
FOR THE  
YEAR ENDED 31<sup>ST</sup> MARCH 2015**

**Geoff Petty  
CHIEF FINANCIAL OFFICER to the POLICE  
AND CRIME COMMISSIONER**

On the Website @

<http://www.southwalescommissioner.org.uk/en/Transparency/Finance/Finance-Plans-and-Reports.aspx>

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## **Foreword**

### **Introduction**

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

The financial year 2014/15 was the fourth consecutive year of the government imposed austerity programme arising from the comprehensive spending review 2010(CSR), which sought to address the national budget deficit due to the international banking crises.

The accountability for public resources is documented in the Annual Governance Statement which details the responsibilities of both the Commissioner and the Chief Constable as Corporation Soles. The review of the effectiveness of the governance arrangements is detailed within the Annual Governance Statement that accompanies these Statements of Accounts.

### **Statutory Framework for the Statement of Accounts**

The establishment of the two Corporation Soles requires each body to produce their own single entity Statement of Accounts with the Commissioner producing a Statement of Accounts for the Group and Police Pension Fund.

The Accounts and Audit (Wales) Regulations 2014, require local government bodies to prepare a Statement of Accounts in accordance with proper practices. The Code of Practice on Local Authority Accounting in the UK is identified as representing proper practices.

The Code applies to local government bodies set out in the Public Audit (Wales) Act 2004 who are required to prepare accounts for audit by the Wales Audit Office. Section 12 of this Act was amended by the Police Reform Social Responsibility Act to replace reference to Police Authorities with Commissioners and Chief Constables.

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

### **Format of the Statement of Accounts**

The Statement of Accounts comprises the following:

- Statement of Responsibilities
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Police Pension Fund Account
- Notes to the Accounts

## **Summary Financial position**

The following summary provides an overview of the financial position and performance of South Wales Police for the year ending 31 March 2015.

### **Revenue Account**

A net revenue budget for 2014/15 of £258.4M was approved in January 2014, to fund existing expenditure commitments and identified force priorities.

### **Capital Finance & Borrowing**

Capital expenditure for the period was £22.9M, financed by reserves, specific grant, borrowing, capital receipts and revenue contributions. This represented investment in property of £14.5M, vehicles £2.5M and information technology and other £5.9M. There are ongoing capital works which will be concluded in the following financial year and the funding for these is held in the Capital Reserve.

### **Reserves**

The current balance on the General Fund is maintained at the target level of 3% of GRE i.e. £9.0M. Funding of £33.2M is retained in earmarked reserves for specific revenue and capital purposes. This includes a number of earmarked reserves for specified commitments of which £4.4M relates to the costs for change management, to help address the largest and sustained reduction in central funding for policing in a generation.

### **Pensions Liability**

The Government Actuary's Department calculate the potential liability of the Police scheme's based on Actuarial review, using Pension and Payroll data. This estimated liability increased over the year from £2,593M to £2,974M, an increase of 15%. This is mainly attributed to changes in actuarial assumptions of the real rates of return in excess of pension increases and earnings growth. The Pension Scheme for Police Officers is unfunded by statute.

In the case of Police Staff, South Wales Police is an admitted body to the Rhondda Cynon Taff County Borough Council Local Government Pension Scheme. The Actuaries assessment of South Wales Police's share of the estimated deficit in this scheme increased over the year from £104M to £124M as at 31 March 2015, an increase of 19%.

The unrealised net losses or gains for the year have no direct impact on the cost of services in the comprehensive income and expenditure statement and the notional liability is recognised in the balance sheet only.

## THE PRINCIPAL SOURCES OF FUNDING

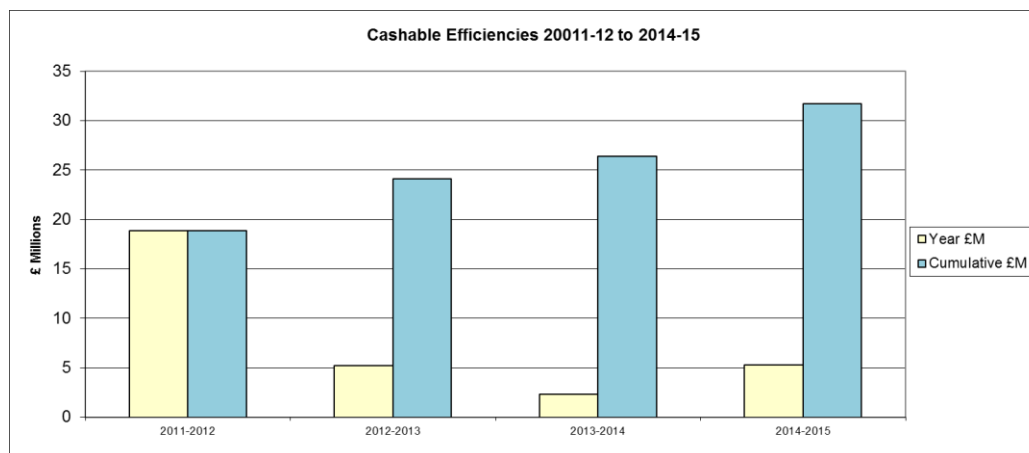
The table shows how South Wales Police was funded in the year with comparison to the prior year.

	2014/15 %	2014/15 £000	2013/14 £000
Capital Government Grants	1%	(2,321)	(2,250)
Police Grant (Home Office)	38%	(95,844)	(97,559)
Revenue Support Grant (Welsh Government)	16%	(42,806)	(42,038)
Non-Domestic Rate Income (Welsh Government)	13%	(30,551)	(34,592)
Council Tax Payers	32%	(89,243)	(84,366)
<b>TOTAL FUNDING</b>	<b>100%</b>	<b>(260,765)</b>	<b>(260,805)</b>

Central funding has not kept pace with rising costs and changing demands. Since 2010-2011, South Wales Police has made £32M of cashable efficiency savings over the four years, including £5.3M that were necessary and delivered in 2014-15.

## Efficiency & Effectiveness

South Wales Police has realised £67.8m cashable efficiencies since 2001-2002.



## A BREAKDOWN OF OUR COSTS

The table shows what South Wales Police spent money on during the year with comparison to the prior year.

	2014/15 %	2014/15 £000	2013/14 £000
Police Officer and Police Staff costs	60%	190,839	189,088
Pension Retirement Benefits - current service cost	20%	63,640	72,720
Non Pay costs (Premises, Transport, Supplies and Services, Agency and Contracted Services)	17%	55,289	49,215
Other service costs (Depreciation, Non enhancing capital expenditure)	3%	8,503	6,776
<b>Gross Expenditure of Services</b>	<b>100%</b>	<b>318,271</b>	<b>317,799</b>
Less Grants and Income		(45,094)	(35,451)
<b>Net Cost of Police Services</b>		<b>273,177</b>	<b>282,348</b>
Accounting Adjustments (Pensions, Depreciation, Movements on General Fund)		(12,412)	(21,543)
<b>Budget Requirement</b>		<b>260,765</b>	<b>260,805</b>

## SERVICE EXPENDITURE

Analysis of Net Cost of Police Services.

	2014/15 £000	2013/14 £000
Local Policing	111,085	118,707
Dealing with the Public	21,709	22,148
Criminal Justice Arrangements	22,724	27,329
Roads Policing	7,509	7,644
Specialist Operations	22,939	24,550
Intelligence	12,033	14,214
Specialist Investigations	58,717	57,704
Investigative Support	5,983	6,404
National Policing	*(4,279)	2,629
Corporate and Democratic Core and Police and Crime Commissioner	10,720	1,013
Commissioned Services	*4,037	5
<b>Net Cost of Police Services</b>	<b>273,177</b>	<b>282,348</b>
Accounting Adjustments (Pensions, Depreciation, Movements on General Fund)	(12,412)	(21,543)
<b>Budget Requirement</b>	<b>260,765</b>	<b>260,805</b>

\*National Policing includes specific grant income of £9M for a capital project (regional offices), the cost of which is included in accounting adjustments (General Fund Movement as Capital Financing).

\*Commissioned Services received a specific grant in 2013-14 of £3.7M, which is included in police grant in 2014-15.

## CAPITAL EXPENDITURE

This represents money spent by South Wales Police for the purpose of purchasing, upgrading and improving assets such as property, vehicles and ICT. The distinction from revenue expenditure is that South Wales Police receives the benefit from capital expenditure on assets over a longer period of time, which is accounted for as depreciation and included in the required Accounting Adjustment.

	2014/15 %	2014/15 £000	2013/14 £000
Property	64%	14,524	20,080
Vehicles	11%	2,525	2,131
Computer, Communications and Equipment	25%	5,826	3,104
<b>Total</b>	<b>100%</b>	<b>22,875</b>	<b>25,315</b>

## BALANCE SHEET

The table below summarises the balance sheet, comprising accounting balances for assets and liabilities. It summarises what South Wales Police 'owns' and what it 'owes' to others.

	2014/15 £000	2013/14 £000
Tangible Assets (Property, Vehicles, Computer Systems and Equipment)	110,817	99,358
Intangible Assets (Computer Software)	1,580	1,485
Stocks	876	796
Debtors (Money Owed to SWP )	40,381	24,013
Creditors (Money Owed By SWP)	(24,756)	(21,100)
Temporary Investments and Deposits	8,247	21,285
Cash and Cash Equivalent	19,244	10,218
Provisions	(14,061)	(4,701)
Long Term Borrowing	(17,362)	(17,672)
Other Long term Liabilities	(3,097,590)	(2,697,120)
Less Unusable Reserves	3,005,894	2,617,361
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>33,270</b>	<b>33,923</b>
<b>Financed By:</b>		
Usable Reserves	(33,270)	(33,923)
	<b>(33,270)</b>	<b>(33,923)</b>

## Overall Summary

The rigorous measures implemented to deal with the financial challenges arising from CSR2010, as outlined in the Value for Money Plan, along with continued prudent financial management have enabled the delivery of the required £32M of savings resulting from the CSR2010 cuts in police grants. This achievement is a positive endorsement of the Medium Term Finance Strategy.

The refreshed Medium Term Financial Strategy continues to predict further cuts in police grant with estimated budget gap of nearly £40M. The 2015/16 settlement confirmed our fears that the cuts would be deeper and the funding outlook remains similarly bleak over the next parliament.

## Stage 2 changes - effective April 2014

In September 2012, the Minister of State for Policing and Criminal Justice set out the government's overall policy intent around Stage 2 transfers *"operational staff under the control and direction of the Chief Constable passes to their employ and that any discussion with the Chief on those remaining with the Police and Crime Commissioner will focus on non-operational roles."*

The Home Secretary directed all Commissioners and Chief Constables to prepare a staff transfer scheme for approval. This scheme was to make provision for the transfer of non-warranted police staff to the employment of the Chief Constable of the force. The Stage 2 Transfer Scheme prepared by the Commissioner and the Chief Constable was approved by the Home Office and the transfer of affected staff completed by the 31<sup>st</sup> March 2014 deadline. These changes also necessitated a review and amendments to the governance framework(s) of the two Corporations Sole, and as a result a revised Manual of Governance was prepared with effect from 1<sup>st</sup> April 2014. As a consequence the vast majority of staff are now employed by the Chief Constable. Warranted police officers were always in the employ of the Chief Constable.

## Stage 2 – Accounting Policies

There are no significant changes to accounting policies due to the stage 2 transfers.

## Operational Performance and Value for Money arrangements

Whilst the Statement of Accounts are primarily focussed on the reporting of financial activity for the year it is also important to reflect on the delivery of Value for Money and key operational performance indicators. The Value for Money target to achieve a balanced budget outturn for 2014-15 was met for the fourth consecutive year with £32M of cash releasing savings delivered over the four years, including £5.3M delivered in 2014/15. However the austerity programme is set to continue and further savings of £39M are forecasted to be required over the next four years which will be a considerable challenge over the medium term. This is £69M of savings over the austerity period.

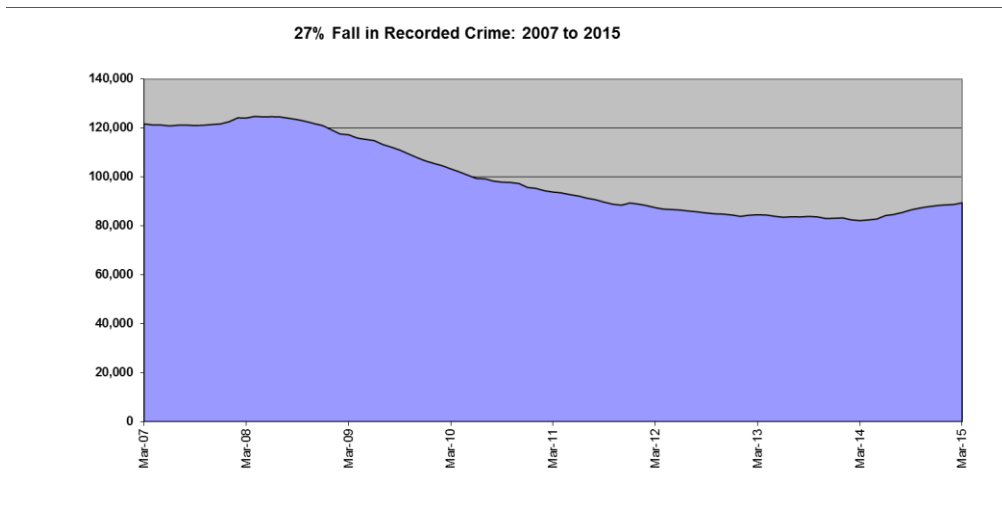
South Wales Police has developed a comprehensive medium term strategy to deliver the savings which protects front line services and this can be seen in the performance chart below.



The summary includes statistics of operational performance.

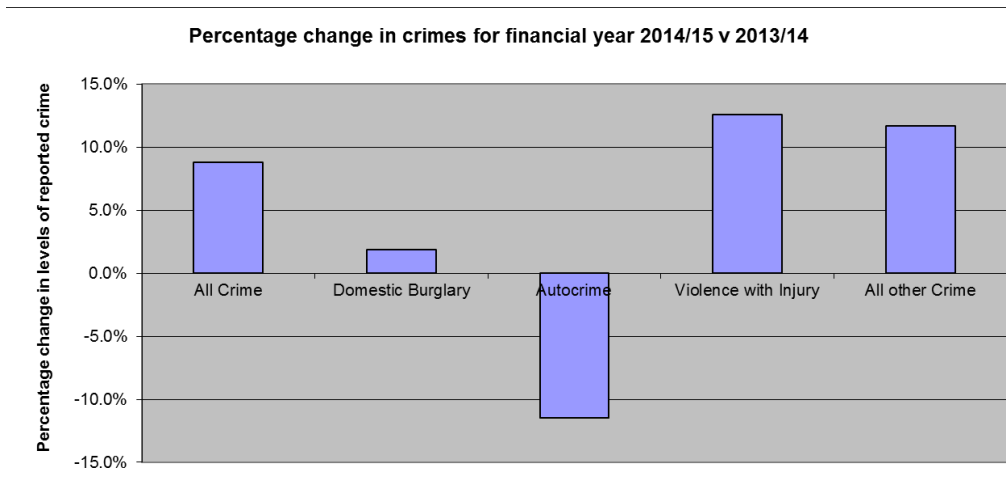
## PERFORMANCE

### 27% FALL IN RECORDED CRIME FROM 2007 - 2015



The slight increase in 2014-2015 reflects an internal change in crime recording processes. Previously incidents were investigated and then recorded, now the Force records the crime when the incident is reported.. The process of improvement continues, with the latest figures showing the best victim satisfaction levels experienced by the Force. The decision to change has put it at the front of development of good practice identified nationally by Her Majesty's Inspectorate of the Constabulary.

### FORCEWIDE PERFORMANCE 2014-2015



With regard to operational performance the following headlines are noteworthy:

## **ACHIEVEMENTS FORCE-WIDE IN 2014/2015**

### **Making Every Contact Count**

- 91.6% of 999 calls were answered within 10 seconds, which is 1.6% above the national target.
- 89.9% of non-emergency calls were answered within 40 seconds.

### **Equality, Diversity and Human Rights**

- Overall victim satisfaction for Black and Minority Ethnic victims has slightly decreased from 85.9% at the end of 2013-14 to 85.4% in 2014-15.
- Hate related crimes increased in line with the Force aim to increase reporting of these offences.

### **Quality of Service**

- South Wales Police recorded an overall crime outcome rate of 28.6% for 2014-15 compared to 33.8% in 2013-14.
- As a result of the revised crime recording process, there was a rise of 1.9% in domestic burglaries compared to 2013-14 and the outcome rate fell by 16.8% to 21.6% in 2014-15.
- The outcome rate for violence with injury decreased to 49.9%.
- Vehicle crime reduced by 11.5% compared to 2013-14.
- The number of criminal damage offences fell by 0.3% compared to 2013-14.
- The number of drug trafficking offences fell by 18.2% in 2014-15 compared to a reduction of 16.5% in the same period last year.
- Overall victim satisfaction stood at 88.3%, which is slightly lower than 89.7% which we achieved in 2013-14.
- During 2014-15, a significant improvement in our approach to crime recording has resulted in 93% of crimes reported to South Wales Police being recorded within 72 hours.

## **POLICE EFFECTIVENESS EFFICIENCY & LEGITIMACY PROGRAMME (PEEL)**

The first PEEL assessment of South Wales Police concluded that:

- In terms of its effectiveness, in general, the force is good at reducing crime and preventing offending, good at investigating offending and outstanding at tackling anti-social behaviour;
- The efficiency with which the force carries out its responsibilities is good; and
- The force is acting to achieve fairness and legitimacy in most of the practices that were examined.

It was specifically noted that South Wales Police had made excellent progress in responding to the spending review, approaching that challenge by introducing innovative practice. This means the force is well placed to deal with future budget cuts. Ms Sharpling, Her Majesty's Inspector for the Wales & Western region, stated that she was "particularly impressed by the force's approach to crime recording, which has a high degree of accuracy and the outstanding practice developed to tackle anti-social behaviour"..

Chief Financial Officer  Dated: 30 June 2015

Chief Financial Officer  Dated: 30 September 2015

## **Auditor General for Wales' report to the Police and Crime Commissioner for South Wales**

I have audited the accounting statements and related notes of the:

- Police and Crime Commissioner for South Wales;
- Police and Crime Commissioner for South Wales Police Group; and
- South Wales Police Pension Fund

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for South Wales accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and related notes.

The Police and Crime Commissioner for South Wales Police Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and related notes.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for South Wales Group accounting statements and South Wales Police Pension Fund's accounting statements, which gives a true and fair view.

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

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

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

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

### **Opinion on the accounting statements of the Police and Crime Commissioner for South Wales**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for South Wales as at 31 March 2015 and of his income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

### **Opinion on the accounting statements of the Police and Crime Commissioner for South Wales Police Group**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Police and Crime Commissioner for South Wales Police Group as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

### **Opinion on the accounting statements of the South Wales Police Pension Fund**

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

- give a true and fair view of the financial transactions for South Wales Police Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

### **Opinion on other matters**

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

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

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

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

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



**For and on behalf of**  
**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**24 Cathedral Road**  
**Cardiff CF11 9LJ**  
**30 September 2015**

The maintenance and integrity of the Police and Crime Commissioner for South Wales' website is the responsibility of the Commissioner; 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.

## Statement of Responsibilities for the Accounts

### Responsibilities of the Police and Crime Commissioner

Is required to:

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

I certify the approval of this statement of accounts.



The Police and Crime Commissioner for South Wales

Dated:

30 September 2015

### Responsibilities of 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
- complied with the local authority Code.

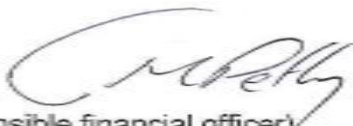
The chief financial officer has also:

- kept proper accounting records which were up to date
- 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 Police and Crime Commissioner for South Wales at the accounting date and its income and expenditure for the year ended 31 March, 2015.

Chief Financial Officer

Date of signing (by responsible financial officer)



Dated:

30 June 2015

Chief Financial Officer

Date of signing (prior to the approval of the Police and Crime Commissioner)



Dated: 30 September 2015

## Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves, which cannot. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net (Increase) /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2014</b>		<b>(9,041)</b>	<b>(24,882)</b>	<b>0</b>	<b>(33,923)</b>	<b>2,617,361</b>	<b>2,583,438</b>
<b>Movement in reserves during 2014/15</b>							
(Surplus) or deficit on provision of services		85,250	0	0	85,250	0	85,250
Other Comprehensive Income and Expenditure		0	0	0	0	303,936	303,936
<b>Total Comprehensive Income and Expenditure</b>		<b>85,250</b>	<b>0</b>	<b>0</b>	<b>85,250</b>	<b>303,936</b>	<b>389,186</b>
Adjustments between accounting basis & funding basis under regulations	6	(87,874)	0	(911)	(88,785)	88,785	0
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>		<b>(2,624)</b>	<b>0</b>	<b>(911)</b>	<b>(3,535)</b>	<b>392,721</b>	<b>389,186</b>
Transfers (to)/ from Earmarked Reserves	7	2,624	653	911	4,188	(4,188)	0
<b>(Increase)/ Decrease movement in Year</b>		<b>0</b>	<b>653</b>	<b>0</b>	<b>653</b>	<b>388,533</b>	<b>389,186</b>
<b>Balance at 31 March 2015 carried forward</b>		<b>(9,041)</b>	<b>(24,229)</b>	<b>0</b>	<b>(33,270)</b>	<b>3,005,894</b>	<b>2,972,624</b>
	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2013</b>		<b>(8,221)</b>	<b>(33,641)</b>	<b>0</b>	<b>(41,862)</b>	<b>2,695,919</b>	<b>2,654,057</b>
<b>Movement in reserves during 2013/14</b>							
(Surplus) or deficit on provision of services		104,351	0	0	104,351	0	104,351
Other Comprehensive Income and Expenditure		0	0	0	0	(174,970)	(174,970)
<b>Total Comprehensive Income and Expenditure</b>		<b>104,351</b>	<b>0</b>	<b>0</b>	<b>104,351</b>	<b>(174,970)</b>	<b>(70,619)</b>
Adjustments between accounting basis & funding basis under regulations	6	(113,102)	0	(702)	(113,804)	113,804	0
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>		<b>(8,751)</b>	<b>0</b>	<b>(702)</b>	<b>(9,453)</b>	<b>(61,166)</b>	<b>(70,619)</b>
Transfers (to)/ from Earmarked Reserves	7	7,931	8,759	702	17,392	(17,392)	0
<b>(Increase)/ Decrease movement in Year</b>		<b>(820)</b>	<b>8,759</b>	<b>0</b>	<b>7,939</b>	<b>(78,558)</b>	<b>(70,619)</b>
<b>Balance at 31 March 2014 carried forward</b>		<b>(9,041)</b>	<b>(24,882)</b>	<b>0</b>	<b>(33,923)</b>	<b>2,617,361</b>	<b>2,583,438</b>

**Unusable reserves** mainly include a Pensions Deficit Reserve or net liabilities for Police & Police Staff schemes, a Capital Adjustment Account (including how assets have been financed) and a Revaluation Reserve of unrealised asset revaluations. Further details in the Balance Sheet and Note 20.

## Comprehensive Income and Expenditure Statement (CIES) - Group

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local Government Bodies raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (MIRS).

	Note	Group 2014/15			Group 2013/14		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Local Policing		119,018	(7,933)	111,085	126,743	(8,035)	118,707
Dealing with the Public		21,709	-	21,709	22,148	0	22,148
Criminal Justice Arrangements		24,954	(2,230)	22,724	29,611	(2,282)	27,329
Road Policing		9,544	(2,034)	7,509	10,980	(3,336)	7,644
Specialist Operations		24,730	(1,791)	22,939	27,370	(2,820)	24,550
Intelligence		14,382	(2,349)	12,033	16,389	(2,176)	14,214
Investigation		60,980	(2,263)	58,717	59,970	(2,266)	57,704
Investigative Support		5,987	(5)	5,983	6,496	(92)	6,404
National Policing	*	20,402	(24,681)	(4,279)	13,332	(10,703)	2,629
<b>Police Services</b>		<b>301,707</b>	<b>(43,287)</b>	<b>258,420</b>	<b>313,040</b>	<b>(31,710)</b>	<b>281,330</b>
Corporate and Democratic Core		1,077	0	1,077	1,013	0	1,013
Commissioned Services (including Community Safety Fund Expenditure)	*	5,844	(1,807)	4,037	3,746	(3,741)	5
Non Distributed Costs -							
- Retirements Benefits Past Service Cost		9,460	0	9,460	0	0	0
- Other Non Distributed Costs including Termination Benefits - Voluntary Early retirement		183	0	183	0	0	0
<b>Cost of Services</b>		<b>318,271</b>	<b>(45,094)</b>	<b>273,177</b>	<b>317,799</b>	<b>(35,451)</b>	<b>282,348</b>
Other operating expenditure -							
- Levies to national police services		1,644	0	1,644	1,275	0	1,275
- Gain/losses on disposal of non current assets		1,697	0	1,697	476	0	476
Financing and investment income and expenditure	8	118,891	(49,394)	69,497	119,331	(38,274)	81,057
Taxation and non-specific grant income	9	0	(260,765)	(260,765)	0	(260,805)	(260,805)
<b>(Surplus)/Deficit on Provision of Services</b>		<b>440,503</b>	<b>(355,253)</b>	<b>85,250</b>	<b>438,881</b>	<b>(334,530)</b>	<b>104,351</b>
(Surplus) or deficit on revaluation of non-current assets				210			98
Actuarial (gains)/losses on pension assets/liabilities				303,726			(175,068)
<b>Other Comprehensive Income and Expenditure</b>				<b>303,936</b>			<b>(174,970)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>389,186</b>			<b>(70,619)</b>

\*The amount credited as grant income for National Policing includes specific grant of £8.837M for a capital project (home office funded facility) charged as capital financing in the MIRS, and hence excluded from the CIES service cost. This is consistent with other specific grants, although is exceptional in amount compared to prior years.

\*Commissioned Services received a specific grant in 2013-14 of £3.7M, which is included in police grant in 2014-15. New grant of £1.8M is however allocated in support of various criminal justice and innovation funded projects.

The above table shows the Group position with the statements for both the Police and Crime Commissioner and the Chief Constable separately identified in the following tables.



## Comprehensive Income and Expenditure Statement (CIES) – Police and Crime Commissioner

	Note	Police and Crime Commissioner 2014/15			Police and Crime Commissioner 2013/14		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Local Policing		0	(7,933)	(7,933)	0	(8,035)	(8,035)
Dealing with the Public		0	0	0	0	0	0
Criminal Justice Arrangements		0	(2,230)	(2,230)	0	(2,282)	(2,282)
Road Policing		0	(2,034)	(2,034)	0	(3,336)	(3,336)
Specialist Operations		0	(1,791)	(1,791)	0	(2,820)	(2,820)
Intelligence		0	(2,349)	(2,349)	0	(2,176)	(2,176)
Investigation		0	(2,263)	(2,263)	0	(2,266)	(2,266)
Investigative Support		0	(5)	(5)	0	(92)	(92)
National Policing		0	(24,681)	(24,681)	0	(10,703)	(10,703)
<b>Police Services</b>		<b>0</b>	<b>(43,287)</b>	<b>(43,287)</b>	<b>0</b>	<b>(31,710)</b>	<b>(31,710)</b>
Corporate and Democratic Core		1,077	0	1,077	1,013	0	1,013
Commissioned Services (including Community Safety Fund Expenditure)		5,844	(1,807)	4,037	3,746	(3,741)	5
- Other Non Distributed Costs including Termination Benefits - Voluntary Early retirement		183	0	183	0	0	0
Impairment to Fixed Assets		2,695	0	2,695	879	0	879
<b>Cost of Services</b>		<b>9,799</b>	<b>(45,094)</b>	<b>(35,295)</b>	<b>5,638</b>	<b>(35,451)</b>	<b>(29,813)</b>
Other operating expenditure -							
- Gain/losses on disposal of non current assets		1,697	0	1,697	476	0	476
Financing and investment income and expenditure	8	803	(49,394)	(48,591)	854	(38,274)	(37,420)
Taxation and non-specific grant income	9	0	(260,765)	(260,765)	0	(260,805)	(260,805)
Commissioning Costs (intra-group transfer)		428,204	0	428,204	431,913	0	431,913
<b>(Surplus)/Deficit on Provision of Services</b>		<b>440,503</b>	<b>(355,253)</b>	<b>85,250</b>	<b>438,881</b>	<b>(334,530)</b>	<b>104,351</b>
(Surplus) or deficit on revaluation of non-current assets				210			98
Actuarial (gains)/losses on pension assets/liabilities				262			(155)
Commissioning Costs (intra-group transfer)				303,464			(174,913)
<b>Other Comprehensive Income and Expenditure</b>				<b>303,936</b>			<b>(174,970)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>389,186</b>			<b>(70,619)</b>

## Comprehensive Income and Expenditure Statement (CIES) – Chief Constable

	Note	Chief Constable 2014/15			Chief Constable 2013/14		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Local Policing		117,955	0	117,955	126,387	0	126,387
Dealing with the Public		21,517	0	21,517	22,086	0	22,086
Criminal Justice Arrangements		24,731	0	24,731	29,528	0	29,528
Road Policing		9,458	0	9,458	10,949	0	10,949
Specialist Operations		24,509	0	24,509	27,293	0	27,293
Intelligence		14,253	0	14,253	16,343	0	16,343
Investigation		60,435	0	60,435	59,802	0	59,802
Investigative Support		5,933	0	5,933	6,478	0	6,478
National Policing		20,220	0	20,220	13,295	0	13,295
<b>Police Services</b>		<b>299,012</b>	<b>0</b>	<b>299,012</b>	<b>312,161</b>	<b>0</b>	<b>312,161</b>
Non Distributed Costs - - Retirements Benefits Past Service Cost		9,459	0	9,459	0	0	0
<b>Cost of Services</b>		<b>308,471</b>	<b>0</b>	<b>308,471</b>	<b>312,161</b>	<b>0</b>	<b>312,161</b>
Other operating expenditure - - Levies to national police services		1,644	0	1,644	1,275	0	1,275
Financing and investment income and expenditure	6	118,089	0	118,089	118,477	0	118,477
Taxation and non-specific grant income		0	0	0	0	0	0
Commissioning Costs (intra-group transfer)		(428,204)	0	(428,204)	(431,913)	0	(431,913)
<b>(Surplus)/Deficit on Provision of Services</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Actuarial (gains)/losses on pension assets/liabilities				303,464			(174,913)
Commissioning Costs (intra-group transfer)				(303,464)			174,913
<b>Other Comprehensive Income and Expenditure</b>				<b>0</b>			<b>0</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>0</b>			<b>0</b>

## Balance Sheet

The Balance Sheet shows the value of the recognised assets and liabilities. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first are usable reserves, i.e. those reserves that it may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are unusable or those that it is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' e.g. Pension deficits.

31 March 2015		Group	Police and Crime Commissioner	Chief Constable
	Note	£000	£000	£000
Property, Plant & Equipment	10	110,817	110,817	0
Intangible Assets	12	1,580	1,580	0
		excluded on consolidation for group		
Long Term Debtors - intra-group transfer			0	3,096,150
<b>Long Term Assets</b>		<b>112,397</b>	<b>112,397</b>	<b>3,096,150</b>
Short Term Investments	13	8,247	8,247	0
Assets held for sale (<1yr)	16	0	0	0
Inventories		876	0	876
Short Term Debtors	14	40,381	40,381	0
Debtors - Intra-group working capital		0	(18,618)	18,618
Cash and Cash Equivalents	15	19,244	19,244	0
<b>Current Assets</b>		<b>68,748</b>	<b>49,254</b>	<b>19,494</b>
Short Term Borrowing	13	(1,981)	(1,981)	0
Short Term Creditors	17	(22,775)	(3,281)	(19,494)
<b>Current Liabilities</b>		<b>(24,756)</b>	<b>(5,262)</b>	<b>(19,494)</b>
		excluded on consolidation for group		
Long Term Creditors - intra-group transfer			(3,096,150)	0
Provisions	18	(14,061)	(14,061)	0
Long Term Borrowing	13	(17,362)	(17,362)	0
Other Long Term Liabilities:				
• Local Government Pension Schemes	32.1	(123,990)	(1,440)	(122,550)
• Police Pension Schemes	32.2	(2,973,600)	0	(2,973,600)
<b>Long Term Liabilities</b>		<b>(3,129,013)</b>	<b>(3,129,013)</b>	<b>(3,096,150)</b>
<b>Net Assets</b>		<b>(2,972,624)</b>	<b>(2,972,624)</b>	<b>0</b>
Usable Reserves	7	(33,270)	(33,270)	0
Unusable Reserves	20	3,005,894	3,005,894	0
<b>Total Reserves</b>		<b>2,972,624</b>	<b>2,972,624</b>	<b>0</b>

31 March 2014		Group	Police and Crime Commissioner	Chief Constable
	Note	£000	£000	£000
Property, Plant & Equipment	10	98,963	98,963	0
Intangible Assets	12	1,485	1,485	0
		excluded on consolidation for group		
Long Term Debtors - intra-group transfer			0	2,696,719
<b>Long Term Assets</b>		<b>100,448</b>	<b>100,448</b>	<b>2,696,719</b>
Short Term Investments	13	21,285	21,285	0
Assets held for sale (<1yr)	16	395	395	0
Inventories		796	0	796
Short Term Debtors	14	24,013	24,013	0
Debtors - Intra-group working capital		0	(15,849)	15,849
Cash and Cash Equivalents	15	10,218	10,218	0
<b>Current Assets</b>		<b>56,707</b>	<b>40,062</b>	<b>16,645</b>
Short Term Borrowing	13	(2,050)	(2,050)	0
Short Term Creditors	17	(19,050)	(2,405)	(16,645)
<b>Current Liabilities</b>		<b>(21,100)</b>	<b>(4,455)</b>	<b>(16,645)</b>
		excluded on consolidation for group		
Long Term Creditors - intra-group transfer			(2,696,719)	0
Provisions	18	(4,701)	(4,701)	0
Long Term Borrowing	13	(17,672)	(17,672)	0
Other Long Term Liabilities:				
• Local Government Pension Schemes	32.1	(103,860)	(401)	(103,459)
• Police Pension Schemes	32.2	(2,593,260)	0	(2,593,260)
<b>Long Term Liabilities</b>		<b>(2,719,493)</b>	<b>(2,719,493)</b>	<b>(2,696,719)</b>
<b>Net Assets</b>		<b>(2,583,438)</b>	<b>(2,583,438)</b>	<b>0</b>
Usable Reserves	7	(33,923)	(33,923)	0
Unusable Reserves	20	2,617,361	2,617,361	0
<b>Total Reserves</b>		<b>2,583,438</b>	<b>2,583,438</b>	<b>0</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of South Wales Police/ the Commissioner during the reporting period. The statement shows how it generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

	Note	2014/2015 £000	2013/2014 £000
Net (surplus) or deficit on the provision of services		85,250	104,351
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	(103,582)	(125,709)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,851	1,779
<b>Net cash flows from Operating Activities</b>	21	<b>(16,481)</b>	<b>(19,579)</b>
Returns on Investments and Servicing of Finance		470	471
Investing Activities	22	6,605	16,366
Financing Activities	23	380	1,700
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(9,026)</b>	<b>(1,042)</b>
Cash and cash equivalents at the beginning of the reporting period		10,218	9,176
Cash and cash equivalents at the end of the reporting period	15	<b>19,244</b>	<b>10,218</b>

## Police Pension Fund Account

Police Scheme	2014/2015 £000	2013/2014 £000
<b>Contributions receivable</b>		
from employer:		
• Normal	(24,970)	(25,125)
• Early retirements (incl. capital equivalent charge for ill health retirements)	(608)	(460)
from members	(14,328)	(13,761)
<b>Transfers in</b>		
Individual transfers in from other schemes	(472)	(709)
<b>Benefits payable</b>		
Pensions	65,527	62,583
Commutations and lump sum retirement benefits'	13,633	13,820
Revised Commutation factors (Milne v GAD)	9,350	0
Lump sum death benefits	93	76
<b>Payments to and on account of leavers</b>		
Individual transfers out to other schemes	821	894
<b>Sub-Total before transfer from the Police Fund</b>	<b>49,046</b>	<b>37,318</b>
<b>Additional funding payable by Police Fund</b>	<b>(49,046)</b>	<b>(37,318)</b>
<b>Net Amount payable/ receivable for the year</b>	<b>0</b>	<b>0</b>
<b>Net Asset Statement</b>		
<b>Net current assets and liabilities</b>		
<b>Current Assets</b>		
Debtor - net balances owed from the Police Fund	92	0
Debtor - net balances owed from the Police Fund	9,350	0
Bank balance	607	788
<b>Current Liabilities</b>		
Provisions	(9,350)	0
Creditor - benefits payable to retiring officers end of March paid April	(699)	0
Creditor - net balances owed to Police Fund	0	(788)
<b>Net</b>	<b>0</b>	<b>0</b>

## Notes to the Police Pension Fund Accounts

1. The Police Pension Scheme is administered by Capita plc under contract.
2. There are no investment assets of the fund. The payments in and out of the Pension Fund are balanced to nil each year by receipt of additional contribution from the Police Fund, which in turn is reimbursed by specific grant by the sponsoring government department (Home Office). Or if in surplus, the Pension Fund reimburses the Police Fund in order to reimburse the sponsoring department.
3. The fund's financial statements do not take account of other liabilities to pay pensions and other benefits after the year end, which are however accounted for on the balance sheet as future retirement benefits.
4. Other than the notes above, the Police Pension Fund has followed the accounting policies as set out in the following note..

## **Notes to the Accounts**

### **Note 1 Accounting Policies** **General Principles**

The general principles and practices adopted in compiling these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). Reference is made to the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 - Based on International Financial Reporting Standards (the Code). This is supplemented by the Service Reporting Code of Practice for Local Authorities (SeRCOP).

These codes of practice set out the proper accounting practices as required by section 21(2) of the Local Government Act 2003 and the Accounts and Audit Regulations as amended.

Local Government Bodies, have some discretion in determining what policies need to be provided and the level of detail disclosed, but it should be noted that the Code states that users of financial statements are assumed to have a reasonable knowledge of accounting, which would limit the detail required in the summary of significant accounting policies.

#### **Accruals of income and expenditure**

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

Revenue from the provision of services is recognised when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service potential associated with the transaction will be received.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

Where actual amounts were not available, it may have been necessary to use appropriate estimated values.

#### **Office of the Police & Crime Commissioner**

Transactions of the Police and Crime Commissioner include operating costs of his Office, certain other corporate costs, which are accounted for as Corporate and Democratic Core expenditure under the accounting Code together with a new classification for the commissioning of services. Gross expenditure includes asset charges (depreciation and revaluation decreases) with all income being included so as to transfer funding to meet the Chief Constable's Expenditure Account. The Group's income and expenditure includes all Income & Expenditure relating to the Police and Crime Commissioner and Chief Constable.

#### **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. This includes instant and callable account bank deposits. The Code does not include strict criteria for the composition of cash equivalents and South Wales Police/ the Commissioner has some discretion in this policy. Further advice

suggests that fixed term deposits are not highly liquid and not readily convertible to cash and, in certain market conditions, there could be a risk of change in value. On this basis all fixed term deposit investments are accounted for as investments.

### **Contingent liabilities**

A contingent liability arises where an event has taken place that gives a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Commissioner or Chief Constable. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent assets**

A contingent asset arises where an event has taken place that gives a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Commissioner or Chief Constable. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **Employee benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and 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 employees render service. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu, and cancelled rest days for police officer's) as earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable 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 to terminate an employee's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when there is a demonstratable commitment to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable 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' pensions are unfunded by statute. However, the funding arrangements changed on 1st April 2006, from 'Pay As You Go' (i.e. based on payments to current pensioners) a direct charge to the Revenue Account, to an annual employers' pension contribution based on percentage of salary, with the balance payable to pensioners met from a grant provided by the Home Office. All other employees are eligible to join the Local Government Pension Scheme.



The Commissioner and Chief Constable are participating members of the Rhondda Cynon Taff County Borough Council Pension Fund making appropriate employer contributions into that Pension Fund.

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

### **Events after the reporting period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Events taking place after this latter date are not reflected in the financial statements or notes.

Where events taking place before this date (adjusting events) provide information about conditions existing at the balance sheet date, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information. Where events taking place before this date (non-adjusting events) are indicative of conditions arising after the balance sheet date, the financial statements are not adjusted, but if material, disclosure will be made in a note.

### **Exceptional items and prior period adjustments**

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 or in the notes to the accounts, depending on how significant the items are to an understanding of financial performance.

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 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.

### **Financial instruments**

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Commissioner or Chief Constable becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### Financial Assets – Deposits, Loans and Receivables

Deposits, Loans and receivables are recognised on the Balance Sheet when the Commissioner or Chief Constable becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the deposits, loans the amount presented

in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

### **Foreign currency translation**

Where the Commissioner or 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.

### **Government grants and other contributions**

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

- the Commissioner or Chief Constable will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Certain low value grants below deminimis are recognised in the year of receipt. Balances are assessed at each year-end and for certain low value deminimis amounts these may be recognised. Should future adjustments be necessary these are accounted for in a future period.

### **Intangible assets**

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

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

### **Inventories and long-term contracts**

Stocks are valued at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

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

A number of new and revised standards have been issued and newly applied in the Code, addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities.

IFRS 10 Consolidated Financial Statements; introduces a new definition of control, used to determine which entities are consolidated for the purposes of group accounts. The Commissioner group includes the Chief Constable.

IFRS 11 Joint Arrangements; covers the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. The entity's regional collaboration work previously were defined under the category of jointly controlled operations or jointly controlled assets and will not be affected by the new requirements, other than amended to one definition of joint

operations. The former definition of jointly controlled entities are now defined as joint ventures. The force has no joint ventures.

Definitions:

<b>Joint operation</b>	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement
<b>Joint venture</b>	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement

A joint operator recognises in its financial statements in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint venturer recognises its interest in a joint venture as an 'investment' and shall account for that investment using the equity method. A party that participates in, but does not have joint control of, a joint venture accounts for its interest in the arrangement unless it has significant influence over the joint venture.

IFRS 12 Disclosures of Involvement with Other Entities; this is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The force has a number of working arrangements with other entities as partners; however none are of significant value. The Chief Constable is a Corporation Sole and receives an allocation of funding from the Commissioner to undertake operational policing.

In summary the Code of Practice on Local Authority Accounting in the UK 2014/15 (the Code) contains revised provisions following the issue of new IFRS standards and the amendment of related existing standards. The new provisions have effect in three main areas: - a new definition of subsidiaries based on a remodelled control test (IFRS 10 Consolidated Financial Statements), new classifications for joint operations and joint ventures (IFRS 11 Joint Arrangements) and extended and revised disclosure requirements for group accounts (IFRS 12 Disclosure of Interests in Other Entities). Further information is disclosed in note 35 – collaboration.

## **Leases**

Costs are charged to expenditure over the life of the lease.

## **Non-current assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Capital receipts in excess of £10,000 are taken to the Capital Receipts Reserve and can only be used for capital investments or debt redemption with receipts less than £10,000 being kept in the revenue account.

### **Overheads**

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

### **Property, plant and equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The full value of capital expenditure is included in the additions line but the carrying value going forward reflects the value of the asset. Assets individually (or collectively valued over £5k) are capitalised, where their estimated life is of material benefit beyond one year.

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Code in summary prescribes the following bases for measuring classes of Property, Plant and Equipment:

1. Separate valuations for Land and Buildings and any components
2. Inclusion of an estimate of the remaining useful life of the building and any components
3. The value methodology is determined by the classification of the asset:

- Assets Under Construction – Depreciated Historic Cost.

- Other Land and Buildings - Fair Value based on existing use (EUV)

Where there is no market based evidence of fair value, because of the specialist nature of the asset and the asset is rarely sold, this is estimated using a depreciated replacement cost approach.

- Vehicles Plant Furniture and Equipment - Depreciated Replacement Cost if EUV cannot be determined.

- Surplus Assets - Fair Value based on existing use (EUV).

- Assets held for sale - measured at the lower of carrying amount and fair value less costs to sell, and depreciation on those assets should cease.

- Investment property - Fair value in its highest and best use, i.e. market value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The effective date of valuations for the following asset categories are as follows:

- Land and Buildings: 31 March 2012, resulting from a full external valuation undertaken on a five year cycle. Valuations services were provided by representatives of the Head of Property and Regeneration of Neath Port Talbot County Borough Council in support of the internal Estates Department. A rolling or interim valuation was undertaken in 2012/13, so as to revalue land and buildings over the next valuation cycle. The valuations were provided in the 1<sup>st</sup> year by Bruton Knowles, a firm of property consultants. The 2<sup>nd</sup> and 3<sup>rd</sup> year rolling valuation for 2013/14 and 2014/15 have been undertaken by a change in contracted valuer – GVA.
- Vehicles, plant and equipment: annual reviews, resulting from respective asset management functions facilitated by internal departments- including Fleet Management and Information Systems for computer and other technology systems.

Fair values are based on valuations using one of the following methodologies: Existing Use Value, Market Value, Depreciated Replacement Cost, as advised by external/ internal valuation reviews.

### Impairment

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land ) and assets that are not yet available for use (i.e. assets under construction).

Depreciation applies to all property, plant and equipment, whether held at historical cost or re-valued amount, with certain exceptions:

- Land where it can be demonstrated that the asset has an unlimited useful life
- Investment properties
- Assets under construction until available for use
- Assets classified as held for sale i.e. surplus or derecognised

- Assets are held at their estimated residual value.

The depreciation charge shall be based on the depreciable amount allocated over the useful life of the asset, using a depreciation method that reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed. Revisions to the above shall be considered annually, including depreciation methods, estimated useful lives, residual values and should expectations significantly differ, the revision is a change in accounting estimate and not a change in accounting policy.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Where there is more than one significant part of the same asset, which have the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge.

The following bases are used:

- Land & Buildings: Land values are not depreciated, buildings with asset values exceeding a threshold of £1M are considered for separation into their component parts. This threshold captures most of the main higher valued operational properties, effectively covering about 87% in terms of total building asset values.

Potential components shall have regard to estimated remaining asset lives and in principal be limited to the host structure, roof, services (mechanical and electrical). This is considered appropriate in meeting the requirements. A deminimus threshold of 20% of the building value is applied. In future years where part of an asset is replaced, the replaced part will need to be derecognised.

Deminimus thresholds for Headquarters of £0.350m and Waterton £0.2m are applied in the recognition of significant component carrying values and the resultant depreciation, which are reported by the Valuer as having an economic remaining life ranging from 3-66 years. Non significant components or minor outbuildings and temporary structures on these sites continue to be based on an assumed 50 year life for the determination of depreciation. These are likely to be associated with the dominant significant buildings maintaining the longevity of the sites.

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

- Vehicles: on a straight line basis over the period estimated to benefit from their use – between 2 and 10 years;
- Computer Hardware: on a straight line basis over the period estimated to benefit from their use – between 3 and 7 years;
- Intangible – Computer Software Licences: amortised on a straight line basis over the estimated life, between 3 and 7 years.

The useful economic lives detailed are a guideline and are subject to the individual asset in question.

### **Provisions**

Provisions set aside amounts to provide for liabilities, which are likely to be incurred but there is uncertainty as to the amounts or the dates on which they will arise. Provisions are charged direct to the Comprehensive Income and Expenditure Statement whilst the expenditure, when incurred, is charged against the provision.

### **Reserves**

The Commissioner sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance

in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for South Wales Police/ the Commissioner – these reserves are explained in the relevant policies.

Amounts have been set aside to meet specific expenditure in future years, as earmarked capital and revenue reserves. Additionally, a general reserve (Police Fund), funded from accumulated surpluses of income over expenditure, is maintained to meet exceptional and unforeseen expenditure. South Wales Police/ the Commissioner has a risk based approach to the retention of reserves with the aim of having a Police Fund balance of 3% of Gross Revenue Expenditure.

#### **Revenue expenditure funded from capital under statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where South Wales Police/ the Commissioner has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### **Value added tax**

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

## **Note 2 Accounting Standards Issued, Not Adopted**

For 2014/15 the following accounting policy changes that need to be reported relate to:

IFRS 13 Fair Value Measurement (May 2011). The CIPFA/LASAAC Local Authority Accounting Code Board decided at its meeting in January 2014 to defer the implementation of IFRS 13 Fair Value Measurement to the 2015/16 Code. The basis of measurement for operational property is to be amended for public sector bodies from Fair to Current Value, anticipated to be a change in terminology only. CIPFA/LASAAC's work with HM Treasury has confirmed that it is appropriate to focus on valuing the service potential and thus the operating capacity used to deliver goods and services. CIPFA/LASAAC concluded that exit value although useful information for the users of the financial statements is not the best measurement for assets used for their operational capacity. The measurement requirements for operational property, plant and equipment will therefore not be subject to change.

It is anticipated that details of the disclosures required for these changes will be included in the Code of Practice and guidance notes to be issued for 2015/16 and applied accordingly in the 2015/16 Statements.

## **Note 3 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, South Wales Police/ the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts include:

- That there is a high degree of uncertainty about future levels of funding The Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets might be further impaired as a result of a need to close facilities and reduce levels of service provision.
- Depreciation is charged on operational buildings but is written out to the Comprehensive Income and Expenditure Statement annually. In the Commissioner's judgement, this provides a more accurate picture of asset values in between the 5 year cycle of valuations. This is supported by valuation advice obtained annually from the valuer to ascertain whether there would be a material change in asset values listed by South Wales Police. This provides a view that the asset valuations would not have been significantly affected by a marginal market based increase in property values.



## Note 4 Assumptions Made about the Future and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item Uncertainties		Effect if Actual Results Differ from Assumptions	
<b><u>Pensions Liability - Police (Information from Actuary)</u></b>			
Sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions			
<u>Change in assumption*</u>		<u>Impact on Defined Benefit Obligation</u>	
		<u>%</u>	<u>£ million</u>
Rate of discounting scheme liabilities	-½% a year	11.6%	340
Rate of increase in salaries	+½% a year	1.7%	53
Rate of increase in pensions / deferred revaluation	+½% a year	9.3%	268
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.5%	71
<p>* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in the assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.</p> <p>The weighted average duration of the defined benefit obligation is around 23 years for the old scheme and 33 years for the new scheme..</p>			
<b><u>Pensions Liability - LGPS (Information from Actuary)</u></b>			
The results shown in the report are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2015 is set out below.			
In each case, only the assumption mentioned is altered; all other assumptions remain the same. For inflation, for example, we have assumed this will not change the salary inflation figure and will affect pension increases only. We have not included sensitivity of unfunded benefits on materiality grounds.			
<u>Change in assumption*</u>		<u>Impact on Defined Benefit Obligation</u>	
		<u>%</u>	<u>£ million</u>
Adjustment to discount rate	-0.1% p.a		8
Adjustment to salary increase rate	+0.1% p.a		3
Adjustment to pension increase rate	+0.1% p.a		6
Adjustment to mortality age rating assumption **			9
<p>**A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.</p>			

## **Note 5 Events after the Reporting Period**

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 September 2015. There are no non-adjusting events. The Pensions Account together with corresponding entries in the Balance Sheet and other statements (MIRS & CIES) and notes include an additional provision and offsetting debtor thereby being an adjusting event with no overall financial implications in the accounts. Reference is made to a determination by the Pensions Ombudsman, in May 2015 and subsequent revised pension commutation factors. Further details in the Provisions Note (note 18).

## **Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations**

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

The following sets out a description of the reserves that the adjustments are made against:

### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that South Wales Police/ the Commissioner is statutorily empowered to spend on its services or on capital investment (or the deficit of resources it is required to recover) at the end of the financial year.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

**Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations  
(Continued)**

2014/2015	General Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the     Comprehensive Income and Expenditure     Statement:</b>				
Charges for depreciation and impairment of non-current assets	(5,070)	-	(5,070)	5,070
Revaluation losses on Property Plant and Equipment	(2,695)	-	(2,695)	2,695
Amortisation of intangible assets	(738)	-	(738)	738
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,697)	-	(1,697)	1,697
<b>Insertion of items not debited or credited     to the Comprehensive Income and     Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	2,051	-	2,051	(2,051)
Capital expenditure charged against the General Fund and HRA balances	17,489	-	17,489	(17,489)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(911)	(911)	911
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(191,240)	-	(191,240)	191,240
Employer's pensions contributions and direct payments to pensioners payable in the year	94,496	-	94,496	(94,496)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(470)	-	(470)	470
<b>Total Adjustments</b>	<b>(87,874)</b>	<b>(911)</b>	<b>(88,785)</b>	<b>88,785</b>

2013/2014	General Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(4,937)	-	(4,937)	4,937
Revaluation losses on Property Plant and Equipment	(879)	-	(879)	879
Amortisation of intangible assets	(960)	-	(960)	960
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(476)	-	(476)	476
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	2,178	-	2,178	(2,178)
Capital expenditure charged against the General Fund and HRA balances	7,445	-	7,445	(7,445)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(702)	(702)	702
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(191,220)	-	(191,220)	191,220
Employer's pensions contributions and direct payments to pensioners payable in the year	73,442	-	73,442	(73,442)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,305	-	2,305	(2,305)
<b>Total Adjustments</b>	<b>(113,102)</b>	<b>(702)</b>	<b>(113,804)</b>	<b>113,804</b>

## Note 7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

	Balance at 31 March 2013 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2014 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2015 £000
<b>General Fund:</b>							
<b>Earmarked Revenue Reserves</b>							
Devolved Budget Carry Forwards	(136)	136	(159)	(159)	159	(194)	(194)
<b>Other Specific Reserves:</b>							
Legacy Investigations	(469)	0	0	(469)	0	(140)	(609)
Major Crime Fund	(200)	0	0	(200)	0	0	(200)
Financial Investigators	(720)	0	0	(720)	0	0	(720)
Bank Holiday Reserve	0	0	(520)	(520)	0	(38)	(558)
Management of Police Information/							
Police National Database	(222)	11	0	(211)	3	0	(208)
Body Armour Replacement	(200)	0	0	(200)	20	(459)	(639)
Road Safety	(892)	4	(23)	(911)	87	0	(824)
Resource Management System transition	(300)	0	(100)	(400)	400	0	0
Office of the Police & Crime Commissioner	(182)	145	(1,016)	(1,053)	0	(76)	(1,129)
Disaster Recovery	(175)	0	(600)	(775)	775	0	0
Estates Strategy	(200)	0	(1,300)	(1,500)	1,500	0	0
Safety Camera Partnership	0	0	(491)	(491)	0	0	(491)
Fire & Rescue Collaboration	0	0	(1,000)	(1,000)	1,000	0	0
Centralised Property Store	0	0	(250)	(250)	250	0	0
Public Service Centre Transition	0	0	(633)	(633)	443	(40)	(230)
Invest to Save Initiatives	0	0	0	0	0	(184)	(184)
Staff Pay Award	0	0	0	0	0	(300)	(300)
Project Reform	(987)	0	(3,300)	(4,287)	0	(115)	(4,402)
Other Specific Reserves under £150,000	(908)	321	(647)	(1,234)	604	(508)	(1,138)
	(5,591)	617	(10,039)	(15,013)	5,241	(2,054)	(11,826)
<b>Earmarked Reserve- Possible Impaired Investments Icelandic</b>							
Repayments (principal)	(2,494)	820	0				
Partial sale/ transfer to third parties	0	1,193	0				
Write off carrying amounts	0	240	0	(241)	0	0	(241)
Recognition of Financial	762	0	(762)	0	0	0	0
Instruments Adjustment Account							
<b>Total Earmarked Revenue Reserves</b>	<b>(7,323)</b>	<b>(7,931)</b>		<b>(15,254)</b>	<b>3,187</b>		<b>(12,067)</b>
<b>Earmarked Capital Reserves</b>							
resources allocated to part finance capital programme expenditure	(12,076)	2,448	0	(9,628)	3,276	(5,810)	(12,162)
Bridewell Custody Development	(14,242)	14,242	0	0	0	0	0
	(26,318)	16,690	0	(9,628)	3,276	(5,810)	(12,162)
<b>Total Earmarked Reserves</b>	<b>(33,641)</b>	<b>8,759</b>		<b>(24,882)</b>	<b>653</b>		<b>(24,229)</b>
General Fund	(8,221)	1,193	(2,013)	(9,041)	0	0	(9,041)
<b>Total Usable Reserves</b>	<b>(41,862)</b>	<b>20,753</b>	<b>(12,814)</b>	<b>(33,923)</b>	<b>8,517</b>	<b>(7,864)</b>	<b>(33,270)</b>
<b>(Increase)/ Decrease movement in Year</b>		<b>7,939</b>			<b>653</b>		

## Additional information and planned future spend profile

Balance at 31 March 2015 £000		Comments	Spend Profile 2015/16 £000		2016/17 £000
<b>General Fund:</b>					
<u>Earmarked Revenue Reserves</u>					
Devolved Budget Carry Forwards	(194)	Approved devolved budget carry forward in line with Budget Management Framework	194		0
<u>Other Specific Reserves:</u>					
Legacy Investigations	(609)	On - going legacy investigation team costs	305		304
Major Crime Fund	(200)	Reserve held to contribute to potential unfunded major investigations	0		0
Financial Investigators	(720)	Reserve held to underwrite costs of financial investigators as they are not budgeted for. On going balance held in lieu of under achieved proceeds of crime recoveries.	0		0
Bank Holiday Reserve	(558)	Reserve set up to meet costs of additional bank holidays in 2015/16.	558		0
Management of Police Information/	(208)		208		0
Body Armour Replacement	(639)	Body armour replacement required as existing kit is 'out of warranty'	639		0
Road Safety	(824)	On- going investment in ANPR capabilities	824		0
Office of the Police & Crime Commissioner	(1,129)	Partnership funding initiatives	1129		0
Safety Camera Partnership	(491)	Reserve held to meet potential costs of staff reductions should grant allocations be reduced. Effectively held on behalf of the Central Ticket Office. additional overtime and training costs - linked to higher turnover from police officer recruitment	0		0
Public Service Centre Transition	(230)		230		0
Invest to Save Initiatives	(184)	On - going investment in energy saving initiatives	184		0
Staff Pay Award	(300)	Recognition of the impact of adjusted pay award - costs deferred from 2014/15	300		0
Project Reform	(4,401)	Change management fund to set against the costs of staff reductions	2,401		2000
Other Specific Reserves under £150,000	(1,138)	Various minor reserves relating to delayed expenditure plans in 2014/15	1,000		138
	(11,826)		7972		2442
<u>Earmarked Reserve- Possible Impaired Investments Icelandic</u>					
Repayments (principal) Partial sale/ transfer to third parties		Reserve held pending potential impairment. No additional investment payments expected in the medium term			
Write off carrying amounts	(241)		0		0
Total Earmarked Revenue Reserves	(12,067)	Total Spend Profile	7972		2442

## Note 8 Financing and investment income and expenditure

### Group

	2014/15 £000	2013/14 £000
Interest payable on debt	751	831
Capital Financing Grant	(67)	(74)
Impairment of financial instruments	0	(522)
Pensions interest costs	118,140	118,500
Pensions top up Grant receivable (Home Office)	(49,046)	(37,318)
Investment Interest income	(281)	(360)
<b>Total</b>	<b>69,497</b>	<b>81,057</b>

### Single entity – for the Police and Crime Commissioner

	2014/15 £000	2013/14 £000
Interest payable on debt	751	831
Capital Financing Grant	(67)	(74)
Impairment of financial instruments	0	(522)
Pensions interest costs	51	23
Pensions top up Grant receivable (Home Office)	(49,046)	(37,318)
Investment Interest income	(281)	(360)
<b>Total</b>	<b>(48,592)</b>	<b>(37,420)</b>

## Note 9 Taxation and non-specific grant income

	2014/15 £000	2013/14 £000
Capital government grants and contributions	(2,321)	(2,250)
Council tax income	(89,243)	(84,366)
Non domestic rates (Welsh Government)	(30,551)	(34,592)
Revenue Support Grant (Welsh Government)	(42,806)	(42,038)
Non ringfenced government grants (Home Office)	(95,844)	(97,559)
<b>Total</b>	<b>(260,765)</b>	<b>(260,805)</b>

## Note 10 Property, Plant and Equipment & Intangible Assets

Movements on Balances in 2014/15	Property, Plant & Equipment							
	Other Land & Buildings	Vehicles	Information Systems & Equipment	PP&E Under Construction	Total PP&E	Intangible Assets	Assets held for sale	Total Fixed Assets
	£000	£000	£000	TOTAL £000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2014	67,387	12,080	25,386	21,965	<b>126,818</b>	10,681	395	<b>137,894</b>
Additions - capital	1,591	2,525	4,111	12,683	<b>20,910</b>	1,497	0	<b>22,407</b>
Additions - revenue	0	0	176	250	<b>426</b>	42	0	<b>468</b>
Revaluation Increases/(decreases) to RR	(210)	0	0	0	<b>(210)</b>	0	0	<b>(210)</b>
Revaluation Increases/(decreases) or Impairment to SDPS Incl Non enhancing spend	(1,108)	(595)	(635)	(1,381)	<b>(3,719)</b>	(706)	0	<b>(4,425)</b>
Revaluation Increases/(decreases) to SDPS VALUER revaluations	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Derecognition-Disposals	(1,981)	(1,743)	(3,502)	0	<b>(7,226)</b>	0	(310)	<b>(7,536)</b>
Reclassified to/from Held for Sale	85	0	0	0	<b>85</b>	0	(85)	<b>0</b>
Reclassifications	23,490	0	0	(23,490)	<b>0</b>	0	0	<b>0</b>
Impairment reversals to SDPS	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Other movements in cost or valuation	0	0	0	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2015</b>	<b>89,254</b>	<b>12,267</b>	<b>25,536</b>	<b>10,027</b>	<b>137,084</b>	<b>11,514</b>	<b>0</b>	<b>148,598</b>
<b>Depreciation and Impairment</b>								
At 1 April 2014	0	(7,303)	(20,552)	0	<b>(27,855)</b>	(9,196)	0	<b>(37,051)</b>
Depreciation Charge	(1,730)	(1,195)	(2,145)	0	<b>(5,070)</b>	(738)	0	<b>(5,808)</b>
Depreciation written out to SDPS	1,730	0	0	0	<b>1,730</b>	0	0	<b>1,730</b>
Derecognition-Disposals	0	1,426	3,502	0	<b>4,928</b>	0	0	<b>4,928</b>
Other movements in depreciation and impairment	0	0	0	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2015</b>	<b>0</b>	<b>(7,072)</b>	<b>(19,195)</b>	<b>0</b>	<b>(26,267)</b>	<b>(9,934)</b>	<b>0</b>	<b>(36,201)</b>
<b>Net Book Value</b>								
<b>At 31 March 2015</b>	<b>89,254</b>	<b>5,195</b>	<b>6,341</b>	<b>10,027</b>	<b>110,817</b>	<b>1,580</b>	<b>0</b>	<b>112,397</b>
<b>At 31 March 2014</b>	<b>67,387</b>	<b>4,777</b>	<b>4,834</b>	<b>21,965</b>	<b>98,963</b>	<b>1,485</b>	<b>395</b>	<b>100,843</b>

Assets under construction refer to the ongoing construction associated with property schemes. The two Bridewell's or new custody facilities in Bridgend and Merthyr, became operational in May and June 2014. A property scheme to relocate fleet workshops was started and completed in year, which became operational in February 2015. The balance carried forward at March 2015, includes expenditure for facilities funded by the Home Office and other minor ongoing property schemes.



Property, Plant & Equipment								
Movements on Balances in 2013/14	Other Land & Buildings	Vehicles	Information Systems & Equipment	PP&E Under Construction	Total PP&E	Intangible Assets	Assets held for sale	Total Fixed Assets
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2013	68,035	12,043	33,560	2,875	116,513	10,162	992	127,667
Additions	1,130	2,132	2,211	18,950	24,423	892	0	25,315
Revaluation Increases/(decreases) to RR	(112)	0	0	0	(112)	0	14	(98)
Revaluation Increases/(decreases) or Impairment to SDPS Incl Non enhancing spend	(1,130)	(628)	(375)	0	(2,133)	(373)	0	(2,506)
Revaluation Increases/(decreases) to SDPS								
VALUER revaluations	(458)	0	0	0	(458)	0	(8)	(466)
Derecognition-Disposals	0	(2,713)	(10,010)	0	(12,723)	0	(681)	(13,404)
Reclassified to/from Held for Sale	(78)	0	0	0	(78)	0	78	0
Impairment reversals to SDPS	0	0	0	140	140	0	0	140
Other movements in cost or valuation	0	1,246	0	0	1,246	0	0	1,246
<b>At 31 March 2014</b>	<b>67,387</b>	<b>12,080</b>	<b>25,386</b>	<b>21,965</b>	<b>126,818</b>	<b>10,681</b>	<b>395</b>	<b>137,894</b>
<b>Depreciation and Impairment</b>								
At 1 April 2013	0	(7,714)	(28,137)	0	(35,851)	(8,236)	0	(44,087)
Depreciation Charge	(1,170)	(1,342)	(2,425)	0	(4,937)	(960)	0	(5,897)
Depreciation written out to SDPS	1,170	0	0	0	1,170	0	0	1,170
Derecognition-Disposals	0	2,216	10,010	0	12,226	0	0	12,226
Other movements in depreciation and impairment	0	(463)	0	0	(463)	0	0	(463)
<b>At 31 March 2014</b>	<b>0</b>	<b>(7,303)</b>	<b>(20,552)</b>	<b>0</b>	<b>(27,855)</b>	<b>(9,196)</b>	<b>0</b>	<b>(37,051)</b>
<b>Net Book Value</b>								
<b>At 31 March 2014</b>	<b>67,387</b>	<b>4,777</b>	<b>4,834</b>	<b>21,965</b>	<b>98,963</b>	<b>1,485</b>	<b>395</b>	<b>100,843</b>
<b>At 31 March 2013</b>	<b>68,035</b>	<b>4,329</b>	<b>5,423</b>	<b>2,875</b>	<b>80,662</b>	<b>1,926</b>	<b>992</b>	<b>83,580</b>

Assets under construction refer to the ongoing construction associated with property schemes including new builds for two Bridewell's or new custody facilities in Bridgend and Merthyr, which were due for completion in 2014. Practical completion of the Bridgend Bridewell was signed off in March 2014 and opened in May 2014. The balance carried forward at March 2014, includes expenditure for both Bridewell's and new premises to relocate regional functions.

A review of fleet asset records has identified vehicles with a net book value of £0.8M (£1.2M gross cost and £0.4M depreciation) that were not previously included in fixed asset balances – this has been reflected in the other movements line. In addition, vehicles with a net book value of £0.154M have been written out of fixed asset balances in the disposal line. These vehicles were disposed of in previous years.

## Number of Fixed Assets

	2014/15	2013/14
	£000	£000
Police Headquarters, Bridgend	1	1
Divisional Headquarters	4	4
Other Police Stations and Offices	63	58
Radio Masts	4	4
Houses for Police Officers	4	4
	<b>76</b>	<b>71</b>
Vehicles	779	762

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation: further details in the accounting policies.

- Other Land and Buildings – 10–70 years
- Vehicles, Plant, Furniture & Equipment – 2 -10 years

## Capital Commitments

Future expenditure commitments under outstanding purchase orders for capital schemes are as follows:

Commitments	2014/15	2013/14
	£000	£000
Property Schemes	9,144	1,675
Vehicles	206	1,670
Computer Systems	1,536	481
Communication Systems	82	21
Other	444	10
	<b>11,412</b>	<b>3,857</b>

Property schemes includes the continued commitment to Home Office funded facilities.

These would not include other planned or new capital schemes, arising as budgeted by the capital programme.

## Note 11 Investment Properties

South Wales Police/ the Commissioner does not hold properties whose sole purpose is to earn rentals or for capital appreciation or both.

## Note 12 Intangible Assets

South Wales Police/ the Commissioner accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

## Note 13 Financial Instruments

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
<b>Investments</b>				
Deposits, loans and receivables	0	0	8,247	21,285
<b>Debtors</b>				
Financial assets carried at contract amounts	0	0	30,904	24,013
<b>Borrowings</b>				
Financial liabilities at amortised cost	(17,362)	(17,672)	(1,981)	(2,050)
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(22,648)	(19,050)

### Income, Expense, Gains and Losses

	2014/15		2013/14	
	£000	£000	£000	£000
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
Interest expense	751	0	831	0
Impairment losses	0	0	(522)	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>751</b>	<b>0</b>	<b>309</b>	<b>0</b>
Interest income	0	(281)	0	(360)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(281)</b>	<b>0</b>	<b>(360)</b>

## Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by deposits, loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2015 of 1.73% to 11.75% for loans from the PWLB and 0.43% to 0.45% for other deposits, loans receivable and payable, based on new lending rates for equivalent deposits, loans at that date.
- no early repayment or impairment is recognised.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2015		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Short term borrowing	(1,981)	(1,981)	(2,050)	(2,050)
Long term borrowing	(17,362)	(20,346)	(17,672)	(19,509)
	<u>(19,343)</u>	<u>(22,327)</u>	<u>(19,722)</u>	<u>(21,559)</u>

The fair value of the liabilities is higher than the carrying amount because South Wales Police / the Commissioner's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders higher than current market rates.

## Impairment of Financial Assets with Icelandic Banks

Following the successful outcome of the investment recovery process reported in 2013/14 the last remaining impairment currently recognised is in relation to Heritable Bank of £241k. The last repayment instalment, in relation to the Heritable investments, was received in August 2013 and indications at that stage were that there would be no further repayments. However recent updates suggest that further dividends may in fact be forthcoming. Further information is awaited in terms of this potential and the timescales involved.

## Note 14 Debtors

	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
Central government bodies	31,562	17,815
Other local authorities and police authorities	6,688	2,820
NHS bodies	28	3
Public corporations and trading funds	0	1
Other entities and individuals:		
Other sundry debtors	475	484
Prepayments	1,487	2,755
Payroll temporary advance payments	141	135
<b>Total</b>	<b>40,381</b>	<b>24,013</b>
Each line item is presented net of impairment		

## Note 15 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
Cash held by the Police and Crime Commissioner	73	49
Bank current accounts	771	1,769
Short-term deposits with callable bank accounts	18,400	8,400
<b>Total Cash and Cash Equivalents</b>	<b>19,244</b>	<b>10,218</b>

## Note 16 Assets Held for Sale

	Current 2014/15 £000	2013/14 £000
<b>Balance outstanding at start of year</b>	<b>395</b>	<b>992</b>
Assets newly classified/ (declassified) as held for sale:		
.. Property, Plant and Equipment	(85)	78
Revaluation losses	0	(8)
Revaluation gains	0	14
Assets sold	(310)	(681)
<b>Balance outstanding at year-end</b>	<b>0</b>	<b>395</b>

## Note 17 Creditors

	31 March 2015 £000	31 March 2014 £000
Central government bodies	5,131	5,160
Other local authorities	3,268	2,891
Other entities and individuals (incl other funds)	14,376	10,999
<b>Total</b>	<b>22,775</b>	<b>19,050</b>

## Note 18 Provisions

Provisions represent sums set aside in respect of liabilities known or certain to occur, but for which the timing and value are uncertain. The following provisions are included in the Balance Sheet as at 31st March 2015, with movements passing through the Comprehensive Income and Expenditure Statement:

	<b>Outstanding Legal Claims</b>	<b>Insurance claims re: MMI</b>	<b>Other Provisions</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Balance at 1 April 2014</b>	(3,305)	(1,323)	(73)	<b>(4,701)</b>
Additional provisions made	(697)	0	(9,652)	<b>(10,349)</b>
Amounts used	989	0	0	<b>989</b>
<b>Balance at 31 March 2015</b>	<b>(3,013)</b>	<b>(1,323)</b>	<b>(9,725)</b>	<b>(14,061)</b>

### Outstanding Legal and Insurance Claims

These group provisions for Public Liability claims, Employers Liability costs, Employment Tribunal Claims and Other Miscellaneous Liability claims.

South Wales Police/ the Commissioner maintains provision to meet the costs of likely policy excesses and self insured risks for existing cases/ claims. South Wales Police/ the Commissioner provides an allocation from its revenue budget and prior year provisions to assist in meeting these costs. Current assessment requires an additional £0.697M.

The previously recognised estimated liability of former MMI managed claims of £1.3M is retained being net of a 15% paid levy to date.

### Other Provisions

These group other provisions which are individually insignificant. It includes Interest on fund seizures. South Wales Police holds third party funds, seized from individuals arrested, which are being held subject to further investigations of a criminal matter. Depending on the outcome the funds are potentially repayable with interest.

Additional provision is included for backdated claims relating to employment support allowance, which were not a deductible benefit of police injury benefits until April 2015. Whilst a review of the overall impact is on-going a provision of £0.3M is our current estimate.

Additional provision of £9.35M is included for police pensions. A determination by the Pensions Ombudsman, giving rise to revised lump sum commutation factors for former officers who retired between 1<sup>st</sup> December 2001 and 30<sup>th</sup> November 2006, was published on 15 May 2015 that has financial implications for Police Pension Schemes. In line with accounting policies this is recognised as a provision because at this stage the estimated costs cannot be reliably estimated as creditors. An offsetting debtor for police pensions top up grant receivable is also recognised.

The following schedule outlines the main risks insured externally and those self insured:

<b>Insured risks</b>	<b>'Self insured' risks</b>
Employers Liability above £660,000 in total and above £100,000 for individual claims	Employers Liability below £660,000 in total and below £100,000 for individual claims
Public Liability above £575,000 in total and above £100,000 for individual claims	Public Liability below £575,000 in total and below £100,000 for individual claims
Employees' Personal Accident	
Buildings- All Risks above £10,000	Buildings- All Risks below £10,000
Vehicles- Third party only	Vehicles- Accident damage unless recovered from third party
All Risks (equipment), Computer and Money	Theft of equipment
Fidelity guarantee above £100,000	Fidelity claims below £100,000

### Note 19 Usable Reserves

Movements in South Wales Police/ the Commissioner's usable reserves are detailed in the Movement in Reserves Statement and Note 6.

### Note 20 Unusable Reserves

	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
Revaluation Reserve	(9,010)	(9,380)
Capital Adjustment Account	(84,542)	(71,765)
Pensions Deficit Reserve - Local Government	123,990	103,860
Pensions Deficit Reserve - Police	2,973,600	2,593,260
Accumulated Absences Account	1,856	1,386
<b>Total Unusable Reserves</b>	<b>3,005,894</b>	<b>2,617,361</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by South Wales Police/ the Commissioner arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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



	2014/15 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(9,380)</b>	<b>(9,708)</b>
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	210	98
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(9,170)</b>	<b>(9,610)</b>
Amount written off to the Capital Adjustment Account	160	230
<b>Balance at 31 March</b>	<b>(9,010)</b>	<b>(9,380)</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by South Wales Police/ the Commissioner as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by South Wales Police/ the Commissioner. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Capital Adjustment Account (continued)

	2014/15 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(71,765)</b>	<b>(52,474)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of noncurrent assets	5,070	4,937
Revaluation losses on Property, Plant and Equipment	2,695	879
Amortisation of intangible assets	738	960
Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	2,608	1,178
	<b>11,111</b>	<b>7,954</b>
Adjusting amounts written out of the Revaluation Reserve	(160)	(230)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>10,951</b>	<b>7,724</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(911)	(702)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,321)	(2,250)
Statutory provision for the financing of capital investment charged against the General Fund	(2,051)	(2,178)
Transfer to /(from) Earmarked Reserves	(3,277)	(16,690)
Capital expenditure charged against the General Fund and HRA balances	(15,168)	(5,195)
	<b>(23,728)</b>	<b>(27,015)</b>
<b>Balance at 31 March</b>	<b>(84,542)</b>	<b>(71,765)</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. South Wales Police/ the Commissioner accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as South Wales Police/ the Commissioner makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources South Wales Police/ the Commissioner has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2014/15 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>2,697,120</b>	<b>2,754,410</b>
Actuarial (gains) or losses on pensions assets and liabilities	313,076	(175,068)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	181,890	191,220
Employer's pensions contributions and direct payments to pensioners payable in the year	(94,496)	(73,442)
<b>Balance at 31 March</b>	<b>3,097,590</b>	<b>2,697,120</b>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2014/15 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>1,386</b>	<b>3,691</b>
Settlement or cancellation of accrual made at the end of the preceding year	(1,386)	(3,691)
Amounts accrued at the end of the current year	1,856	1,386
<b>Balance at 31 March</b>	<b>1,856</b>	<b>1,386</b>

## Note 21 - 23 Notes to the Cash Flow Statement

### Note 21 Cash Flow Statement – Operating Activities

	2014/15 £000	2013/14 £000
The cash flows for operating activities include the following items:		
<b>Net (surplus) or deficit on the provision of services</b>	<b>85,250</b>	<b>104,351</b>
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>		
Depreciation & Impairment of Fixed Assets	(7,765)	(5,816)
Amortisation of intangible Fixed Assets	(738)	(960)
Pension Fund adjustments	(96,744)	(117,778)
Contributions to Provisions	(9,360)	(1,083)
Gain or loss on the disposal of fixed assets	(1,697)	(476)
Increase/(Decrease) in Stock	80	51
Increase/(Decrease) in Debtors	16,368	(1,503)
(Increase)/Decrease in Creditors	(3,726)	1,856
	<b>(103,582)</b>	<b>(125,709)</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Capital grants	2,321	2,250
Returns on Investments and Servicing of Finance	(470)	(471)
<b>Net cash flows from Operating Activities</b>	<b>(16,481)</b>	<b>(19,579)</b>

### Note 22 Cash Flow Statement – Investing Activities

	2014/15 £000	2013/14 £000
Purchase of property, plant and equipment, investment property and intangible assets	22,875	25,315
Purchase of short-term and long-term investments	8,247	21,285
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(911)	(702)
Capital grants	(2,321)	(2,250)
Proceeds from short-term and long-term investments	(21,285)	(27,282)
<b>Net cash flows from investing activities</b>	<b>6,605</b>	<b>16,366</b>

### Note 23 Cash Flow Statement – Financing Activities

	2014/15 £000	2013/14 £000
Cash receipts of short- and long-term borrowing	(1,671)	(478)
Repayments of short- and long-term borrowing	2,051	2,178
<b>Net cash flows from financing activities</b>	<b>380</b>	<b>1,700</b>

## Note 24 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. South Wales Police/ the Commissioner has responsibility for a single service. Resource allocation decisions are taken by the Command Team and the Commissioner on the basis of the same budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

### Subjective Analysis - Income and Expenditure

	2014/15 £000	2013/14 £000
Fees, charges & other service income	(16,410)	(10,712)
Government grants	(28,684)	(24,739)
<b>Total Income</b>	<b>(45,094)</b>	<b>(35,451)</b>
Employee expenses	191,601	189,088
Other operating expenses	126,670	128,711
<b>Total operating expenses</b>	<b>318,271</b>	<b>317,799</b>
<b>Net Cost of Services</b>	<b>273,177</b>	<b>282,348</b>

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

	2014/15 £000	2013/14 £000
Cost of Services in Service Analysis	273,177	282,348
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>273,177</b>	<b>282,348</b>

## Note 24 Amounts Reported for Resource Allocation Decisions (continued)

<b>Reconciliation to Subjective Analysis 2014/15</b>	<b>Service Analysis £000s</b>	<b>Net Cost of Services £000s</b>	<b>Corporate Amounts £000s</b>	<b>Total 0 £000s</b>
Fees, charges & other service income	(16,410)	<b>(16,410)</b>	-	<b>(16,410)</b>
Interest and investment income	0	<b>0</b>	(281)	<b>(281)</b>
Income from council tax	0	<b>0</b>	(89,243)	<b>(89,243)</b>
Government grants and contributions	(28,684)	<b>(28,684)</b>	(220,635)	<b>(249,319)</b>
<b>Total Income</b>	<b>(45,094)</b>	<b>(45,094)</b>	<b>(310,159)</b>	<b>(355,253)</b>
Employee expenses	191,601	<b>191,601</b>	0	<b>191,601</b>
Other service expenses	118,167	<b>118,167</b>	0	<b>118,167</b>
Depreciation, amortisation and impairment	8,503	<b>8,503</b>	0	<b>8,503</b>
Interest Payments - on debt	0	<b>0</b>	751	<b>751</b>
Interest Payments - pension retirement Benefits	0	<b>0</b>	118,140	<b>118,140</b>
Precepts & Levies	0	<b>0</b>	1,644	<b>1,644</b>
Gain or Loss on Disposal of Fixed Assets	0	<b>0</b>	1,697	<b>1,697</b>
<b>Total operating expenses</b>	<b>318,271</b>	<b>318,271</b>	<b>122,232</b>	<b>440,503</b>
<b>Surplus or deficit on the provision of services</b>	<b>273,177</b>	<b>273,177</b>	<b>(187,927)</b>	<b>85,250</b>

<b>Reconciliation to Subjective Analysis 2013/14</b>	<b>Service Analysis £000s</b>	<b>Net Cost of Services £000s</b>	<b>Corporate Amounts £000s</b>	<b>Total 0 £000s</b>
Fees, charges & other service income	(10,712)	<b>(10,712)</b>	-	<b>(10,712)</b>
Interest and investment income	0	<b>0</b>	(882)	<b>(882)</b>
Income from council tax	0	<b>0</b>	(84,366)	<b>(84,366)</b>
Government grants and contributions	(24,739)	<b>(24,739)</b>	(213,831)	<b>(238,570)</b>
<b>Total Income</b>	<b>(35,451)</b>	<b>(35,451)</b>	<b>(299,079)</b>	<b>(334,530)</b>
Employee expenses	189,088	<b>189,088</b>	0	<b>189,088</b>
Other service expenses	121,935	<b>121,935</b>	0	<b>121,935</b>
Depreciation, amortisation and impairment	6,776	<b>6,776</b>	0	<b>6,776</b>
Interest Payments - on debt	0	<b>0</b>	831	<b>831</b>
Interest Payments - pension retirement Benefits	0	<b>0</b>	118,500	<b>118,500</b>
Precepts & Levies	0	<b>0</b>	1,275	<b>1,275</b>
Gain or Loss on Disposal of Fixed Assets	0	<b>0</b>	476	<b>476</b>
<b>Total operating expenses</b>	<b>317,799</b>	<b>317,799</b>	<b>121,082</b>	<b>438,881</b>
<b>Surplus or deficit on the provision of services</b>	<b>282,348</b>	<b>282,348</b>	<b>(177,997)</b>	<b>104,351</b>

## Note 25 Members' Allowances

The following total allowances were paid to members of the Joint Audit Committee:

	2014/15 £000	2013/14 £000
Allowances and expenses	7	5

## Note 26 Officers'/ Employee Remuneration

### Remuneration Ratio

This is a new disclosure requirement of the Accounts and Audit (Wales) Regulations 2014, and consistent with that recommended by the Hutton Review, to ensure transparency and accountability in public sector entities.

### Single entity – for the Office of the Police and Crime Commissioner

The ratio between the Chief of Staff (Chief Executive) to the median remuneration within the Office of the Police and Crime Commissioner was:

	2014/15 £	2013/14 £
Band of highest paid director (Chief of Staff) - Total Remuneration (excl pension contribution)	70,000 - 74,999	65,000 - 69,999
Median Total Remuneration	29,635	29,123
<b>RATIO</b>	<b>2.4</b>	<b>2.4</b>

### Single entity – Chief Constable

The ratio between the Chief Constable to the median remuneration within the Force was:

	2014/15 £	2013/14 £
Band of highest paid director (Chief Constable) - Total Remuneration (excl pension contribution)	160,000 - 164,999	160,000 - 164,999
Median Total Remuneration	32,501	31,864
<b>RATIO</b>	<b>5.1</b>	<b>5.1</b>

### Remuneration Bandings

During the year the number of police officers and employees who received remuneration in excess of £60,000 are provided below. This is a specific requirement of the Accounts and Audit (Wales) Regulations 2014. Definition includes annual salaries and expense allowances as remuneration being chargeable to United Kingdom income tax, but excluding pension contributions. The table includes those relevant police officers and senior employees reported in more detail below.

## Group

<b>Number of Police Officers and Police Staff (Employees):</b>		
<b>Remuneration band</b>	<b>2014/15</b>	<b>2013/14</b>
£60,000 - £64,999	35	29
£65,000 - £69,999	17	13
£70,000 - £74,999	6	4
£75,000 - £79,999	5	9
£80,000 - £84,999	8	4
£85,000 - £89,999	4	5
£90,000 - £94,999	1	1
£95,000 - £99,999	1	0
£100,000 - £104,999	0	0
£105,000 - £109,999	3	4
£110,000 - £114,999	0	1
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1	1
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	1	1
	<b>82</b>	<b>72</b>

## Single entity – for the Office of the Police and Crime Commissioner

<b>Number of Staff (Employees):</b>		
<b>Remuneration band</b>	<b>2014/15</b>	<b>2013/14</b>
£60,000 - £64,999	0	0
£65,000 - £69,999	1	2
£70,000 - £74,999	1	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
	<b>2</b>	<b>2</b>

Further details in the below remuneration note.

The above tables are presented in compliance with regulation, which require the exclusion of the Police and Crime Commissioner as the position is directly elected.

## Exit Packages

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below. These figures exclude voluntary early retirements of £183k as set out in the Comprehensive Income and expenditure Statement..

Exit package cost band (including special payments)	b Number of compulsory redundancies		c Number of other departures agreed (Voluntary redundancies)		[(b) + (c)] Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15 £000	2013/14 £000
£0 – £20,000	0	0	0	0	0	0	0	0
£20,001 – £40,000	1	0	0	0	1	0	37	0
Total	1	0	0	0	1	0	37	0

## Remuneration Report for senior relevant police officers and senior employees

The following table sets out the remuneration disclosures for relevant police officers (above the rank of Superintendent) and senior employees (designated office holders to a local government body) whose salary is equal to or more than £60,000 per year. The regulations require persons whose salary exceeds £150,000 per year must also be identified by name. In addition to the remuneration included above the following disclosures include employers' pension contributions. Where columns are nil they need not be included. Equivalent disclosure is provided for the comparative year.

### Single entity – for the Office of the Police and Crime Commissioner 2014/15

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2014/15	Pension contributions (Employers)	Total Remuneration including pension contributions 2014/15
		£	£	£	£	£	£	£	£
Police and Crime Commissioner		85,000	0	0	0	0	85,000	10,115	95,115
Deputy Police and Crime Commissioner	Note 1	51,597	0	0	0	55	51,652	7,654	59,306
Assistant Police and Crime Commissioner	Note 2	40,430	0	0	0	167	40,597	0	40,597
Chief of Staff		71,166	0	0	0	271	71,437	8,469	79,906
Chief Financial Officer	Note 3	65,977	0	0	0	0	65,977	7,851	73,828

Note 1 Maternity leave 7th May to 28th September 2014.

Note 2 Commenced 28th March 2014 with an annualised salary £68,008. Salary based on part-time working agreement. Not in pension scheme.

Note 3 Annualised salary £84,131. Salary based on part-time working agreement.

### Single entity – for the Office of the Police and Crime Commissioner 2013/14

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2013/14	Pension contributions (Employers)	Total Remuneration including pension contributions 2013/14
		£	£	£	£	£	£	£	£
Police and Crime Commissioner		84,996	0	0	0	0	84,996	9,350	94,346
Deputy Police and Crime Commissioner		66,215	0	0	0	0	66,215	7,290	73,505
Assistant Police and Crime Commissioner	Note 1	40,709	0	0	0	0	40,709	0	40,709
Chief of Staff		69,220	0	0	0	0	69,220	7,614	76,834
Chief Financial Officer	Note 2	43,850	0	0	0	0	43,850	4,823	48,673

Note 1. Resigned 28th February 2014 annualised salary £65886 (£66544 after Sept pay award). Salary based on part-time working agreement.



Note 2. Commenced 1st August 2013 annualised salary £81505 (£83320 after Sept pay award). Salary based on part-time working agreement. Role undertaken in the interim from 1st April to 31st July 2013 by the Chief Constable's Director of Finance.

### Single entity – for the Chief Constable 2014/15

Post holder information (Post title and name)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowance: for loss of office	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2014/15	Pension contributions (Employers)	Total Remuneration including pension contributions 2014/15
		£	£	£	£	£	£	£	£	£
Chief Constable P.Vaughan		156,725	0	0	0	3,824	4,112	164,661	21,190	185,851

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowance: for loss of office	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2014/15	Pension contributions (Employers)	Total Remuneration including pension contributions 2014/15
		£	£	£	£	£	£	£	£	£
Deputy Chief Constable		124,201	0	0	0	3,321	0	127,522	30,057	157,579
ACC Territorial Policing	Note 1	100,712	0	0	0	3,014	0	103,726	24,161	127,887
ACC Specialist Crime	Note 2	100,438	0	0	0	5,475	0	105,913	24,027	129,940
Director of Legal Services	Note 3	67,962	0	0	0	3,996	0	71,958	8,048	80,006
Director of Finance		102,155	0	0	0	7,221	0	109,376	12,156	121,532
ACC Specialist Ops		104,249	0	0	0	4,883	1,910	111,042	24,535	135,577
Director Of Human Resources	Note 4	102,155	0	0	0	4,761	0	106,916	12,156	119,072
ACC Seconded to Gwent Police	Note 5	78,509	0	0	0	0	0	78,509	18,208	96,717

Note 1 T/ACC from 1st April 2014 to 15th June 2014. New ACC commenced 16th June 2014

Note 2 T/ACC from 1st April 2014 to 15th June 2014. New ACC commenced 16th June 2014

Note 3 DLS retired 30th November 2014. Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

Note 4 Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

Note 5 ACC Seconded to Gwent Force from 16th June 2014

## Single entity – for the Chief Constable 2013/14

Post holder information (Post title and name)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Pension contributions (Employers)	Total Remuneration including pension contributions 2013/14
		£	£	£	£	£	£	£	£
Chief Constable P.Vaughan		155,235	0	0	0	3,842	4,103	36,072	199,252

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Pension contributions (Employers)	Total Remuneration including pension contributions 2013/14
		£	£	£	£	£	£	£	£
Deputy Chief Constable	Note 1	130,141	0	0	0	5,098	0	30,909	166,148
ACC Territorial Policing	Note 2	119,101	0	0	0	5,417	6,764	12,532	143,814
ACC Specialist Crime	Note 3	97,864	0	0	0	1,110	0	22,856	121,831
Director of Legal Services	Note 4	101,144	0	0	0	6,449	0	11,126	118,718
Director of Finance		101,144	0	0	0	6,705	0	11,126	118,974
ACC Specialist Ops		102,620	0	0	0	1,680	1,910	24,097	130,307
Director Of Human Resources	Note 5	101,144	0	0	0	4,522	0	11,126	116,791

Note 1. DCC retired 30th June 2013. New DCC temporary promoted 17th June to 31st March 2014

Note 2. ACC retired 24th Feb 2014. Temporary ACC from 27th Jan to 31st March 2014

Note 3. ACC promoted to DCC 17th June 2013. Temporary ACC to 31st March 2014

Note 4. Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

Note 5. Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

## Note 27 External Audit Costs

South Wales Police/ the Commissioner has incurred the following costs, covering both the Commissioner and the Chief Constable, in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by external auditors. The total fee included in the table is split equally between the Commissioner and Chief Constable.

	2014/15 £000	2013/14 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	104	105
<b>Total</b>	<b>104</b>	<b>105</b>

## Note 28 Grant and Other Income

South Wales Police/ the Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

		2014/15	2013/14
		£000	£000
Credited to Services	Funding Body		
Home Office funded facilities	Home Office	(8,116)	(1,169)
Community Safety	Home Office	0	(3,476)
Counter Terrorism Intelligence Unit	Home Office	(2,067)	(4,726)
Police Innovation Fund	Home Office	(1,896)	(478)
Regional Intelligence Unit	Home Office	(1,487)	(1,188)
Regional Asset Recovery	Home Office	(1,158)	(928)
Dedicated Security Posts	Home Office	(836)	(1,112)
Domestic Abuse	Home Office	(483)	0
Criminal Records Bureau	Home Office	(452)	(413)
Police Incentivisation Fund	Home Office	(310)	(186)
ROCU Cyber Crime	Home Office	(220)	0
Mobile Data Capital Development	Home Office	(34)	(162)
Drugs Intervention Programme	Home Office	0	(57)
Prevent/ Channel Project (Community Engagement)	Home Office	0	(276)
	Welsh Govt/ Other		
Speed Reduction Camera Partnership	Local Govt Bodies	(2,362)	(2,416)
Victim Support	Ministry of Justice	(890)	0
Community Support Officers	Welsh Govt	(6,458)	(5,703)
Regional Task Force / Tarian	Welsh Govt	(500)	(663)
Intergrated Offenders Intervention Services	Welsh Govt	(1)	(231)
All Wales Schools Programme	Local Govt Bodies	(976)	(970)
Other Miscellaneous Grants (less than £150,000)	Various	(438)	(585)
<b>Total Credited to Services</b>		<b>(28,684)</b>	<b>(24,739)</b>
<b>Corporate Grants</b>			
Capital Financing Grant - Pre 1990 loan debt	Home Office	(67)	(74)
Pensions Top up Grant	Home Office	(49,046)	(37,318)
		<b>(49,113)</b>	<b>(37,392)</b>
<b>Total</b>		<b>(77,797)</b>	<b>(62,131)</b>

## Note 28 Grant and Other Income (continued)

	2014/15 £000	2013/14 £000
<b>Other Income</b>		
Recovery of Costs from other Police Forces	(5,957)	(2,890)
Mutual Aid to other Police Forces	(4,260)	(616)
Seconded Officers	(1,093)	(915)
Police Cost recovered	(1,078)	(847)
Training Course fees	(790)	(652)
Other (headings less than £150,000)	(617)	(606)
Special Services to Welsh Government	(569)	(573)
Partnership Contributions	(454)	(927)
Special Duty Charges	(446)	(558)
Vehicle Recovery Scheme	(354)	(1,407)
Rents	(338)	(249)
Sale of Vehicles	(299)	(314)
Sale of Accident Reports	(155)	(158)
	<b>(16,410)</b>	<b>(10,712)</b>

## Financing from Council Taxpayers

In accordance with the Local Government Finance Act 1992, as amended by the Police Reform and Social Responsibility Act 2011, the Police and Crime Commissioner for South Wales on 24 February 2014 issued the following precepts on the Council Tax Collection Funds of the following Local Authorities: This followed review by the South Wales Police and Crime Panel on 20 January 2014.

	Taxbase (no of Band D properties)	2014/15 £000	2013/14 £000
<b>Precepts:</b>			
Cardiff County Council	138,759.00	26,411	25,012
City and County of Swansea	88,367.00	16,820	15,865
Bridgend County Borough Council	50,566.20	9,625	9,078
Merthyr Tydfil CBC	17,629.02	3,356	3,140
Neath Port Talbot CBC	45,912.56	8,739	8,287
Rhondda Cynon Taff CBC	72,557.42	13,811	13,126
The Vale of Glamorgan Council	55,070.00	10,482	9,857
	<b>468,861.20</b>	<b>89,243</b>	<b>84,366</b>
<b>Resultant Council tax payable by tax payers in each Authority area:</b>			
Band A		£126.89	£120.85
Band B		£148.04	£140.99
Band C		£169.19	£161.13
<b>Band D</b>		<b>£190.34</b>	<b>£181.28</b>
Band E		£232.64	£221.56
Band F		£274.94	£261.84
Band G		£317.23	£302.13
Band H		£380.68	£362.55
Band I		£444.13	£422.98

## Note 29 Related Parties

South Wales Police/ the Commissioner is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence, or to be controlled by South Wales Police/ the Commissioner. Disclosure of these transactions allows readers to assess the extent to which South Wales Police/ the Commissioner might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with South Wales Police/ the Commissioner.

Central government has significant influence over the general operations of South Wales Police / the Commissioner as it is responsible for providing the statutory framework within which South Wales 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 South Wales Police/ the Commissioner has with other parties. Grants received from government departments are set out in Note 28, most of which have strict terms and conditions.

- The total of members' allowances paid is shown in Note 25. There are no material Member interests to disclose.
- The Commissioner has a statutory responsibility to declare any interests and these are published on the website, under money matters and interests.  
<http://www.southwalescommissioner.org.uk/en/Your-Commissioner/Information-about-the-Commissioner.aspx>
- There are also no material interests or relationships of the Chief Officers or their direct families, which could influence or control the decision making, policies or financial transactions of South Wales Police/ the Commissioner. A robust process is also in place to approve and register the business interests of both police staff and officers.

## Note 30 Capital Expenditure and Capital Financing

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

	2014/15 £000	2013/14 £000
<b>Opening Capital Financing Requirement</b>	<b>33,576</b>	<b>33,098</b>
<b>Capital investment</b>		
Property, Plant and Equipment	21,336	24,423
Intangible Assets	1,539	892
<b>Sources of finance</b>		
Capital receipts	(911)	(702)
Government grants and other contributions	(2,321)	(2,250)
Sums set aside from revenue:		
Direct revenue contributions	(17,972)	(21,885)
<b>Closing Capital Financing Requirement</b>	<b>35,247</b>	<b>33,576</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,671	478
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,671</b>	<b>478</b>

## Note 31 Leases

### Operating Leases

Assets acquired under leases are legally leased by the Police and Crime Commissioner but used by the Chief Constable. These include property and equipment leases. The future minimum lease payments due under non-cancellable leases in future years are:

	2014/15	2013/14
	£000	£000
Not later than one year	1,653	1,382
Later than one year and not later than five years	911	753
Later than five years	319	169
	<b>2,883</b>	<b>2,304</b>

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

	2014/15	2013/14
	£000	£000
Minimum lease payments (annual cost)	1,325	1,096
	<b>1,325</b>	<b>1,096</b>

## Note 32 Defined Benefit Pension Schemes

### 32.1 The Local Government Pension Scheme (LGPS - for police staff)

#### Participation in Pension Schemes

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

South Wales Police/ the Commissioner participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Rhondda Cynon Taff (RCT) County Borough Council

This is a funded defined benefit final salary scheme, meaning that South Wales Police/ the Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The method used to determine the rate of employers contribution are based on review by the scheme actuaries. There is no agreement with other public bodies to share other employer deficits.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

## Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. Following the full actuarial valuation of that Scheme, as at March 2013, further interim work has been undertaken by the Fund's Actuaries to derive suitable approximate cost estimates to participating bodies.

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

Local Government Pension Scheme and Unfunded Discretionary Benefits	Pension Scheme	Discretionary Benefits Arrangement	Total	Pension Scheme	Discretionary Benefits Arrangement	Total
	2014/15 £000	2014/15 £000	2014/15 £000	2013/14 £000	2013/14 £000	2013/14 £000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services:</b>						
• Current service cost	10,600	0	<b>10,600</b>	12,850	0	<b>12,850</b>
• Past service costs	110	0	<b>110</b>	0	0	<b>0</b>
<b>Financing and Investment Income and Expenditure</b>						
• Interest on net defined benefit liability/ (asset)	4,300	60	<b>4,360</b>	5,880	60	<b>5,940</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>15,010</b>	<b>60</b>	<b>15,070</b>	<b>18,730</b>	<b>60</b>	<b>18,790</b>
<b>Other Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement</b>						
• Return on plan assets (in excess of) / below that recognised in net interest	(20,080)	0	<b>(20,080)</b>	(3,630)	0	<b>(3,630)</b>
• Actuarial (gains)/ losses:						
Due to changes in financial assumptions	43,970	110	<b>44,080</b>	(22,290)	(70)	<b>(22,360)</b>
Due to changes in demographic assumptions	0	0	<b>0</b>	(13,420)	20	<b>(13,400)</b>
Due to liability experience	(1,410)	(10)	<b>(1,420)</b>	(860)	0	<b>(860)</b>
<b>Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement</b>	<b>22,480</b>	<b>100</b>	<b>22,580</b>	<b>(40,200)</b>	<b>(50)</b>	<b>(40,250)</b>
<b>Total Amount Recognised</b>	<b>37,490</b>	<b>160</b>	<b>37,650</b>	<b>(21,470)</b>	<b>10</b>	<b>(21,460)</b>
<b>Movement in Reserves Statement</b>						
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(15,010)	(60)	<b>(15,070)</b>	(18,730)	(60)	<b>(18,790)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>						
• Employers' contributions payable to scheme (note 1)	17,314	0	<b>17,314</b>	8,106	0	<b>8,106</b>
• Retirement benefits payable to pensioners	0	0	<b>0</b>	0	0	<b>0</b>

Note 1 The 2014/15 employers contribution includes £9M accelerated payment to the Scheme.

## Contributions for the accounting period ending 31 March 2016

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2016 are estimated to be £8.60M. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

<b>Assets and Liabilities in Relation to Post-employment Benefits</b>						
Reconciliation of present value of the scheme <b>liabilities</b> (defined benefit obligation):						
	Funded Pension Scheme	Unfunded Discretionary Benefits	Total	Funded Pension Scheme	Unfunded Discretionary Benefits	Total
	2014/15 £000	2014/15 £000	2014/15 £000	2013/14 £000	2013/14 £000	2013/14 £000
<b>Opening balance at 1 April</b>	(295,540)	(1,510)	<b>(297,050)</b>	(308,170)	(1,590)	<b>(309,760)</b>
Current service cost	(10,600)		<b>(10,600)</b>	(12,850)		<b>(12,850)</b>
Interest cost	(12,920)	(60)	<b>(12,980)</b>	(14,110)	(60)	<b>(14,170)</b>
Contributions by scheme participants	(3,680)		<b>(3,680)</b>	(3,430)		<b>(3,430)</b>
Benefits paid	7,710	100	<b>7,810</b>	6,450	90	<b>6,540</b>
Past service costs	(110)	0	<b>(110)</b>	0	0	<b>0</b>
Due to changes in financial assumptions	(43,970)	(110)	<b>(44,080)</b>	22,290	70	<b>22,360</b>
Due to changes in demographic assumptions	0	0	<b>0</b>	13,420	(20)	<b>13,400</b>
Due to liability experience	1,410	10	<b>1,420</b>	860	0	<b>860</b>
<b>Closing balance at 31 March</b>	<b>(357,700)</b>	<b>(1,570)</b>	<b>(359,270)</b>	<b>(295,540)</b>	<b>(1,510)</b>	<b>(297,050)</b>

Reconciliation of fair value of the scheme (plan) <b>assets</b> :		
Local Government Pension Scheme		
	2014/15 £000	2013/14 £000
<b>Opening balance at 1 April</b>	193,190	176,240
interest income on assets	8,620	8,230
Remeasurement gains/ (losses) on assets	20,080	3,630
Employer contributions	17,420	8,110
Contributions by scheme participants	3,680	3,430
Benefits paid	(7,710)	(6,450)
<b>Closing balance at 31 March</b>	<b>235,280</b>	<b>193,190</b>

<b>Scheme History</b>					
	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000	2010/11 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(357,700)	(295,540)	(308,170)	(273,910)	(237,240)
Discretionary Benefits	(1,570)	(1,510)	(1,590)	(1,510)	(1,410)
Fair value of assets in the Local Government Pension Scheme	235,280	193,190	176,240	148,190	142,820
<b>Total</b>	<b>(123,990)</b>	<b>(103,860)</b>	<b>(133,520)</b>	<b>(127,230)</b>	<b>(95,830)</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(122,420)	(102,350)	(131,930)	(125,720)	(94,420)
Discretionary Benefits	(1,570)	(1,510)	(1,590)	(1,510)	(1,410)
<b>Total</b>	<b>(123,990)</b>	<b>(103,860)</b>	<b>(133,520)</b>	<b>(127,230)</b>	<b>(95,830)</b>

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of £123.990M has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police/ the Commissioner remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.



## 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 Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

Local Government	Pension Scheme	Discretionary Benefits	Pension Scheme	Discretionary Benefits
	2014/15	2014/15	2013/14	2013/14
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
• Men	23.0	-	22.9	-
• Women	25.9	-	25.8	-
<b>Longevity at 65 for future pensioners:</b>				
• Men	25.2	-	25.1	-
• Women	28.3	-	28.2	-
<b>Principal Financial Assumptions:</b>				
Rate of increase in salaries	3.4%	-	3.9%	-
Rate of increase in pensions	1.9%	1.8%	2.4%	2.2%
Rate for discounting scheme liabilities	3.3%	3.1%	4.4%	4.2%
Take-up of option to convert annual pension into retirement lump sum:				
- pre 1 April 2010 pension entitlements	75%	-	75%	-
- post 31 March 2010 pension entitlements	75%	-	75%	-

## Asset Allocation

The approximate split of assets for the Fund as a whole (based on data supplied via the Actuary and by the Fund Administering Authority) is shown in the table below.

	31 March 2015 %	31 March 2014 %
Equity investments	69.0%	71.0%
Property	5.6%	5.9%
Government Bonds	9.7%	8.5%
Corporate Bonds	11.7%	11.7%
Cash and other assets	4.0%	2.9%
	<u>100.0%</u>	<u>100.0%</u>

## **Note 32 Defined Benefit Pension Schemes (continued)**

### **32.2 The Police Pension Scheme (for Police Officers)**

- including old pension scheme 1987, new pension scheme 2006, injury benefit scheme.

#### Participation in Pension Schemes

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

South Wales Police / the Commissioner participates in two post employment schemes:

- The Police Pension Scheme, administered by Capita plc

This is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet pension liabilities. Instead, from 1st April 2006, actual pension payments are met from a combination of employers' and employee contributions, based on percentages of police salaries, and the balance from Government Grant.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

#### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. A software model, developed by the Government Actuary's Department, has been used to calculate the potential long term liability and cost estimates of the Police scheme's based on Actuarial review, using Pension and Payroll data.

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

Police Pension and Unfunded Injury Benefit Scheme	Discretionary			Discretionary		
	Pension	Benefits	Total	Pension	Benefits	Total
	Scheme	Arrangement		Scheme	Arrangement	
	2014/15	2014/15	2014/15	2013/14	2013/14	2013/14
	£000	£000	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services:</b>						
• Current service cost	51,770	1,270	<b>53,040</b>	58,530	1,340	<b>59,870</b>
• Past service costs			<b>0</b>	0	0	<b>0</b>
<b>Financing and Investment Income and Expenditure</b>						
• Interest on net defined benefit liability/ (asset)	109,140	4,640	113,780	107,660	4,900	112,560
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>160,910</b>	<b>5,910</b>	<b>166,820</b>	<b>166,190</b>	<b>6,240</b>	<b>172,430</b>
<b>Other Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement</b>						
• Actuarial (gains)/ losses:						
Due to changes in financial assumptions	445,440	12,370	<b>457,810</b>	(80,940)	(2,130)	<b>(83,070)</b>
Due to changes in demographic assumptions	(88,480)	(38,480)	<b>(126,960)</b>			<b>0</b>
Due to liability experience	(50,780)	1,630	<b>(49,150)</b>	(40,710)	(10,230)	<b>(50,940)</b>
<b>Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement</b>	<b>306,180</b>	<b>(24,480)</b>	<b>281,700</b>	<b>(121,650)</b>	<b>(12,360)</b>	<b>(134,010)</b>
<b>Total Amount Recognised</b>	<b>467,090</b>	<b>(18,570)</b>	<b>448,520</b>	<b>44,540</b>	<b>(6,120)</b>	<b>38,420</b>
<b>Movement in Reserves Statement</b>						
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(160,910)	(5,910)	<b>(166,820)</b>	(166,190)	(6,240)	<b>(172,430)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>						
• Employers' contributions payable to scheme	25,576	2,560	<b>28,136</b>	25,578	2,440	<b>28,018</b>
• Retirement benefits payable to pensioners (grant funded)			<b>0</b>			<b>0</b>

## Contributions for the accounting period ending 31 March 2016

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2016 are estimated to be £28.1M.

Membership numbers in the old and new police pension schemes will vary from those estimated. Employer contributions will change due to the difference between estimated numbers and actual. Injury awards will also vary due to mortality issues and additional members can be admitted to the Injury Awards scheme. These factors are difficult to predict.

<b>Assets and Liabilities in Relation to Post-employment Benefits</b>						
Reconciliation of present value of the scheme liabilities (defined benefit obligation):						
	Funded			Unfunded		
	Pension	Discretionary	Total	Pension	Discretionary	Total
	Scheme	Benefits		Scheme	Benefits	
	2014/15	2014/15	2014/15	2013/14	2013/14	2013/14
	£000	£000	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	(2,487,220)	(106,040)	<b>(2,593,260)</b>	(2,506,290)	(114,600)	<b>(2,620,890)</b>
Current service cost	(51,770)	(1,270)	<b>(53,040)</b>	(58,530)	(1,340)	<b>(59,870)</b>
Interest cost	(109,140)	(4,640)	<b>(113,780)</b>	(107,660)	(4,900)	<b>(112,560)</b>
Contributions by scheme participants	(14,330)	0	<b>(14,330)</b>	(13,760)	0	<b>(13,760)</b>
Actuarial gains and (losses)	(306,180)	24,480	<b>(281,700)</b>	121,650	12,360	<b>134,010</b>
Benefits paid	79,950	2,560	<b>82,510</b>	77,370	2,440	<b>79,810</b>
<b>Closing balance at 31 March</b>	<b>(2,888,690)</b>	<b>(84,910)</b>	<b>(2,973,600)</b>	<b>(2,487,220)</b>	<b>(106,040)</b>	<b>(2,593,260)</b>

Reconciliation of fair value of the scheme (plan) <b>assets:</b>		
Police Pension Scheme		
	<b>2014/15</b>	<b>2013/14</b>
	£000	£000
<b>Opening balance at 1 April</b>	0	0
Remeasurement gains/ (losses) on assets- 'balance'	40,044	38,032
Employer contributions	28,136	28,018
Contributions by scheme participants	14,330	13,760
Benefits paid	(82,510)	(79,810)
<b>Closing balance at 31 March</b>	<b>0</b>	<b>0</b>

Scheme History					
	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
	£000	£000	£000	£000	£000
<b>Present value of liabilities:</b>					
Police Pension Scheme	(2,888,690)	(2,487,220)	(2,506,290)	(2,209,160)	(2,065,090)
Discretionary Benefits	(84,910)	(106,040)	(114,600)	(100,420)	(86,490)
<b>Total</b>	<b>(2,973,600)</b>	<b>(2,593,260)</b>	<b>(2,620,890)</b>	<b>(2,309,580)</b>	<b>(2,151,580)</b>
<b>Surplus/(deficit) in the scheme:</b>					
Police Pension Scheme	(2,888,690)	(2,487,220)	(2,506,290)	(2,209,160)	(2,065,090)
Discretionary Benefits	(84,910)	(106,040)	(114,600)	(100,420)	(86,490)
<b>Total</b>	<b>(2,973,600)</b>	<b>(2,593,260)</b>	<b>(2,620,890)</b>	<b>(2,309,580)</b>	<b>(2,151,580)</b>

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of £2,973.600M has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police / the Commissioner remains healthy:

- the deficit on the police pension scheme will be made good by government grant and or increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the government and the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

### 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 Police Pension Scheme and Discretionary Benefits liabilities have been assessed by the Government Actuary's Department (GAD) an agency of the UK Government, using payroll and pension data provided by or on behalf of South Wales Police/ the Commissioner.

The principal assumptions used by the actuary have been:

Police	Pension Scheme	Discretionary Benefits	Pension Scheme	Discretionary Benefits
	2014/15	2014/15	2013/14	2013/14
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
• Men	23.3	23.3	23.4	23.4
• Women	25.7	25.7	25.9	25.9
<b>Longevity at 65 for future pensioners:</b>				
• Men	25.4	25.4	25.6	25.6
• Women	27.9	27.9	28.0	28.0
<b>Principal Financial Assumptions:</b>				
Rate of inflation RPI	3.35%		3.65%	
Rate of inflation CPI	2.20%		2.50%	
Rate of increase in salaries	4.20%		4.50%	
Rate of increase in pensions	2.20%		2.50%	
Rate for discounting scheme liabilities	3.30%		4.40%	
Assumed rate of return in excess of pensions	1.10%		1.85%	
Assumed rate of return in excess of earnings	-0.90%		-0.10%	
Take-up of option to convert annual pension into retirement lump sum	actuarially neutral		actuarially neutral	

### Note 33 Contingent Liabilities & Contingent Assets

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts, further details in the accounting policies.

#### 33.1 Section A19 Retirements

South Wales Police/ the Commissioner, along with a number of other forces, currently have ongoing cases at an employment tribunal regarding the use of Police Pension Regulation A19. The outcome of the tribunal in February 2014 was to find in favour of the complaint and to support the test cases for over 200 former police officers in five police force areas. The case is one of indirect age discrimination. Ongoing legal advice suggests that there is a strong possibility that the appeal against the decision on the tests cases will be upheld.

It is uncertain and any possible future costs that South Wales Police/ the Commissioner could be liable for cannot be determined at this stage.

#### 33.2 leave accrual contingent liability additional to creditor accrual

This would be an enhanced rate of pay for overtime impacting additionally on the estimate for Accumulated Absences relating to annual leave accruals, otherwise provided on the basis of gross pay and employers national insurance.

A number of important cases on holiday pay entitlement are going through the courts and employment tribunals, and the outcomes could leave employers with a substantial bill for back-pay. The Employment Appeal Tribunal (EAT) has delivered its judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stems from an apparent conflict between UK law and European Law. The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered, should be included in the calculation of holiday pay. Back-dated claims can only be made if it is less than three months since the last incorrect payment of holiday pay. This is subject to a national review and the implications for individual forces are yet to be confirmed.

### **Note 33.3 Contingent Assets**

These are also not recognised in the Balance Sheet.

For the period 1992 – 2001 South Wales Police were insured by the Independent Insurance Company in relation to public liability claims. On the 17 June 2001 they went into liquidation. At that time steps were taken to ensure that all outstanding amounts were identified and registered should there be a subsequent payment arising from the liquidation. This was done in the sum of £3.1M. Information has now been received that a scheme of arrangement is proposed as a means of making payments against outstanding claims. Whilst no dates for payment have been notified, it is anticipated that this will be in the region of 14 to 15 pence in the pound, subject to the number and value of claims submitted under the scheme..

### **Note 34 Nature and Extent of Risks Arising from Financial Instruments**

South Wales Police/ the Commissioner's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to / the Commissioner
- liquidity risk – the possibility that South Wales Police/ the Commissioner might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for South Wales Police/ the Commissioner as a result of changes in such measures as interest rates and stock market movements.

South Wales Police/ the Commissioner's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by South Wales Police/ the Commissioner in the annual treasury management strategy.

#### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to South Wales Police/ the Commissioner's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by South Wales Police/ the Commissioner are as detailed below:

South Wales Police/ the Commissioner relies on credit ratings published by Fitch Ratings, Moody's Investors Service or Standard & Poor's to establish the credit quality of counterparties (issuers and issues) and investment schemes. South Wales Police/ the Commissioner has also determined the minimum long-term and short-term and other credit ratings it deems to be "high" for each category of investment.

The maximum amounts to be lent to each institution are subject to the above consideration of risk ratings and other factors and advice from treasury management consultants.

Further details can be found in the annual treasury management report considered by the South Wales Police/ the Commissioner each February.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has

shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise.

South Wales Police/ the Commissioner does not generally allow credit for debtors including balances owing by government departments, other local authorities, business organisations and individuals. The past due but not impaired amount can be analysed by age as follows:

	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
Less than three months	2,883	910
Three to six months	17	2
Six months to one year	85	3
More than one year	99	83
	<b>3,084</b>	<b>998</b>
The experience of default is illustrated by the balances of impairment of doubtful debts:		
Balances at 31 March (£000)	96	63
%	3.1%	6.4%

## Liquidity Risk

South Wales Police/ the Commissioner has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, South Wales Police/ the Commissioner has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that South Wales Police/ the Commissioner will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. South Wales Police/ the Commissioner sets limits on the proportion of its fixed rate borrowing during specified periods.

The maturity analysis of financial liabilities is as follows:

	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
Less than one year	1,981	2,050
Between one and two years	1,855	1,876
Between two and five years	5,350	5,153
Between five and ten years	5,488	5,919
More than ten years	4,669	4,723
	<b>19,343</b>	<b>19,722</b>

## Market Risk

### Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise. South Wales Police/ the Commissioner does not normally borrow at variable rates.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise. South Wales Police/ the Commissioner does not normally invest at variable rates.
- investments at fixed rates – the fair value of long term assets will fall. Short term investments are carried at cost as this is a fair approximation of their value.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

South Wales Police/ the Commissioner has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or South Wales Police/ the Commissioner's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be: Generally borrowings or investments are on fixed rates.

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>0</b>
Decrease in fair value of fixed rate long term investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities (but with no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	787
The impact of a 1% fall in interest rates would be as above but with the movements being reversed.	

### Price Risk

South Wales Police/ the Commissioner does not generally invest in equity shares or shareholdings.



**Foreign Exchange Risk**

South Wales Police/ the Commissioner has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

**Note 35 Collaboration**

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

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

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

A summary of the Expenditure and Income Statement for the main activities of the continuing units are as follows:

## CTIU / TARIAN

2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Organised Crime Unit - north wales	Regional Task Force	Special Branch	TOTAL
	£k	£k	£k	£k		£k	£k	£k
<b>Number of forces</b>	4	4	4	3	1	3	1	
<b>Service Classification</b>	National Policing	National Policing	National Policing	Intelligence/ Investigation		Intelligence		
Pay Expenditure	3,925	466	5,172	3,206	264	1,913	1,116	16,062
Non Pay Expenditure	815	17	366	637	57	708	102	2,702
<b>Gross Expenditure</b>	<b>4,740</b>	<b>483</b>	<b>5,538</b>	<b>3,843</b>	<b>321</b>	<b>2,621</b>	<b>1,218</b>	<b>18,764</b>
Specific Grant Income	(4,639)	(483)	(5,538)	(2,663)	(189)	(500)	0	(14,012)
Income	(101)	0	0	(34)	0	(27)	(121)	(283)
<b>Total Income &amp; Grants</b>	<b>(4,740)</b>	<b>(483)</b>	<b>(5,538)</b>	<b>(2,697)</b>	<b>(189)</b>	<b>(527)</b>	<b>(121)</b>	<b>(14,295)</b>
South Wales Police	0	0	0	(603)	0	(1,131)	(1,097)	(2,831)
Dyfed Powys Police	0	0	0	(230)	0	(440)	0	(670)
Gwent Police	0	0	0	(313)	0	(523)	0	(836)
North Wales Police	0	0	0	0	(132)	0	0	(132)
<b>Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,146)</b>	<b>(132)</b>	<b>(2,094)</b>	<b>(1,097)</b>	<b>(4,469)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## SHARE OF SERVICE BENEFIT

Included in accounting policies under joint arrangements are definitions and explanation of the new accounting requirements, the latter involving shares of income, expenditure, assets and liabilities. As a result of the requirement of IFRS11, the following tables provides revised information relating to South Wales Police and for other forces to show the totals for each joint operation.

This statement shows the revised cost shares based upon the new accounting for collaboration arrangements. Assets, debtors and creditors in respect of the arrangements have remained in the balance sheets of forces on the basis of materiality.

2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Organised Crime Unit - north wales	Regional Task Force	Special Branch	TOTAL
share of service benefit	population (national benefit basis)	population (national benefit basis)	population (national benefit basis)	population (national benefit basis)		agreed financial contribution (local delivery)	own spending	
<b>Gross Expenditure</b>								
Dyfed-Powys	796	81	930	832	0	550	0	<b>3,191</b>
Gwent	891	91	1,041	931	0	655	0	<b>3,610</b>
North Wales	note1	note1	note1	0	321	0	0	<b>321</b>
South Wales	1,991	203	2,326	2,080	0	1,415	1,218	<b>9,234</b>
	<b>3,678</b>	<b>375</b>	<b>4,297</b>	<b>3,843</b>	<b>321</b>	<b>2,621</b>	<b>1,218</b>	<b>16,355</b>
<b>excluding North Wales Gross Expenditure</b>	1,062	108	1,241	0	0	0	0	<b>2,411</b>
	<b>4,740</b>	<b>483</b>	<b>5,538</b>	<b>3,843</b>	<b>321</b>	<b>2,621</b>	<b>1,218</b>	<b>18,764</b>

2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit		Regional Task Force	Special Branch	TOTAL
<b>Total Income &amp; Grants</b>								
Dyfed-Powys	(796)	(81)	(930)	(584)	0	(111)	0	<b>(2,502)</b>
Gwent	(891)	(91)	(1,041)	(653)	0	(132)	0	<b>(2,808)</b>
North Wales	note1	note1	note1	0	(189)	0	0	<b>(189)</b>
South Wales	(1,991)	(203)	(2,326)	(1,460)	0	(285)	(121)	<b>(6,383)</b>
	<b>(3,678)</b>	<b>(375)</b>	<b>(4,297)</b>	<b>(2,697)</b>	<b>(189)</b>	<b>(527)</b>	<b>(121)</b>	<b>(11,884)</b>
<b>excluding North Wales</b>	(1,062)	(108)	(1,241)	0	0	0	0	<b>(2,410)</b>
<b>Total Income &amp; Grants</b>	<b>(4,740)</b>	<b>(483)</b>	<b>(5,538)</b>	<b>(2,697)</b>	<b>(189)</b>	<b>(527)</b>	<b>(121)</b>	<b>(14,295)</b>

note 1- North Wales Police, are basing their costs and income on actual costs rather than an allocation on Welsh population. Furthermore, they are not included in the Regional Task Force, which operates in the southern Welsh forces and for ROCU they contribute to the North West Region of England and North Wales.

Figures for other Welsh forces are based on population to indicate the approximate share of costs and grant and other income, as now required for Joint Operations by a revised IFRS11. Further explanation in Accounting Policies.

No comparative information is available for the prior year without further considerable restatement.

## Other

2014/15	Scientific Investigation Unit £k	Joint Firearms Unit £k	TOTAL £k
<b>Number of forces</b>	2	3	
<b>Service Classification</b>	Investigative Support	Specialist Operations	
Pay Expenditure	6,096	10,523	<b>16,619</b>
Non Pay Expenditure	529	1,278	<b>1,807</b>
<b>Gross Expenditure</b>	<b>6,625</b>	<b>11,801</b>	<b>18,426</b>
Specific Grant Income	0	0	<b>0</b>
Income	(32)	0	<b>(32)</b>
<b>Total Income &amp; Grants</b>	<b>(32)</b>	<b>0</b>	<b>(32)</b>
South Wales Police	(4,175)	(5,766)	<b>(9,941)</b>
Dyfed Powys Police	0	(3,143)	<b>(3,143)</b>
Gwent Police	(2,418)	(2,892)	<b>(5,310)</b>
North Wales Police	0	0	<b>0</b>
<b>Force Contributions</b>	<b>(6,593)</b>	<b>(11,801)</b>	<b>(18,394)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## SHARE OF SERVICE BENEFIT

2014/15	Scientific Investigation Unit	Joint Firearms Unit	TOTAL
share of service benefit	financial contribution (local delivery)	financial contribution (local delivery)	
<b>Gross Expenditure</b>			
Dyfed-Powys	0	3,143	<b>3,143</b>
Gwent	2,429	2,892	<b>5,322</b>
North Wales	0	0	<b>0</b>
South Wales	4,196	5,766	<b>9,962</b>
	<b>6,625</b>	<b>11,801</b>	<b>18,426</b>
<b>excluding North Wales Gross Expenditure</b>	<b>0</b> <b>6,625</b>	<b>0</b> <b>11,801</b>	<b>0</b> <b>18,426</b>

2014/15	Scientific Investigation Unit	Joint Firearms Unit	TOTAL
<b>Total Income &amp; Grants</b>			
Dyfed-Powys	0	0	<b>0</b>
Gwent	(12)	0	<b>(12)</b>
North Wales	0	0	<b>0</b>
South Wales	(20)	0	<b>(20)</b>
	<b>(32)</b>	<b>0</b>	<b>(32)</b>
<b>excluding North Wales</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Income &amp; Grants</b>	<b>(32)</b>	<b>0</b>	<b>(32)</b>

## **Glossary of Terms**

### **AMORTISATION**

Intangible assets should be amortised on a systematic basis over their economic lives. This is similar to depreciation.

### **ACCRUAL**

A sum included in the final accounts to cover income and expenditure attributable to the account period but for which payment has not been made/received at the balance sheet date.

### **AGENCY SERVICES**

The provision of services by one body (the agent) on behalf of, and generally reimbursed by, the responsible body.

### **ACTUARIAL GAINS AND LOSSES**

The changes in actuarial deficits or surpluses that can arise due to: experience gains and losses (events have not coincided with the actuarial assumptions made for the last valuation) or the actuarial assumptions have changed.

### **ASSET**

Tangible and intangible assets that yield benefits to South Wales Police/ the Commissioner for a period of more than one year. Benefits of less than one year are regarded as Current Assets.

### **AUDIT**

An independent examination of an organisation's activities.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the date specified.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **CAPITAL FINANCING ACCOUNT / CAPITAL ADJUSTMENT ACCOUNT**

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from grants, revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

### **CAPITAL RECEIPT**

Proceeds from the sale of fixed assets e.g. land or buildings, or other money received towards capital expenditure.

### **CAPITAL RECEIPTS RESERVE**

The capital receipts reserve is available to fund future expenditure of a capital nature, as budgeted by the Capital Programme.

### **CASH FLOW STATEMENT**

A statement that summarises the movements in cash, both revenue and capital, during the year.

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of pension scheme's liabilities expected to arise from employee service in the current period.

**CREDITOR**

An amount owed by South Wales Police/ the Commissioner for work done, goods received or services rendered within the accounting period but for which payment has not yet been made.

**DEBTOR**

An amount due to South Wales Police/ the Commissioner within the accounting period but not received at the balance sheet date.

**DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**EARMARKED CAPITAL RESERVES**

These reserves, generated by additional voluntary revenue contributions, are available for financing future expenditure of a capital nature, as budgeted by the Capital Programme.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**IMPAIRMENT**

A reduction in the value of a fixed asset, below its carrying amount on the balance sheet.

**LEASING**

A method of financing the use of assets where a rental charge is paid over a specified period of time.

**LIABILITY**

An amount due to an individual or organisation which will be paid at some time in the future.

**PAST SERVICE COST (PENSIONS)**

The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**POLICE FUND BALANCE**

This reserve, which is maintained to meet exceptional and unforeseen expenditure.

**POLICE GRANT**

The amount of Home Office grant towards the revenue requirements of South Wales Police/ the Commissioner.

**POLICE CAPITAL GRANT**

The amount of Home Office grant towards the approved capital expenditure programme of South Wales Police/ the Commissioner.

**PRECEPT**

The amount of income collected by the constituent County Borough Councils from Council Tax payers to pay for Police services of South Wales Police/ the Commissioner.

**PROVISION**

An amount set aside in the accounts for liabilities that have been incurred, which are uncertain in terms of timing or amount.

**PUBLIC WORKS LOAN BOARD (PWLB)**

A Government agency which provides longer term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RESERVE**

Amounts set aside for purposes falling outside the definition of provisions and generally available for funding expenditure after the balance sheet date. Earmarked reserves are set aside for specific purposes.

**REVENUE ACCOUNT/ INCOME AND EXPENDITURE ACCOUNT**

An account which records day to day expenditure and income on such items as salaries and wages, running costs of services and the financing of capital expenditure.

**REVENUE SUPPORT GRANT**

A National Assembly for Wales administered grant paid in support of Local Government and Police revenue expenditure.

**NATIONAL NON DOMESTIC RATE (NNDR)**

The NNDR, or business rate, is the charge levied on occupiers of business premises to finance a proportion of local government and police revenue expenditure. The amount of NNDR is set by central government by virtue of a multiplier applied to the rateable values. The multiplier is consistent throughout Wales with the total collected being distributed by central government, but administered by the Welsh Government.

**STOCKS**

Uniforms, communication equipment parts, diesel, petrol and vehicle spares are procured by South Wales Police/ the Commissioner to use on a continuing basis. The value of those items not used at the specified date are shown in the balance sheet as assets.

**TEMPORARY BORROWING/INVESTMENT**

Money borrowed/ invested for an initial period of less than one year.



**THE CHIEF CONSTABLE FOR SOUTH  
WALES POLICE  
(Single Entity)**

**FINANCIAL REPORT &  
STATEMENT OF ACCOUNTS  
FOR THE  
YEAR ENDED 31<sup>ST</sup> MARCH 2015**

**Umar Hussain BA(Hons), FCCA  
CHIEF FINANCIAL OFFICER to the CHIEF  
CONSTABLE**

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## **Foreword**

### **Introduction**

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

The financial year 2014/15 was the fourth consecutive year of government imposed austerity programme arising from the comprehensive spending review 2010(CSR), which sought to address the national budget deficit due to the international banking crises.

The accountability for public resources is documented in the Annual Governance Statement which details the responsibilities of both the Commissioner and the Chief Constable as Corporation Soles. The review of the effectiveness of the governance arrangements is detailed within the Annual Governance Statement that accompanies these Statements of Accounts.

### **Statutory Framework for the Statement of Accounts**

The establishment of the two Corporation Soles requires each body to produce their own single entity Statement of Accounts with the Commissioner producing a Statement of Accounts for the Group and Police Pension Fund..

The Accounts and Audit (Wales) Regulations 2014, require local government bodies to prepare a Statement of Accounts in accordance with proper practices. The Code of Practice on Local Authority Accounting in the UK is identified as representing proper practices.

The Code applies to local government bodies set out in the Public Audit (Wales) Act 2004 who are required to prepare accounts for audit by the Wales Audit Office. Section 12 of this Act was amended by the Police Reform Social Responsibility Act to replace reference to Police Authorities with Commissioners and Chief Constables.

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

### **Format of the Statement of Accounts**

The Statement of Accounts comprises the following:

- Statement of Responsibilities
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Police Pension Fund Account
- Notes to the Accounts

## **Explanation of Main Statements - including intra group transfer of funding**

This section explains the requirement, for the second year, for intra group funding between the new Corporate soles - the Commissioner and the Chief Constable. This focuses on the key elements and further information is provided in the Accounting Policies.

### Comprehensive Income and Expenditure Statement

All income and grants are credited to the General Fund under the responsibility of the Commissioner and taken into account in the intra group transfer to the Chief Constable to finance expenditure.

All usable reserves are similarly held by the Commissioner for future allocations.

All unusable reserves/ deficits are held by the Commissioner as certain legislation and government regulations for Local Authority Accounting do not currently apply to the Chief Constable.

(Exemptions are required for pension deficits and capital asset depreciation and impairment adjustments the latter already financed from grants and local taxation but nevertheless required under proper accounting principles as defined by the Code.)

Expenditure is accounted for on a 'direction and control' basis as costs are incurred by both the Chief Constable and Commissioner i.e.

- Payroll expenditure for police officers and staff are charged to the Chief Constable other than those within the Office of the Commissioner.
- Pension costs and future retirement benefits for police officers and staff are similarly charged for on the same basis.
- Non pay costs are charged to the Chief Constable other than those relating to the Office of the Commissioner.
- Depreciation of Assets is notionally charged to the Commissioner, on an ownership basis, and recharged for the use of assets to the Chief Constable, which is taken into account in the intra group transfer.

### Movement in Reserves Statement

This account is not applicable given that there are no material balances to account for. The (surplus)/ deficit on the provision of services and other comprehensive expenditure net to Nil by means of an intra group transfer to the Commissioner's General Fund Account. (There are no balances on Reserve or Accounting Adjustments.)

### Cash Flow

This account is not applicable given that there are no material balances to account for. Bank accounts are held by the Commissioner and are operated on a Group basis.

### Balance Sheet

The Chief Constable has no reserves and long term assets to account for. These are the responsibility of the Commissioner. Net assets net to nil by means of an intra group debtor for working capital to meet short term creditors, inventories and long term Pension Liabilities.

## Pensions Liability

The Government Actuary's Department calculate the potential liability of the Police scheme's based on Actuarial review, using Pension and Payroll data. This estimated liability increased over the year from £2,593M to £2,974M, an increase of 15%. This is mainly attributed to changes in actuarial assumptions of the real rates of return in excess of pension increases and earnings growth. The Pension Scheme for Police Officers is unfunded by statute.

In the case of Police Staff, South Wales Police is an admitted body to the Rhondda Cynon Taff County Borough Council Local Government Pension Scheme. The Actuaries assessment of South Wales Police's share of the estimated deficit in this scheme increased over the year from £104M to £124M as at 31 March 2015, an increase of 19%.

The unrealised net losses or gains for the year have no direct impact on the cost of services in the comprehensive income and expenditure statement and the notional liability is recognised in the balance sheet only.

## Overall Summary

The rigorous measures implemented to deal with the financial challenges arising from CSR2010, as outlined in the Value for Money Plan, along with continued prudent financial management have enabled the delivery of the required £32M of savings resulting from the CSR2010 cuts in police grants. This achievement is a positive endorsement of the Medium Term Finance Strategy.

The refreshed Medium Term Financial Strategy continues to predict further cuts in police grant with estimated budget gap of nearly £40M. The 2015/16 settlement confirmed our fears that the cuts would be deeper and the funding outlook remains similarly bleak over the next parliament.

## Stage 2 changes - effective April 2014

In September 2012, the Minister of State for Policing and Criminal Justice set out the government's overall policy intent around Stage 2 transfers *"operational staff under the control and direction of the Chief Constable passes to their employer and that any discussion with the Chief on those remaining with the Police and Crime Commissioner will focus on non-operational roles."*

The Home Secretary directed all Commissioners and Chief Constables to prepare a staff transfer scheme for approval. This scheme was to make provision for the transfer of non-warranted police staff to the employment of the Chief Constable of the force. The Stage 2 Transfer Scheme prepared by the Commissioner and the Chief Constable was approved by the Home Office and the transfer of affected staff completed by the 31<sup>st</sup> March 2014 deadline. These changes also necessitated a review and amendments to the governance framework(s) of the two Corporations Sole, and as a result a revised Manual of Governance was prepared with effect from 1<sup>st</sup> April 2014. As a consequence the vast majority of staff are now employed by the Chief Constable. Warranted police officers were always in the employ of the Chief Constable.

## Stage 2 – Accounting Policies

There any no significant changes to accounting policies due to the stage 2 transfers.

## **Operational Performance and Value for Money arrangements**

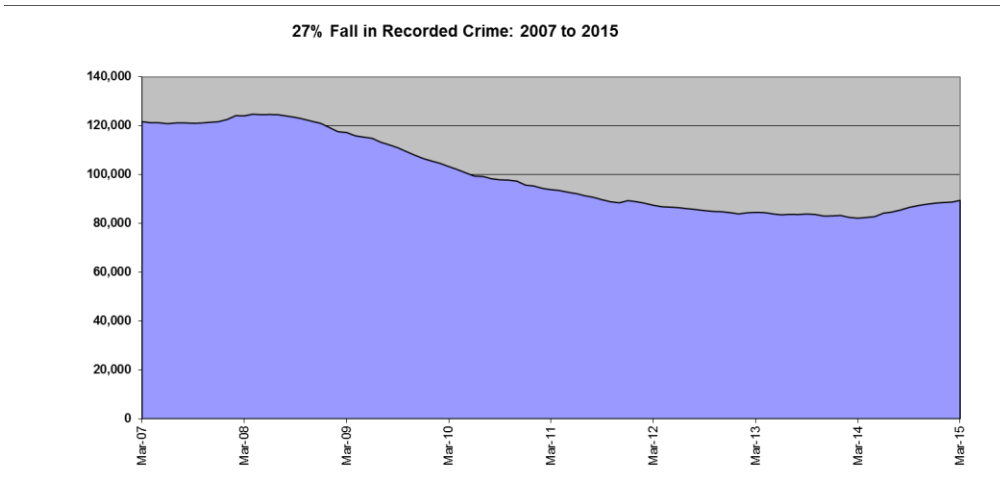
Whilst the Statement of Account are primarily focussed on the reporting of financial activity for the year it is also important to reflect on the delivery of Value for Money and key operational performance indicators. The Value for Money target to achieve a balanced budget outturn for 2014-15 was met for the fourth consecutive year with £32M of cash releasing savings delivered over the four years, including £5.3M delivered in 2014/15. However the austerity programme is set to continue and further savings of £39M are forecasted to be required over the next four years which will be a considerable challenge over the medium term. This is £69M of savings over the austerity period.

South Wales Police has developed a comprehensive medium term strategy to deliver the savings which protects front line services and this can be seen in the performance chart below

The summary includes statistics of operational performance.

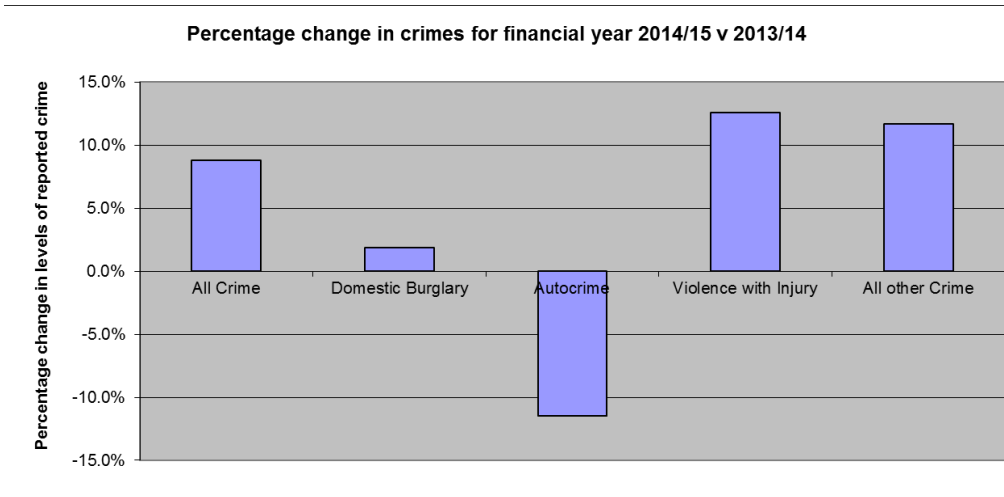
## PERFORMANCE

### 27% FALL IN RECORDED CRIME FROM 2007 - 2015



The slight increase in 2014-2015 reflects an internal change in crime recording processes. Previously incidents were investigated and then recorded, now the Force records the crime when the incident is reported.. The process of improvement continues, with the latest figures showing the best victim satisfaction levels experienced by the Force. The decision to change has put it at the front of development of good practice identified nationally by Her Majesty's Inspectorate of the Constabulary.

### FORCEWIDE PERFORMANCE 2014-2015



With regard to operational performance the following headlines are noteworthy:

## **ACHIEVEMENTS FORCE-WIDE IN 2014/2015**

### **Making Every Contact Count**

- 91.6% of 999 calls were answered within 10 seconds, which is 1.6% above the national target.
- 89.9% of non-emergency calls were answered within 40 seconds.

### **Equality, Diversity and Human Rights**

- Overall victim satisfaction for Black and Minority Ethnic victims has slightly decreased from 85.9% at the end of 2013-14 to 85.4% in 2014-15.
- Hate related crimes increased in line with the Force aim to increase reporting of these offences.

### **Quality of Service**

- South Wales Police recorded an overall crime outcome rate of 28.6% for 2014-15 compared to 33.8% in 2013-14.
- As a result of the revised crime recording process, there was a rise of 1.9% in domestic burglaries compared to 2013-14 and the outcome rate fell by 16.8% to 21.6% in 2014-15.
- The outcome rate for violence with injury decreased to 49.9%.
- Vehicle crime reduced by 11.5% compared to 2013-14.
- The number of criminal damage offences fell by 0.3% compared to 2013-14.
- The number of drug trafficking offences fell by 18.2% in 2014-15 compared to a reduction of 16.5% in the same period last year.
- Overall victim satisfaction stood at 88.3%, which is slightly lower than 89.7% which we achieved in 2013-14.
- During 2014-15, a significant improvement in our approach to crime recording has resulted in 93% of crimes reported to South Wales Police being recorded within 72 hours.



## POLICE EFFECTIVENESS EFFICIENCY & LEGITIMACY PROGRAMME (PEEL)

The first PEEL assessment of South Wales Police concluded that:

In terms of its effectiveness, in general, the force is good at reducing crime and preventing offending, good at investigating offending and outstanding at tackling anti-social behaviour;  
The efficiency with which the force carries out its responsibilities is good; and  
The force is acting to achieve fairness and legitimacy in most of the practices that were examined

It was specifically noted that South Wales Police had made excellent progress in responding to the spending review, approaching that challenge by introducing innovative practice. This means the force is well placed to deal with future budget cuts. Ms Sharpling, Her Majesty's Inspector for the Wales & Western region, stated that she was "particularly impressed by the force's approach to crime recording, which has a high degree of accuracy and the outstanding practice developed to tackle anti-social behaviour"..



Chief Financial Officer

Dated:

30 June 2015



Chief Financial Officer

Dated:

30 September 2015

## **Auditor General for Wales' report to the Chief Constable for South Wales**

I have audited the accounting statements and related notes of the:

- Chief Constable for South Wales; and
- South Wales Police Pension Fund

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including the South Wales Police Pension Fund's accounting statements, which gives a true and fair view.

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

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

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

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

### **Opinion on the accounting statements of the Chief Constable for South Wales**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Chief Constable for South Wales as at 31 March 2015 and of his income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

### **Opinion on the accounting statements of the South Wales Police Pension Fund**

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

- give a true and fair view of the financial transactions for South Wales Police Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

### **Opinion on other matters**

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

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

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

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

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

**For and on behalf of**  
**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**24 Cathedral Road**  
**Cardiff CF11 9LJ**  
**30 September 2015**

The maintenance and integrity of the Chief Constable for South Wales' 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.


## Statement of Responsibilities for the Accounts

### Responsibilities of the Chief Constable

Is required to:

- make arrangements for the proper administration of his financial affairs and to secure that one officer has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer to the Chief Constable.
- manage his affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- approve the statement of accounts.

I certify the approval of this statement of accounts.

  
The Chief Constable for South Wales  
Dated:

30 September 2015

### Responsibilities of 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
- complied with the local authority Code.


The chief financial officer has also:

- kept proper accounting records which were up to date
- 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 for South Wales at the accounting date and its income and expenditure for the year ended 31 March, 2014.

  
Chief Financial Officer  
Date of signing (by responsible financial officer)

Dated: 30 June 2015



**Chief Financial Officer**

Date of signing (prior to the approval of the Chief Constable) Dated: 30 September 2015

## Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local Government Bodies raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (MIRS) within the Group Accounts for the Police and Crime Commissioner for South Wales.

	Note	Chief Constable 2014/15			Chief Constable 2013/14		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Local Policing		117,955	0	117,955	126,387	0	126,387
Dealing with the Public		21,517	0	21,517	22,086	0	22,086
Criminal Justice Arrangements		24,731	0	24,731	29,528	0	29,528
Road Policing		9,458	0	9,458	10,949	0	10,949
Specialist Operations		24,509	0	24,509	27,293	0	27,293
Intelligence		14,253	0	14,253	16,343	0	16,343
Investigation		60,435	0	60,435	59,802	0	59,802
Investigative Support		5,933	0	5,933	6,478	0	6,478
National Policing		20,220	0	20,220	13,295	0	13,295
<b>Police Services</b>		<b>299,012</b>	<b>0</b>	<b>299,012</b>	<b>312,161</b>	<b>0</b>	<b>312,161</b>
Non Distributed Costs - - Retirements Benefits Past Service Cost		9,459	0	9,459	0	0	0
<b>Cost of Services</b>		<b>308,471</b>	<b>0</b>	<b>308,471</b>	<b>312,161</b>	<b>0</b>	<b>312,161</b>
Other operating expenditure - - Levies to national police services		1,644	0	1,644	1,275	0	1,275
Financing and investment income and expenditure	6	118,089	0	118,089	118,477	0	118,477
Taxation and non-specific grant income		0	0	0	0	0	0
Commissioning Costs (intra-group transfer)		(428,204)	0	(428,204)	(431,913)	0	(431,913)
<b>(Surplus)/Deficit on Provision of Services</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Actuarial (gains)/losses on pension assets/liabilities				303,464			(174,913)
Commissioning Costs (intra-group transfer)				(303,464)			174,913
<b>Other Comprehensive Income and Expenditure</b>				<b>0</b>			<b>0</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>0</b>			<b>0</b>

## Balance Sheet

The Balance Sheet shows the value of the recognised assets and liabilities. The net assets (assets less liabilities) are matched by the reserves held by the Group.

The Net assets of the Chief Constable net to NIL, there being no reserve accounts to account for, with all Assets and Liabilities being the responsibility of the Commissioner. The Net assets net to NIL by means of an intra group Debtor for both working capital to meet short term creditors and long term Pension Liabilities.

	Note	31 March 2015 £000	31 March 2014 £000
Long Term Debtors - intra-group transfer		3,096,150	2,696,719
<b>Long Term Assets</b>		<b>3,096,150</b>	<b>2,696,719</b>
Inventories		876	796
Debtors - Intra-group working capital		18,618	15,849
<b>Current Assets</b>		<b>19,494</b>	<b>16,645</b>
Short Term Creditors	7	(19,494)	(16,645)
<b>Current Liabilities</b>		<b>(19,494)</b>	<b>(16,645)</b>
• Local Government Pension Schemes	13.1	(122,550)	(103,459)
• Police Pension Schemes	13.2	(2,973,600)	(2,593,260)
<b>Long Term Liabilities</b>		<b>(3,096,150)</b>	<b>(2,696,719)</b>
<b>Net Assets</b>		<b>0</b>	<b>0</b>

## Movement in Reserves Statement (MIRS)

This account is not applicable given that there are no material balances to account for. The (surplus)/ deficit on the provision of services and other comprehensive expenditure net to Nil by means of an intra group transfer to the Commissioner's General Fund Account. (There are no balances on Reserve or Accounting Adjustments.)

## Cash Flow

This account is not applicable given that there are no material balances to account for. Bank accounts are held by the Commissioner and are operated on a Group basis.

## Police Pension Fund Account

Police Scheme	2014/2015 £000	2013/2014 £000
<b>Contributions receivable</b>		
from employer:		
• Normal	(24,970)	(25,125)
• Early retirements (incl. capital equivalent charge for ill health retirements)	(608)	(460)
from members	(14,328)	(13,761)
<b>Transfers in</b>		
Individual transfers in from other schemes	(472)	(709)
<b>Benefits payable</b>		
Pensions	65,527	62,583
Commutations and lump sum retirement benefits'	13,633	13,820
Revised Commutation factors (Milne v GAD)	9,350	0
Lump sum death benefits	93	76
<b>Payments to and on account of leavers</b>		
Individual transfers out to other schemes	821	894
<b>Sub-Total before transfer from the Police Fund</b>	<b>49,046</b>	<b>37,318</b>
<b>Additional funding payable by Police Fund</b>	<b>(49,046)</b>	<b>(37,318)</b>
<b>Net Amount payable/ receivable for the year</b>	<b>0</b>	<b>0</b>
<b>Net Asset Statement</b>		
<b>Net current assets and liabilities</b>		
<b>Current Assets</b>		
Debtor - net balances owed from the Police Fund	92	0
Debtor - net balances owed from the Police Fund	9,350	0
Bank balance	607	788
<b>Current Liabilities</b>		
Provisions	(9,350)	0
Creditor - benefits payable to retiring officers end of March paid April	(699)	0
Creditor - net balances owed to Police Fund	0	(788)
<b>Net</b>	<b>0</b>	<b>0</b>

## Notes to the Police Pension Fund Accounts

1. The Police Pension Scheme is administered by Capita plc under contract.
2. There are no investment assets of the fund. The payments in and out of the Pension Fund are balanced to nil each year by receipt of additional contribution from the Police Fund, which in turn is reimbursed by specific grant by the sponsoring government department (Home Office). Or if in surplus, the Pension Fund reimburses the Police Fund in order to reimburse the sponsoring department.
3. The fund's financial statements do not take account of other liabilities to pay pensions and other benefits after the year end, which are however accounted for on the balance sheet as future retirement benefits.
4. Other than the notes above, the Police Pension Fund has followed the accounting policies as set out in the following note.

## **Notes to the Accounts**

### **Note 1 Accounting Policies** **General Principles**

The general principles and practices adopted in compiling these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). Reference is made to the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 - Based on International Financial Reporting Standards (the Code). This is supplemented by the Service Reporting Code of Practice for Local Authorities (SeRCOP).

These codes of practice set out the proper accounting practices as required by section 21(2) of the Local Government Act 2003 and the Accounts and Audit Regulations as amended.

Local Government Bodies, have some discretion in determining what policies need to be provided and the level of detail disclosed, but it should be noted that the Code states that users of financial statements are assumed to have a reasonable knowledge of accounting, which would limit the detail required in the summary of significant accounting policies.

#### **Accruals of 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 expenditure has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the Balance Sheet. Where actual amounts were not available, it may have been necessary to use appropriate estimated values.

#### **Comprehensive Income and Expenditure Statement**

All income and grants are credited to the General Fund under the responsibility of the Commissioner and taken into account in the intra group transfer to the Chief Constable to finance expenditure.

Expenditure is accounted for on a 'direction and control' basis as costs are incurred by both the Chief Constable and Commissioner i.e.

- payroll expenditure for police officers and staff are charged to the Chief Constable other than those within the Office of the Commissioner;
- pension costs and future retirement benefits for police officers and staff are similarly charged for on the same basis;
- non pay costs are charged to the Chief Constable other than those relating to the Office of the Commissioner;
- depreciation of Assets is notionally charged to the Commissioner, on an ownership basis, and recharged for the use of assets to the Chief Constable, which is taken into account in the intra group transfer.

#### **Movement in Reserves Statement**

This account is not applicable given that there are no material balances to account for. The (surplus)/ deficit on the provision of services and other comprehensive expenditure net to Nil by means of an intra group transfer to the Commissioner's General Fund Account. (There are no balances on Reserve or Accounting Adjustments.)



### Cash Flow

This account is not applicable given that there are no material balances to account for. Bank accounts are held by the Commissioner and are operated on a Group basis.

### Balance Sheet

The Net assets of the Chief Constable net to NIL, there being no reserve accounts to account for, with all Assets and Liabilities being the responsibility of the Commissioner. The Net assets net to NIL by means of an intra group Debtor for both working capital to meet short term creditors and long term Pension Liabilities.

### **Employee benefits**

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and 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 employees render service. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu, and cancelled rest days for police officer's) as earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable 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 to terminate an employee's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when there is a demonstratable commitment to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable 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' pensions are unfunded by statute. However, the funding arrangements changed on 1st April 2006, from 'Pay As You Go' (i.e. based on payments to current pensioners) a direct charge to the Revenue Account, to an annual employers' pension contribution based on percentage of salary, with the balance payable to pensioners met from a grant provided by the Home Office. All other employees are eligible to join the Local Government Pension Scheme. The Commissioner and Chief Constable are participating members of the Rhondda Cynon Taff County Borough Council Pension Fund making appropriate employer contributions into that Pension Fund.

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

**Events after the reporting period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Events taking place after this latter date are not reflected in the financial statements or notes.

Where events taking place before this date (adjusting events) provide information about conditions existing at the balance sheet date, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information. Where events taking place before this date (non-adjusting events) are indicative of conditions arising after the balance sheet date, the financial statements are not adjusted, but if material, disclosure will be made in a note.

**Exceptional items and prior period adjustments**

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 or in the notes to the accounts, depending on how significant the items are to an understanding of financial performance.

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 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.

**Inventories and long-term contracts**

Stocks are valued at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**Leases**

Costs are charged to expenditure over the life of the lease.

**Overheads**

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

**Value added tax**

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

## **Note 2 Accounting Standards Issued, Not Adopted**

For 2014/15 the following accounting policy changes that need to be reported relate to:

IFRS 13 Fair Value Measurement (May 2011). The CIPFA/LASAAC Local Authority Accounting Code Board decided at its meeting in January 2014 to defer the implementation of IFRS 13 Fair Value Measurement to the 2015/16 Code. The basis of measurement for operational property is to be amended for public sector bodies from Fair to Current Value, anticipated to be a change in terminology only. CIPFA/LASAAC's work with HM Treasury has confirmed that it is appropriate to focus on valuing the service potential and thus the operating capacity used to deliver goods and services. CIPFA/LASAAC concluded that exit value although useful information for the users of the financial statements is not the best measurement for assets used for their operational capacity. The measurement requirements for operational property, plant and equipment will therefore not be subject to change.

It is anticipated that details of the disclosures required for these changes will be included in the Code of Practice and guidance notes to be issued for 2015/16 and applied accordingly in the 2015/16 Statements.

## **Note 3 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, South Wales Police/ the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts include:

- That there is a high degree of uncertainty about future levels of funding for local government. South Wales Police/ the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets might be further impaired as a result of a need to close facilities and reduce levels of service provision.

## Note 4 Assumptions Made about the Future and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item Uncertainties		Effect if Actual Results Differ from Assumptions	
<b><u>Pensions Liability - Police (Information from Actuary)</u></b>			
Sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions			
<u>Change in assumption*</u>		<u>Impact on Defined Benefit Obligation</u>	
		<u>%</u>	<u>£ million</u>
Rate of discounting scheme liabilities	-½% a year	11.6%	340
Rate of increase in salaries	+½% a year	1.7%	53
Rate of increase in pensions / deferred revaluation	+½% a year	9.3%	268
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.5%	71
<p>* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in the assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.</p> <p>The weighted average duration of the defined benefit obligation is around 23 years for the old scheme and 33 years for the new scheme..</p>			
<b><u>Pensions Liability - LGPS (Information from Actuary)</u></b>			
The results shown in the report are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2015 is set out below.			
In each case, only the assumption mentioned is altered; all other assumptions remain the same. For inflation, for example, we have assumed this will not change the salary inflation figure and will affect pension increases only. We have not included sensitivity of unfunded benefits on materiality grounds.			
<u>Change in assumption*</u>		<u>Impact on Defined Benefit Obligation</u>	
		<u>%</u>	<u>£ million</u>
Adjustment to discount rate	-0.1% p.a		8
Adjustment to salary increase rate	+0.1% p.a		3
Adjustment to pension increase rate	+0.1% p.a		6
Adjustment to mortality age rating assumption **			9
<p>**A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.</p>			

## Note 5 Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 September 2015. There are no adjusting or non-adjusting events.

**Note 6 Financing and investment income and expenditure**

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Pensions interest costs	118,140	118,500
<b>Less</b> Pension items relating to the Commissioner	(51)	(23)
Total	<b>118,089</b>	<b>118,477</b>

**Note 7 Creditors**

	<b>31 March</b>	<b>31 March</b>
	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	5,131	5,160
Other local authorities	3,268	2,891
Other entities and individuals (incl other funds)	14,376	10,999
<b>Less</b> creditor items relating to the Commissioner	(3,281)	(2,405)
Total	<b>19,494</b>	<b>16,645</b>

## Note 8 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. South Wales Police/ the Commissioner has responsibility for a single service. Resource allocation decisions are taken by the Command Team and the Commissioner on the basis of the same budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

### Subjective Analysis - Income and Expenditure

	2014/15 £000	2013/14 £000
Employee expenses	190,838	187,634
Other operating expenses	117,633	124,527
<b>Total operating expenses</b>	<b>308,471</b>	<b>312,161</b>
<b>Net Cost of Services</b>	<b>308,471</b>	<b>312,161</b>

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

	2014/15 £000	2013/14 £000
Cost of Services in Service Analysis	308,471	312,161
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>308,471</b>	<b>312,161</b>

Reconciliation to Subjective Analysis 2014/15	Service Analysis £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Intra-Group Transfer	0	0	(428,204)	(428,204)
	0	0	(428,204)	(428,204)
Employee expenses	190,838	190,838	0	190,838
Other service expenses	111,825	111,825	0	111,825
Use of assets charge (proxy for depreciation)	5,808	5,808	0	5,808
Interest Payments - pension retirement Benefits	0	0	118,089	118,089
Precepts & Levies	0	0	1,644	1,644
Gain or Loss on Disposal of Fixed Assets	0	0	0	0
<b>Total operating expenses</b>	<b>308,471</b>	<b>308,471</b>	<b>119,733</b>	<b>428,204</b>
<b>Surplus or deficit on the provision of services</b>	<b>308,471</b>	<b>308,471</b>	<b>(308,471)</b>	<b>-</b>

<b>Reconciliation to Subjective Analysis 2013/14</b>	<b>Service Analysis £000s</b>	<b>Net Cost of Services £000s</b>	<b>Corporate Amounts £000s</b>	<b>Total £000s</b>
Intra-Group Transfer	0	0	(431,913)	<b>(431,913)</b>
	0	0	<b>(431,913)</b>	<b>(431,913)</b>
Employee expenses	187,634	<b>187,634</b>	0	<b>187,634</b>
Other service expenses	118,630	<b>118,630</b>	0	<b>118,630</b>
Use of assets charge (proxy for depreciation)	5,897	<b>5,897</b>	0	<b>5,897</b>
Interest Payments - pension retirement Benefits	0	0	118,477	<b>118,477</b>
Precepts & Levies	0	0	1,275	<b>1,275</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	<b>0</b>
<b>Total operating expenses</b>	<b>312,161</b>	<b>312,161</b>	<b>119,752</b>	<b>431,913</b>
<b>Surplus or deficit on the provision of services</b>	<b>312,161</b>	<b>312,161</b>	<b>(312,161)</b>	<b>-</b>

## Note 9 Officers'/ Employee Remuneration

### Remuneration Ratio

This is a new disclosure requirement of the Accounts and Audit (Wales) Regulations 2014, and consistent with that recommended by the Hutton Review, to ensure transparency and accountability in public sector entities.

### Single entity – Chief Constable

The ratio between the Chief Constable to the median remuneration within the Force was:

	<b>2014/15 £</b>	<b>2013/14 £</b>
Band of highest paid director (Chief Constable) - Total Remuneration (excl pension contribution)	160,000 - 164,999	160,000 - 164,999
Median Total Remuneration	32,501	31,864
<b>RATIO</b>	<b>5.1</b>	<b>5.1</b>

### Remuneration Bandings

During the year the number of police officers and employees who received remuneration in excess of £60,000 are provided below. This is a specific requirement of the Accounts and Audit (Wales) Regulations 2014. Definition includes annual salaries and expense allowances as remuneration being chargeable to United Kingdom income tax, but excluding pension contributions. The table includes those relevant police officers and senior employees reported in more detail below.

## Single entity – for the Chief Constable

Number of Police Officers and Police Staff (Employees):		
Remuneration band	2014/15	2013/14
£60,000 - £64,999	35	29
£65,000 - £69,999	16	11
£70,000 - £74,999	5	4
£75,000 - £79,999	5	9
£80,000 - £84,999	8	4
£85,000 - £89,999	4	5
£90,000 - £94,999	1	1
£95,000 - £99,999	1	0
£100,000 - £104,999	0	0
£105,000 - £109,999	3	4
£110,000 - £114,999	0	1
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1	1
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	1	1
	<b>80</b>	<b>70</b>

## Exit Packages

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below. These figures exclude voluntary early retirements of £183k as set out in the Comprehensive Income and expenditure Statement.

Exit package cost band (including special payments)	b Number of compulsory redundancies		c Number of other departures agreed (Voluntary redundancies)		[(b) + (c)] Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15 £000	2013/14 £000
£0 – £20,000	0	0	0	0	0	0	0	0
£20,001 – £40,000	1	0	0	0	1	0	37	0
Total	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>37</b>	<b>0</b>

## Remuneration Report for senior relevant police officers and senior employees

The following table sets out the remuneration disclosures for relevant police officers (above the rank of Superintendent) and senior employees (designated office holders to a local government body) whose salary is equal to or more than £60,000 per year. The regulations require persons whose salary exceeds £150,000 per year must also be identified by name. In addition to the remuneration included above the following disclosures include employers' pension contributions.



Where columns are nil they need not be included. Equivalent disclosure is provided for the comparative year.

Other Payments include compensatory grant which is a payment to Police Officers to reimburse the tax deducted on the previous years rent allowance and compensatory grant.

### Single entity – for the Chief Constable 2014/15

Post holder information (Post title and name)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowance	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2014/15	Pension contributions (Employers)	Total Remuneration including pension contributions 2014/15
		£	£	£	£	£	£	£	£	£
Chief Constable P.Vaughan		156,725	0	0	0	3,824	4,112	164,661	21,190	185,851

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowance	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2014/15	Pension contributions (Employers)	Total Remuneration including pension contributions 2014/15
		£	£	£	£	£	£	£	£	£
Deputy Chief Constable		124,201	0	0	0	3,321	0	127,522	30,057	157,579
ACC Territorial Policing	Note 1	100,712	0	0	0	3,014	0	103,726	24,161	127,887
ACC Specialist Crime	Note 2	100,438	0	0	0	5,475	0	105,913	24,027	129,940
Director of Legal Services	Note 3	67,962	0	0	0	3,996	0	71,958	8,048	80,006
Director of Finance		102,155	0	0	0	7,221	0	109,376	12,156	121,532
ACC Specialist Ops		104,249	0	0	0	4,883	1,910	111,042	24,535	135,577
Director Of Human Resources	Note 4	102,155	0	0	0	4,761	0	106,916	12,156	119,072
ACC Seconded to Gwent Police	Note 5	78,509	0	0	0	0	0	78,509	18,208	96,717

Note 1 T/ACC from 1st April 2014 to 15th June 2014. New ACC commenced 16th June 2014

Note 2 T/ACC from 1st April 2014 to 15th June 2014. New ACC commenced 16th June 2014

Note 3 DLS retired 30th November 2014. Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

Note 4 Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

Note 5 ACC Seconded to Gwent Force from 16th June 2014

## Single entity – for the Chief Constable 2013/14

Post holder information (Post title and name)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Pension contributions (Employers)	Total Remuneration including pension contributions 2013/14
		£	£	£	£	£	£	£	£
Chief Constable P.Vaughan		155,235	0	0	0	3,842	4,103	36,072	199,252

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance)	Other Payments (Police Officers only)	Pension contributions (Employers)	Total Remuneration including pension contributions 2013/14
		£	£	£	£	£	£	£	£
Deputy Chief Constable	Note 1	130,141	0	0	0	5,098	0	30,909	166,148
ACC Territorial Policing	Note 2	119,101	0	0	0	5,417	6,764	12,532	143,814
ACC Specialist Crime	Note 3	97,864	0	0	0	1,110	0	22,856	121,831
Director of Legal Services	Note 4	101,144	0	0	0	6,449	0	11,126	118,718
Director of Finance		101,144	0	0	0	6,705	0	11,126	118,974
ACC Specialist Ops		102,620	0	0	0	1,680	1,910	24,097	130,307
Director Of Human Resources	Note 5	101,144	0	0	0	4,522	0	11,126	116,791

Note 1. DCC retired 30th June 2013. New DCC temporary promoted 17th June to 31st March 2014

Note 2. ACC retired 24th Feb 2014. Temporary ACC from 27th Jan to 31st March 2014

Note 3. ACC promoted to DCC 17th June 2013. Temporary ACC to 31st March 2014

Note 4. Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

Note 5. Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

## Note 10 Related Parties

The Chief Constable is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence, or to be controlled 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 has significant influence over the general operations of the Chief Constable as it is responsible for providing the statutory framework within which the Chief Constable operates, provides the majority of funding to the Commissioner in the form of grants and prescribes the terms of many of the transactions that the Chief Constable has with other parties. Grants received from government departments, are set out in the Commissioner's accounts, most of which have strict terms and conditions.

- The Commissioner has direct control over the financial and operating policies of South Wales Police.
- There are also no material interests or relationships of the Chief Officers or their direct families, which could influence or control the decision making, policies or financial transactions of the Chief Constable. A robust process is also in place to approve and register the business interests of both police staff and officers.

## Note 11 External Audit Costs

South Wales Police/ the Commissioner has incurred the following costs, covering both the Commissioner and the Chief Constable, in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by external auditors. The total fee included in the table is split equally between the Commissioner and Chief Constable.

	2014/15 £000	2013/14 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	104	105
<b>Total</b>	<b>104</b>	<b>105</b>

## Note 12 Leases

### Operating Leases

Assets acquired under leases are legally leased by the Police and Crime Commissioner but used by the Chief Constable. These include property and equipment leases. The future minimum lease payments due under non-cancellable leases in future years are:

	2014/15 £000	2013/14 £000
Not later than one year	1,653	1,382
Later than one year and not later than five years	911	753
Later than five years	319	169
	<b>2,883</b>	<b>2,304</b>

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

	2014/15 £000	2013/14 £000
Minimum lease payments (annual cost)	1,325	1,096
	<b>1,325</b>	<b>1,096</b>

### **13.1 The Local Government Pension Scheme (LGPS - for police staff)**

#### **Participation in Pension Schemes**

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

South Wales Police/ the Commissioner participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Rhondda Cynon Taff (RCT) County Borough Council

This is a funded defined benefit final salary scheme, meaning that South Wales Police/ the Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The method used to determine the rate of employers contribution are based on review by the scheme actuaries. There is no agreement with other public bodies to share other employer deficits.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

#### **Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. Following the full actuarial valuation of that Scheme, as at March 2013, further interim work has been undertaken by the Fund's Actuaries to derive suitable approximate cost estimates to participating bodies

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

Local Government Pension Scheme and Unfunded Discretionary Benefits	Pension Scheme	Discretionary Benefits Arrangement	Total	Pension Scheme	Discretionary Benefits Arrangement	Total
	2014/15 £000	2014/15 £000	2014/15 £000	2013/14 £000	2013/14 £000	2013/14 £000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services:</b>						
• Current service cost	10,600	0	<b>10,600</b>	12,850	0	<b>12,850</b>
• Past service costs	110	0	<b>110</b>	0	0	<b>0</b>
<b>Financing and Investment Income and Expenditure</b>						
• Interest on net defined benefit liability/ (asset)	4,300	60	<b>4,360</b>	5,880	60	<b>5,940</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>15,010</b>	<b>60</b>	<b>15,070</b>	<b>18,730</b>	<b>60</b>	<b>18,790</b>
<b>Other Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement</b>						
• Return on plan assets (in excess of) / below that recognised in net interest	(20,080)	0	<b>(20,080)</b>	(3,630)	0	<b>(3,630)</b>
• Actuarial (gains)/ losses:						
Due to changes in financial assumptions	43,970	110	<b>44,080</b>	(22,290)	(70)	<b>(22,360)</b>
Due to changes in demographic assumptions	0	0	<b>0</b>	(13,420)	20	<b>(13,400)</b>
Due to liability experience	(1,410)	(10)	<b>(1,420)</b>	(860)	0	<b>(860)</b>
<b>Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement</b>	<b>22,480</b>	<b>100</b>	<b>22,580</b>	<b>(40,200)</b>	<b>(50)</b>	<b>(40,250)</b>
<b>Total Amount Recognised</b>	<b>37,490</b>	<b>160</b>	<b>37,650</b>	<b>(21,470)</b>	<b>10</b>	<b>(21,460)</b>
<b>Movement in Reserves Statement</b>						
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(15,010)	(60)	<b>(15,070)</b>	(18,730)	(60)	<b>(18,790)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>						
• Employers' contributions payable to scheme (note 1)	17,314	0	<b>17,314</b>	8,106	0	<b>8,106</b>
• Retirement benefits payable to pensioners	0	0	<b>0</b>	0	0	<b>0</b>

Note 1 The 2014/15 employers contribution includes £9M accelerated payment to the Scheme.

## Contributions for the accounting period ending 31 March 2016

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2016 are estimated to be £8.60M. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

<b>Assets and Liabilities in Relation to Post-employment Benefits</b>						
Reconciliation of present value of the scheme liabilities (defined benefit obligation):						
	Funded Pension Scheme	Unfunded Discretionary Benefits	Total	Funded Pension Scheme	Unfunded Discretionary Benefits	Total
	2014/15 £000	2014/15 £000	2014/15 £000	2013/14 £000	2013/14 £000	2013/14 £000
<b>Opening balance at 1 April</b>	(295,540)	(1,510)	<b>(297,050)</b>	(308,170)	(1,590)	<b>(309,760)</b>
Current service cost	(10,600)		<b>(10,600)</b>	(12,850)		<b>(12,850)</b>
Interest cost	(12,920)	(60)	<b>(12,980)</b>	(14,110)	(60)	<b>(14,170)</b>
Contributions by scheme participants	(3,680)		<b>(3,680)</b>	(3,430)		<b>(3,430)</b>
Benefits paid	7,710	100	<b>7,810</b>	6,450	90	<b>6,540</b>
Past service costs	(110)	0	<b>(110)</b>	0	0	<b>0</b>
Due to changes in financial assumptions	(43,970)	(110)	<b>(44,080)</b>	22,290	70	<b>22,360</b>
Due to changes in demographic assumptions	0	0	<b>0</b>	13,420	(20)	<b>13,400</b>
Due to liability experience	1,410	10	<b>1,420</b>	860	0	<b>860</b>
<b>Closing balance at 31 March</b>	<b>(357,700)</b>	<b>(1,570)</b>	<b>(359,270)</b>	<b>(295,540)</b>	<b>(1,510)</b>	<b>(297,050)</b>

Reconciliation of fair value of the scheme (plan) <b>assets:</b>		
Local Government Pension Scheme		
	2014/15	2013/14
	£000	£000
<b>Opening balance at 1 April</b>	193,190	176,240
interest income on assets	8,620	8,230
Remeasurement gains/ (losses) on assets	20,080	3,630
Employer contributions	17,420	8,110
Contributions by scheme participants	3,680	3,430
Benefits paid	(7,710)	(6,450)
<b>Closing balance at 31 March</b>	<b>235,280</b>	<b>193,190</b>

Scheme History					
	2014/15	2013/14	2012/13	2011/12	2010/11
	£000	£000	£000	£000	£000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(357,700)	(295,540)	(308,170)	(273,910)	(237,240)
Discretionary Benefits	(1,570)	(1,510)	(1,590)	(1,510)	(1,410)
Fair value of assets in the Local Government Pension Scheme	235,280	193,190	176,240	148,190	142,820
<b>Total</b>	<b>(123,990)</b>	<b>(103,860)</b>	<b>(133,520)</b>	<b>(127,230)</b>	<b>(95,830)</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(122,420)	(102,350)	(131,930)	(125,720)	(94,420)
Discretionary Benefits	(1,570)	(1,510)	(1,590)	(1,510)	(1,410)
<b>Total</b>	<b>(123,990)</b>	<b>(103,860)</b>	<b>(133,520)</b>	<b>(127,230)</b>	<b>(95,830)</b>

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of £123.990M has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police/ the Commissioner remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

### 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 Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

Local Government	Pension	Discretionary	Pension	Discretionary
	Scheme	Benefits	Scheme	Benefits
	2014/15	2014/15	2013/14	2013/14
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
• Men	23.0	-	22.9	-
• Women	25.9	-	25.8	-
<b>Longevity at 65 for future pensioners:</b>				
• Men	25.2	-	25.1	-
• Women	28.3	-	28.2	-
<b>Principal Financial Assumptions:</b>				
Rate of increase in salaries	3.4%	-	3.9%	-
Rate of increase in pensions	1.9%	1.8%	2.4%	2.2%
Rate for discounting scheme liabilities	3.3%	3.1%	4.4%	4.2%
Take-up of option to convert annual pension into retirement lump sum:				
- pre 1 April 2010 pension entitlements	75%	-	75%	-
- post 31 March 2010 pension entitlements	75%	-	75%	-

### Asset Allocation

The approximate split of assets for the Fund as a whole (based on data supplied via the Actuary and by the Fund Administering Authority) is shown in the table below.

	31 March 2015 %	31 March 2014 %
Equity investments	69.0%	71.0%
Property	5.6%	5.9%
Government Bonds	9.7%	8.5%
Corporate Bonds	11.7%	11.7%
Cash and other assets	4.0%	2.9%
	<u>100.0%</u>	<u>100.0%</u>

### **13.2 The Police Pension Scheme (for Police Officers)**

- including old pension scheme 1987, new pension scheme 2006, injury benefit scheme.

#### Participation in Pension Schemes

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

South Wales Police / the Commissioner participates in two post employment schemes:

- The Police Pension Scheme, administered by Capita plc

This is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet pension liabilities. Instead, from 1st April 2006, actual pension payments are met from a combination of employers' and employee contributions, based on percentages of police salaries, and the balance from Government Grant.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

#### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. A software model, developed by the Government Actuary's Department, has been used to calculate the potential long term liability and cost estimates of the Police scheme's based on Actuarial review, using Pension and Payroll data.

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



Police Pension and Unfunded Injury Benefit Scheme	Pension Scheme	Discretionary Benefits Arrangement	Total	Pension Scheme	Discretionary Benefits Arrangement	Total
	2014/15	2014/15	2014/15	2013/14	2013/14	2013/14
	£000	£000	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services:</b>						
• Current service cost	51,770	1,270	<b>53,040</b>	58,530	1,340	<b>59,870</b>
• Past service costs			<b>0</b>	0	0	<b>0</b>
<b>Financing and Investment Income and Expenditure</b>						
• Interest on net defined benefit liability/ (asset)	109,140	4,640	113,780	107,660	4,900	112,560
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>160,910</b>	<b>5,910</b>	<b>166,820</b>	<b>166,190</b>	<b>6,240</b>	<b>172,430</b>
<b>Other Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement</b>						
• Actuarial (gains)/ losses:						
Due to changes in financial assumptions	445,440	12,370	<b>457,810</b>	(80,940)	(2,130)	<b>(83,070)</b>
Due to changes in demographic assumptions	(88,480)	(38,480)	<b>(126,960)</b>			<b>0</b>
Due to liability experience	(50,780)	1,630	<b>(49,150)</b>	(40,710)	(10,230)	<b>(50,940)</b>
<b>Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure Statement</b>	<b>306,180</b>	<b>(24,480)</b>	<b>281,700</b>	<b>(121,650)</b>	<b>(12,360)</b>	<b>(134,010)</b>
<b>Total Amount Recognised</b>	<b>467,090</b>	<b>(18,570)</b>	<b>448,520</b>	<b>44,540</b>	<b>(6,120)</b>	<b>38,420</b>
<b>Movement in Reserves Statement</b>						
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(160,910)	(5,910)	<b>(166,820)</b>	(166,190)	(6,240)	<b>(172,430)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>						
• Employers' contributions payable to scheme	25,576	2,560	<b>28,136</b>	25,578	2,440	<b>28,018</b>
• Retirement benefits payable to pensioners (grant funded)			<b>0</b>			<b>0</b>

## Contributions for the accounting period ending 31 March 2016

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2016 are estimated to be £28.1M.

Membership numbers in the old and new police pension schemes will vary from those estimated. Employer contributions will change due to the difference between estimated numbers and actual. Injury awards will also vary due to mortality issues and additional members can be admitted to the Injury Awards scheme. These factors are difficult to predict.

<b>Assets and Liabilities in Relation to Post-employment Benefits</b>						
Reconciliation of present value of the scheme liabilities (defined benefit obligation):						
	Funded Pension Scheme	Unfunded Discretionary Benefits	Total	Funded Pension Scheme	Unfunded Discretionary Benefits	Total
	2014/15	2014/15	2014/15	2013/14	2013/14	2013/14
	£000	£000	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	(2,487,220)	(106,040)	<b>(2,593,260)</b>	(2,506,290)	(114,600)	<b>(2,620,890)</b>
Current service cost	(51,770)	(1,270)	<b>(53,040)</b>	(58,530)	(1,340)	<b>(59,870)</b>
Interest cost	(109,140)	(4,640)	<b>(113,780)</b>	(107,660)	(4,900)	<b>(112,560)</b>
Contributions by scheme participants	(14,330)	0	<b>(14,330)</b>	(13,760)	0	<b>(13,760)</b>
Actuarial gains and (losses)	(306,180)	24,480	<b>(281,700)</b>	121,650	12,360	<b>134,010</b>
Benefits paid	79,950	2,560	<b>82,510</b>	77,370	2,440	<b>79,810</b>
<b>Closing balance at 31 March</b>	<b>(2,888,690)</b>	<b>(84,910)</b>	<b>(2,973,600)</b>	<b>(2,487,220)</b>	<b>(106,040)</b>	<b>(2,593,260)</b>

Reconciliation of fair value of the scheme (plan) <b>assets:</b>		
Police Pension Scheme		
	2014/15	2013/14
	£000	£000
<b>Opening balance at 1 April</b>	0	0
Remeasurement gains/ (losses) on assets- 'balance'	40,044	38,032
Employer contributions	28,136	28,018
Contributions by scheme participants	14,330	13,760
Benefits paid	(82,510)	(79,810)
<b>Closing balance at 31 March</b>	<b>0</b>	<b>0</b>

Scheme History					
	2014/15	2013/14	2012/13	2011/12	2010/11
	£000	£000	£000	£000	£000
<b>Present value of liabilities:</b>					
Police Pension Scheme	(2,888,690)	(2,487,220)	(2,506,290)	(2,209,160)	(2,065,090)
Discretionary Benefits	(84,910)	(106,040)	(114,600)	(100,420)	(86,490)
<b>Total</b>	<b>(2,973,600)</b>	<b>(2,593,260)</b>	<b>(2,620,890)</b>	<b>(2,309,580)</b>	<b>(2,151,580)</b>
<b>Surplus/(deficit) in the scheme:</b>					
Police Pension Scheme	(2,888,690)	(2,487,220)	(2,506,290)	(2,209,160)	(2,065,090)
Discretionary Benefits	(84,910)	(106,040)	(114,600)	(100,420)	(86,490)
<b>Total</b>	<b>(2,973,600)</b>	<b>(2,593,260)</b>	<b>(2,620,890)</b>	<b>(2,309,580)</b>	<b>(2,151,580)</b>

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of £2,973.600M has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police / the Commissioner remains healthy:

- the deficit on the police pension scheme will be made good by government grant and or increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the government and the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

### 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 Police Pension Scheme and Discretionary Benefits liabilities have been assessed by the Government Actuary's Department (GAD) an agency of the UK Government, using payroll and pension data provided by or on behalf of South Wales Police/ the Commissioner.

The principal assumptions used by the actuary have been:

Police	Pension Scheme	Discretionary Benefits	Pension Scheme	Discretionary Benefits
	2014/15	2014/15	2013/14	2013/14
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
• Men	23.3	23.3	23.4	23.4
• Women	25.7	25.7	25.9	25.9
<b>Longevity at 65 for future pensioners:</b>				
• Men	25.4	25.4	25.6	25.6
• Women	27.9	27.9	28.0	28.0
<b>Principal Financial Assumptions:</b>				
Rate of inflation RPI	3.35%		3.65%	
Rate of inflation CPI	2.20%		2.50%	
Rate of increase in salaries	4.20%		4.50%	
Rate of increase in pensions	2.20%		2.50%	
Rate for discounting scheme liabilities	3.30%		4.40%	
Assumed rate of return in excess of pensions	1.10%		1.85%	
Assumed rate of return in excess of earnings	-0.90%		-0.10%	
Take-up of option to convert annual pension into retirement lump sum	actuarially neutral		actuarially neutral	

## Note 14 Collaboration

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

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

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

A summary of the Expenditure and Income Statement for the main activities of the continuing units are as follows:

# CTIU / TARIAN

2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Organised Crime Unit - north wales	Regional Task Force	Special Branch	TOTAL
	£k	£k	£k	£k		£k	£k	£k
<b>Number of forces</b>	4	4	4	3	1	3	1	
<b>Service Classification</b>	National Policing	National Policing	National Policing	Intelligence/ Investigation		Intelligence		
Pay Expenditure	3,925	466	5,172	3,206	264	1,913	1,116	16,062
Non Pay Expenditure	815	17	366	637	57	708	102	2,702
<b>Gross Expenditure</b>	<b>4,740</b>	<b>483</b>	<b>5,538</b>	<b>3,843</b>	<b>321</b>	<b>2,621</b>	<b>1,218</b>	<b>18,764</b>
Specific Grant Income	(4,639)	(483)	(5,538)	(2,663)	(189)	(500)	0	(14,012)
Income	(101)	0	0	(34)	0	(27)	(121)	(283)
<b>Total Income &amp; Grants</b>	<b>(4,740)</b>	<b>(483)</b>	<b>(5,538)</b>	<b>(2,697)</b>	<b>(189)</b>	<b>(527)</b>	<b>(121)</b>	<b>(14,295)</b>
South Wales Police	0	0	0	(603)	0	(1,131)	(1,097)	(2,831)
Dyfed Powys Police	0	0	0	(230)	0	(440)	0	(670)
Gwent Police	0	0	0	(313)	0	(523)	0	(836)
North Wales Police	0	0	0	0	(132)	0	0	(132)
<b>Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,146)</b>	<b>(132)</b>	<b>(2,094)</b>	<b>(1,097)</b>	<b>(4,469)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## SHARE OF SERVICE BENEFIT

Included in accounting policies under joint arrangements are definitions and explanation of the new accounting requirements, the latter involving shares of income, expenditure, assets and liabilities. As a result of the requirement of IFRS11, the following tables provides revised information relating to South Wales Police and for other forces to show the totals for each joint operation.

This statement shows the revised cost shares based upon the new accounting for collaboration arrangements. Assets, debtors and creditors in respect of the arrangements have remained in the balance sheets of forces on the basis of materiality.

2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Organised Crime Unit - north wales	Regional Task Force	Special Branch	TOTAL
share of service benefit	population (national benefit basis)	population (national benefit basis)	population (national benefit basis)	population (national benefit basis)		agreed financial contribution (local delivery)	own spending	
<b>Gross Expenditure</b>								
Dyfed-Powys	796	81	930	832	0	550	0	<b>3,191</b>
Gwent	891	91	1,041	931	0	655	0	<b>3,610</b>
North Wales	note1	note1	note1	0	321	0	0	<b>321</b>
South Wales	1,991	203	2,326	2,080	0	1,415	1,218	<b>9,234</b>
	<b>3,678</b>	<b>375</b>	<b>4,297</b>	<b>3,843</b>	<b>321</b>	<b>2,621</b>	<b>1,218</b>	<b>16,355</b>
<b>excluding North Wales Gross Expenditure</b>	1,062	108	1,241	0	0	0	0	<b>2,411</b>
	<b>4,740</b>	<b>483</b>	<b>5,538</b>	<b>3,843</b>	<b>321</b>	<b>2,621</b>	<b>1,218</b>	<b>18,764</b>

2014/15	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit		Regional Task Force	Special Branch	TOTAL
<b>Total Income &amp; Grants</b>								
Dyfed-Powys	(796)	(81)	(930)	(584)	0	(111)	0	<b>(2,502)</b>
Gwent	(891)	(91)	(1,041)	(653)	0	(132)	0	<b>(2,808)</b>
North Wales	note1	note1	note1	0	(189)	0	0	<b>(189)</b>
South Wales	(1,991)	(203)	(2,326)	(1,460)	0	(285)	(121)	<b>(6,383)</b>
	<b>(3,678)</b>	<b>(375)</b>	<b>(4,297)</b>	<b>(2,697)</b>	<b>(189)</b>	<b>(527)</b>	<b>(121)</b>	<b>(11,884)</b>
<b>excluding North Wales</b>	(1,062)	(108)	(1,241)	0	0	0	0	<b>(2,410)</b>
<b>Total Income &amp; Grants</b>	<b>(4,740)</b>	<b>(483)</b>	<b>(5,538)</b>	<b>(2,697)</b>	<b>(189)</b>	<b>(527)</b>	<b>(121)</b>	<b>(14,295)</b>

note 1- North Wales Police, are basing their costs and income on actual costs rather than an allocation on Welsh population. Furthermore, they are not included in the Regional Task Force, which operates in the southern Welsh forces and for ROCU they contribute to the North West Region of England and North Wales.

Figures for other Welsh forces are based on population to indicate the approximate share of costs and grant and other income, as now required for Joint Operations by a revised IFRS11. Further explanation in Accounting Policies.

No comparative information is available for the prior year without further considerable restatement.

## Other

2014/15	Scientific Investigation Unit £k	Joint Firearms Unit £k	TOTAL £k
<b>Number of forces</b>	2	3	
<b>Service Classification</b>	Investigative Support	Specialist Operations	
Pay Expenditure	6,096	10,523	<b>16,619</b>
Non Pay Expenditure	529	1,278	<b>1,807</b>
<b>Gross Expenditure</b>	<b>6,625</b>	<b>11,801</b>	<b>18,426</b>
Specific Grant Income	0	0	<b>0</b>
Income	(32)	0	<b>(32)</b>
<b>Total Income &amp; Grants</b>	<b>(32)</b>	<b>0</b>	<b>(32)</b>
South Wales Police	(4,175)	(5,766)	<b>(9,941)</b>
Dyfed Powys Police	0	(3,143)	<b>(3,143)</b>
Gwent Police	(2,418)	(2,892)	<b>(5,310)</b>
North Wales Police	0	0	<b>0</b>
<b>Force Contributions</b>	<b>(6,593)</b>	<b>(11,801)</b>	<b>(18,394)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## SHARE OF SERVICE BENEFIT

2014/15	Scientific Investigation Unit	Joint Firearms Unit	TOTAL
share of service benefit	financial contribution (local delivery)	financial contribution (local delivery)	
<b>Gross Expenditure</b>			
Dyfed-Powys	0	3,143	<b>3,143</b>
Gwent	2,429	2,892	<b>5,322</b>
North Wales	0	0	<b>0</b>
South Wales	4,196	5,766	<b>9,962</b>
	<b>6,625</b>	<b>11,801</b>	<b>18,426</b>
<b>excluding North Wales Gross Expenditure</b>	<b>0</b> <b>6,625</b>	<b>0</b> <b>11,801</b>	<b>0</b> <b>18,426</b>

2014/15	Scientific Investigation Unit	Joint Firearms Unit	TOTAL
<b>Total Income &amp; Grants</b>			
Dyfed-Powys	0	0	<b>0</b>
Gwent	(12)	0	<b>(12)</b>
North Wales	0	0	<b>0</b>
South Wales	(20)	0	<b>(20)</b>
	<b>(32)</b>	<b>0</b>	<b>(32)</b>
<b>excluding North Wales</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Income &amp; Grants</b>	<b>(32)</b>	<b>0</b>	<b>(32)</b>

## **Glossary of Terms**

### **AMORTISATION**

Intangible assets should be amortised on a systematic basis over their economic lives. This is similar to depreciation.

### **ACCRUAL**

A sum included in the final accounts to cover income and expenditure attributable to the account period but for which payment has not been made/received at the balance sheet date.

### **AGENCY SERVICES**

The provision of services by one body (the agent) on behalf of, and generally reimbursed by, the responsible body.

### **ACTUARIAL GAINS AND LOSSES**

The changes in actuarial deficits or surpluses that can arise due to: experience gains and losses (events have not coincided with the actuarial assumptions made for the last valuation) or the actuarial assumptions have changed.

### **ASSET**

Tangible and intangible assets that yield benefits to South Wales Police/ the Commissioner for a period of more than one year. Benefits of less than one year are regarded as Current Assets.

### **AUDIT**

An independent examination of an organisation's activities.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the date specified.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **CAPITAL FINANCING ACCOUNT / CAPITAL ADJUSTMENT ACCOUNT**

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from grants, revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

### **CAPITAL RECEIPT**

Proceeds from the sale of fixed assets e.g. land or buildings, or other money received towards capital expenditure.

### **CAPITAL RECEIPTS RESERVE**

The capital receipts reserve is available to fund future expenditure of a capital nature, as budgeted by the Capital Programme.

### **CASH FLOW STATEMENT**

A statement that summarises the movements in cash, both revenue and capital, during the year.



**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of pension scheme's liabilities expected to arise from employee service in the current period.

**CREDITOR**

An amount owed by South Wales Police/ the Commissioner for work done, goods received or services rendered within the accounting period but for which payment has not yet been made.

**DEBTOR**

An amount due to South Wales Police/ the Commissioner within the accounting period but not received at the balance sheet date.

**DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**EARMARKED CAPITAL RESERVES**

These reserves, generated by additional voluntary revenue contributions, are available for financing future expenditure of a capital nature, as budgeted by the Capital Programme.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**IMPAIRMENT**

A reduction in the value of a fixed asset, below its carrying amount on the balance sheet.

**LEASING**

A method of financing the use of assets where a rental charge is paid over a specified period of time.

**LIABILITY**

An amount due to an individual or organisation which will be paid at some time in the future.

**PAST SERVICE COST (PENSIONS)**

The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**POLICE FUND BALANCE**

This reserve, which is maintained to meet exceptional and unforeseen expenditure.

**POLICE GRANT**

The amount of Home Office grant towards the revenue requirements of South Wales Police/ the Commissioner.

**POLICE CAPITAL GRANT**

The amount of Home Office grant towards the approved capital expenditure programme of South Wales Police/ the Commissioner.

**PRECEPT**

The amount of income collected by the constituent County Borough Councils from Council Tax payers to pay for Police services of South Wales Police/ the Commissioner.

**PROVISION**

An amount set aside in the accounts for liabilities that have been incurred, which are uncertain in terms of timing or amount.

**PUBLIC WORKS LOAN BOARD (PWLB)**

A Government agency which provides longer term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RESERVE**

Amounts set aside for purposes falling outside the definition of provisions and generally available for funding expenditure after the balance sheet date. Earmarked reserves are set aside for specific purposes.

**REVENUE ACCOUNT/ INCOME AND EXPENDITURE ACCOUNT**

An account which records day to day expenditure and income on such items as salaries and wages, running costs of services and the financing of capital expenditure.

**REVENUE SUPPORT GRANT**

A National Assembly for Wales administered grant paid in support of Local Government and Police revenue expenditure.

**NATIONAL NON DOMESTIC RATE (NNDR)**

The NNDR, or business rate, is the charge levied on occupiers of business premises to finance a proportion of local government and police revenue expenditure. The amount of NNDR is set by central government by virtue of a multiplier applied to the rateable values. The multiplier is consistent throughout Wales with the total collected being distributed by central government, but administered by the Welsh Government.

**STOCKS**

Uniforms, communication equipment parts, diesel, petrol and vehicle spares are procured by South Wales Police/ the Commissioner to use on a continuing basis. The value of those items not used at the specified date are shown in the balance sheet as assets.

**TEMPORARY BORROWING/INVESTMENT**

Money borrowed/ invested for an initial period of less than one year.



# **JOINT ANNUAL GOVERNANCE STATEMENT 2014/2015**

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**THE POLICE AND CRIME COMMISSIONER FOR SOUTH WALES  
AND  
THE CHIEF CONSTABLE OF SOUTH WALES POLICE**

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## **INTRODUCTION AND SCOPE OF RESPONSIBILITIES**

The core statutory functions of the Commissioner are to secure the maintenance of the police force, secure that the force is efficient and effective, and hold the Chief Constable to account for the exercise of his functions and the functions of persons under his direction and control. The Commissioner has specific responsibilities for the delivery of community safety and crime reduction, and has the ability to make crime and disorder reduction grants within the force area. The Commissioner also has a wider responsibility for the enhancement of the delivery of criminal justice locally. Overarching these functions is a responsibility for ensuring business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively.

The Commissioner must not restrict the operational independence of the police force and the Chief Constable who leads it. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing services provided by the Force. The Chief Constable is accountable to the law for the exercise of police powers and to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by the police force.

In discharging their overall responsibility, the Commissioner and Chief Constable are also responsible for putting in place proper arrangements for the governance of affairs and facilitating the exercise of their functions, which includes ensuring a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. The financial management arrangements conform principally with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and Chief Financial Officer of the Chief Constable* and the Home Office

*Financial Management Code of Practice for the Police Service of England and Wales 2013.*

The Commissioner and the Chief Constable have approved and adopted a Code of Governance 'The Code'. The Code gives clarity to the way the Commissioner and the Chief Constable operate and fulfil their respective responsibilities. This Statement explains how they have complied with the Code. It also meets the requirements the Accounts and Audit (Wales) Regulations 2010 in relation to the publication of an Annual Governance Statement (AGS) which must accompany the statement of accounts.

For the first time, the Commissioner and Chief Constable have jointly produced a single Annual Governance Statement. This is a logical step as they share much of the same governance framework. The Statement highlights the few areas where governance arrangements differ.

## **AIM OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems, processes, culture and values by which the Commissioner and the Chief Constable direct and control the activities through which they account to and engage with the community. The framework enables them to influence and monitor the achievement of strategic Police and Crime objectives and to consider whether those objectives have led to the delivery of the Police and Crime Reduction Plan.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The findings of the review of the system of internal control are reviewed by the Commissioner and the Chief Constable and independently reviewed by the Joint Audit Committee

The Commissioner and the Chief Constable will formally approve any changes to the Code of Governance and framework on an annual basis as part of the governance review.

## NOLAN PRINCIPLES AND THEIR APPLICATION

1. The Policing Protocol Order 2011 requires the Commissioner and the Chief Constable to adopt and abide by the Nolan Principles for conduct in public life. It also highlights the expectation that the relationship between all parties will be based upon the principles of goodwill, professionalism, openness and trust. This is reflected in the Hallmarks of Relationship document agreed by the Commissioner and the Chief Constable which forms part of their Manual of Governance. The Code of Ethics issued by the College of Policing introduced two additional principles: Fairness and Respect (see opposite).

The Code is also based on the six core principles of Governance from the CIPFA/Solace Governance Framework, the standard against which all local government bodies should assess themselves: -

- 1. Focus on the purpose of the Commissioner and the Chief Constable and on outcomes for the community, creating and implementing a vision for the local area*
- 2. Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles*
- 3. Promoting values for and demonstrating the values of good governance through upholding high standards of conduct and behaviour*
- 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
- 5. Developing the capacity and capability of the Commissioner and Chief Constable and their officers to be effective*
- 6. Engaging with local people and other stakeholders to ensure robust public accountability*

The table set out at Appendix 1 to this Statement illustrates how these (extended) Nolan Principles and the six standards have been applied in the work of the Commissioner and the Chief Constable during the 2014/15 financial year, as well as identifying measures that will be undertaken in 2015/16.

**Selflessness:** Decisions will be taken solely in terms of the public interest, and not for personal financial or other gain, whether for such person, their family or their friends.

**Integrity:** The Commissioner, the Chief Constable, their officers and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.

**Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, the Chief Constable, their officers and staff will make choices on merit.

**Accountability:** The Commissioner, the Chief Constable, their officers and staff will be accountable for their decisions and actions to the public and will submit themselves to whatever scrutiny is appropriate.

**Openness:** The Commissioner, the Chief Constable, their officers and staff will be as open as possible about all decisions and action they take. Reasons for decisions will be made available and information will be restricted only when so required by the wider public interest.

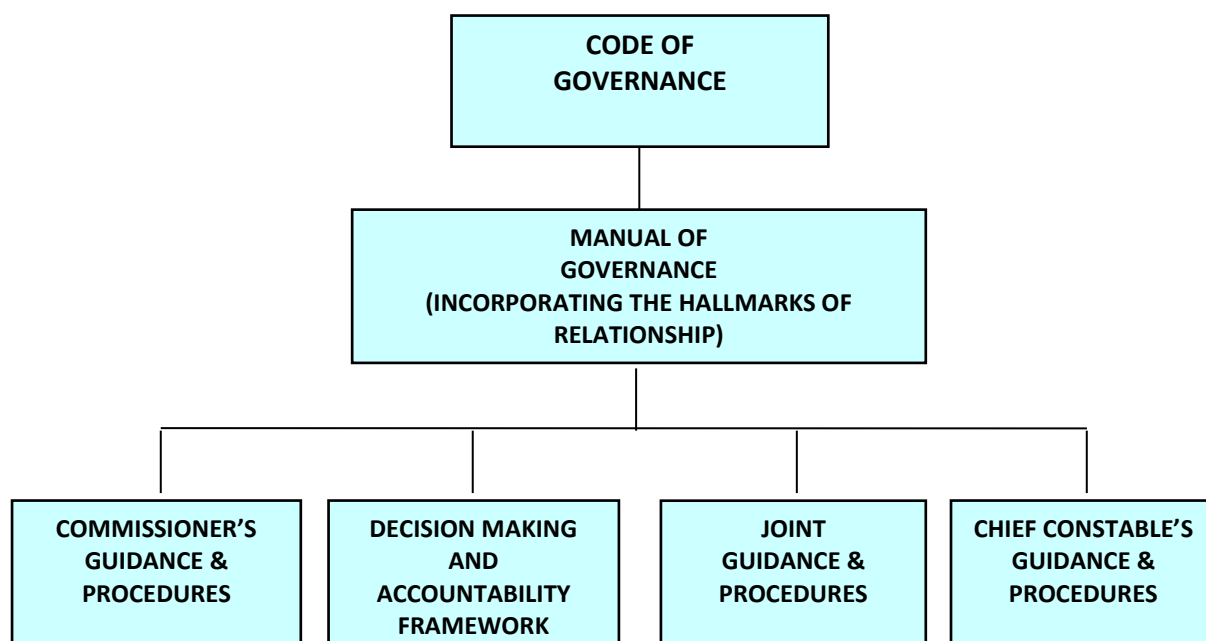
**Honesty:** The Commissioner, the Chief Constable, their officers and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Leadership:** The Commissioner, the Chief Constable, their officers and staff will promote and support these principles through leadership and by example.

**Fairness:** The Commissioner, Chief Constable, their officers and staff will act with fairness and impartiality.

**Respect:** The Commissioner, Chief Constable, their officers and staff will act with self-control and tolerance, treating members of the public and colleagues with respect and courtesy.

## GOVERNANCE FRAMEWORK



*(This diagram sets out the relationship between the components of the governance framework)*

**Manual of Governance:** The Commissioner and the Chief Constable have in place a joint Manual of Governance (the 'Manual'). This Manual includes a scheme of delegation, financial regulations, Hallmarks of Relationships and standing orders relating to contracts. It also includes a decision making framework which ensures that, where possible, all the Commissioner's decisions are published and available for public scrutiny. This key document in the governance framework of both corporations is to be reviewed on an annual basis to ensure that it continues to reflect and meet the needs of the organisation.

**Hallmarks of Relationships:** The Manual is supported by the Hallmarks of Relationships entered into by the Commissioner and the Chief Constable (which form part of the Manual). These recognise the operational responsibilities of the Chief Constable within a policy and accountability framework that enables the Commissioner to pursue his policy intentions, for those to be reflected in the operational plans of the Force and for the

Chief Constable to be held accountable for their delivery. These provide that, notwithstanding their formal 'corporation sole' status, the relationship between the Commissioner and the Chief Constable will be based on working together for the benefit of the people of South Wales, under the joint banner of 'South Wales Police'.

The Hallmarks also specify that the relationship between the Commissioner and Chief Constable will be built on trust, confidence and transparency. All dealings between them will be on an 'open book' basis. The governance arrangements adopted will be consistent with the need to ensure accountability both between the parties and also accountability to the public. A transparent and auditable approach will therefore apply

## REVIEW OF EFFECTIVENESS

The Commissioner and Chief Constable 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 Chief Officers and senior managers who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, the annual report of the Joint Audit Committee, the view of the external auditor through the annual audit letter and other review inspectorates. As part of this review process, the annual governance statement is prepared, setting out how the Commissioner and the Chief Constable have complied with the Code over the previous financial year and to the date that the statement of accounts are published.

The roles of the various bodies are detailed below:

### Joint Audit Committee

- In conjunction with the Chief Constable, the Commissioner has established an independent Joint Audit Committee which provides assurance to enhance public trust and confidence in the governance of the Commissioner and the Chief Constable. The Joint Audit Committee plays an important role in the independent oversight of the Commissioner's and the Chief Constable's governance arrangements.

The Joint Audit Committee has specific responsibility for providing an independent assurance function in respect of the arrangements for Governance including Risk Management and the internal control environment. The work of the Joint Audit Committee over the period of the Governance Statement contributes to the review process. A report of the work of the Committee is produced annually, as part of that review, and submitted to the Commissioner and Chief

Constable. The Joint Audit Committee has assessed itself against the Self Assessment Checklist issued by the National Audit Office.

- This is consistent with the Financial Management Code of Practice which states that such a combined body should consider the internal and external audit reports of both the Commissioner and the Chief Constable. This Joint Audit Committee advises the Commissioner and the Chief Constable according to good governance principles and provides:
  - independent assurance to the Commissioner and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment,
  - independent scrutiny of the Chief Constable's and the Commissioner's financial performance,
  - oversight in relation to the financial reporting process adopted from CIPFA Audit Committees Practical Guidance for Local Authorities.
- The Committee provides comments, advice and assurance on matters relating to the internal control environment of the Force and the Office of the Commissioner. It has oversight of general governance matters and will provide comments on any new or proposed policies and strategies provided by the Commissioner or changes to existing relevant policies and strategies which in the opinion of the Chief Finance Officers are significant with regards to financial risk and probity.
- 2.
- The Committee is composed of five people who are independent of the Chief Constable and the Office of the Commissioner. They report directly to the Commissioner and the Chief Constable. Four committee meetings are scheduled each year (additional meetings may be required). The Joint Audit Committee met 4 times during 2014/15.



- The Joint Audit Committee has formal terms of reference, covering its core functions, and these are also set out in the joint Manual of Governance. These include reference to the Committee's role in respect of the corporate governance arrangements and in maintaining an overview of the regulatory framework. The Commissioner and Chief Constable are both represented at all meetings of the Joint Audit Committee.

**The Joint Audit Committee Annual Report for 2014/15 confirmed that:**

'the Committee are satisfied that there are no major issues of concern that affect the financial standing of the corporations sole, that the control methods are adequate, that the governance framework is robust and that the risk management framework reflects the appropriate risks and that appropriate management controls and mitigation is in place'.

**Internal audit**

Internal audit perform a range of reviews based on an agreed audit plan and in compliance with Public Sector Internal Audit Standards. The audit plan has regard to risks and recognises that key financial systems and other areas of wider business risk need to be reviewed on a cyclical basis to provide assurance with regard to internal controls and systems for governance. The work of internal audit contributes to the review of the effectiveness of governance by identifying the effectiveness of internal controls and providing an overall opinion annually on the control environment. The internal audit annual report for 2014-15 concludes that the Commissioner's and Chief Constable's framework for governance, risk and internal control are reasonable and that audit testing has confirmed that controls are generally working effectively in practice.

3. Regulation 6 of the Accounts and Audit (Wales) Regulations 2005 makes provision in respect of the internal audit system that should be maintained in accordance with proper internal audit

practices. The responsibility for the maintenance of an efficient internal audit function rests with the Commissioner and Chief Constable. The role and standards of Internal Audit are defined in the CIPFA Code of Practice for Internal Audit in Local Government in the UK. A revised 2006 edition of the Code defines the way in which Internal Audit undertakes its function. The Code requires Internal Audit to provide essential assurance on the adequacy and effectiveness of systems of internal control. They also provide assurance in relation to the management of financial and operational business risks, corporate governance and the entire control framework

4.

There is a duty upon both the Commissioner and the Chief Constable to maintain an effective internal audit function. The Commissioner and the Chief Constable wish to minimise duplication and bureaucracy, and to maximise value for money, when designing their internal audit arrangements.

5. The audit work for the year is founded on a risk based approach and focuses on significant financial and operational risks. The plan is agreed by the Chief Finance Officers of both corporations sole, and is presented to the Joint Audit Committee for comment. Reports on the adequacy of controls in the systems audited are presented to the Joint Audit Committee.

6.

Internal Audit provide regular update reports to the Joint Audit Committee, including setting out any areas of concern.

The review of both the corporate governance and risk management arrangements periodically feature in the annual audit plan. Corporate governance and risk management issues may arise through other reviews carried out by Internal Audit. In this case the issues will be dealt with initially in the relevant audit report.

**External Audit**

7. The Wales Audit Office in their annual audit letter comment on the financial aspects of corporate governance, which

includes the legality of financial transactions, financial standing, systems of internal financial control and the standards of financial conduct, fraud and corruption.

They audit the financial statements of the Commissioner and Chief Constable, as well as the Group accounts and also report (by exception) on the Annual Governance Statement(s).

Such external audit plans and reports, including the annual audit letter, are considered by the Joint Audit Committee at appropriate times in its annual cycle of meetings.

Both the Commissioner and the Chief Constable have a duty to respond to reports by the external auditor.

#### **Annual Governance Statement**

It is important to note that this Annual Governance Statement and the work undertaken in its preparation is a tool in the self-evaluation by the Commissioner and the Chief Constable of their governance arrangements.

#### **Her Majesty's Inspectorate of Constabulary (HMIC)**

- The role of HMIC is to promote the economy, efficiency and effectiveness of policing in England, Wales and Northern Ireland through inspection of police organisations and functions to ensure agreed standards are achieved and maintained; good practice is spread and performance is improved. The HMIC inspects the functions of the Chief Constable, not the Police and Crime Commissioner. It also provides advice and support to the tripartite partners (Home Secretary, Commissioners and Chief Constables).
- South Wales Police is inspected periodically by HMIC. HMIC is independent of the Commissioner, the Force and the UK and Welsh Governments, with a remit to assess the work of police forces in different areas of business, including neighbourhood

policing, serious and organised crime, anti-social behaviour and tackling major threats such as terrorism. The Inspectorate also actively monitors the performance of the Force in relation to their plans for ensuring the sustainability of an efficient and effective police service in light of the significant grants reductions announced in the Comprehensive Spending Reviews. To date, reports in this area of inspection have been positive and encouraging. HMIC reports are published on the following website:

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

- HMIC reports are sent to the Chief Constable and the Commissioner for consideration and appropriate action. HMIC play a key role in informing the Commissioner and the public on the efficiency and effectiveness of their forces and, in so doing, will facilitate the accountability of police and crime commissioners to the public.
- Commissioners have a duty in law to comment on any HMIC report which includes information on their force and to publish these along with any comments submitted by their Chief Constable. Commissioners must also send a copy of their published comments to the Home Secretary.

#### **Peel Assessment by HMIC**

During the last year, HMIC published its first assessments of police forces which would allow members of the public to see how well its local force is performing. These are known as PEEL assessments (and examine police effectiveness, efficiency and legitimacy):

- **effectiveness:** how well the force carries out its responsibilities, including cutting crime, protecting vulnerable people, tackling anti-social behaviour and dealing with emergencies and other calls for service;
-

- **efficiency:** how well the force provide value for money; and
- **legitimacy:** how well the force provides a service that is fair and treats people properly and within the law.

**The first PEEL assessment of South Wales Police concluded that:**

- in terms of its effectiveness, in general, the force is good at reducing crime and preventing offending, good at investigating offending and outstanding at tackling anti-social behaviour;
- the efficiency with which the force carries out its responsibilities is good; and
- the force is acting to achieve fairness and legitimacy in most of the practices that were examined.

It was specifically noted that South Wales Police had made excellent progress in responding to the spending review, approaching that challenge by introducing innovative practice. This means the force is well placed to deal with future budget cuts. Her Majesty's Inspector of Constabulary ( Dru Sharpling) stated that she was "particularly impressed by the force's approach to crime recording, which has a high degree of accuracy and the outstanding practice developed to tackle anti-social behaviour".

**AUDIT WORK DURING 2014/15**

The internal audit work for the last year was risk based and focused on significant financial and operational risks.

During 2014/15 Deloitte carried out internal audits covering 21 areas which included core financial systems, business and operational systems and governance processes. For the period ended 31 March 2015, Deloitte deemed the level of assurance to be Adequate. The audit reports listed below received limited assurance and action plans are in place to deal with the recommendations arising from internal audit's work and that future work plans include an

element of following up on progress against these recommendations:

- Fixed Assets
- Attendance Management
- Corporate Communications and Engagement
- IT Applications Review
- Business Continuity
- Welsh Interpretation and Translation Services
- Identifiable Assets
- Grant Awards

Deloitte noted in their year end report that throughout 2014/15, management had responded positively to their findings, accepting recommendations and advising as to action plans/timescales for implementation (with the new internal auditors appointed for 2015/16 following up on Priority 1 and 2 recommendations during the forthcoming financial year).

As specified above, South Wales Police is inspected periodically by Her Majesty's Inspectorate of Constabulary (HMIC). Their reports during 2014/15 supported the monitoring and development of many Force priorities and these included:

- Police Integrity & Corruption
- Crime Data Integrity
- Crime Inspection (PEEL)
- Statutory charging (joint inspection with HMCPSI)
- Stop Search
- Child Protection
- Vulnerability in Case Files (Joint inspection with HMCPSI)

The HMIC also produced a suite of Value for Money indicators to challenge areas of exceptional spend in comparison with the most similar forces. The results of the benchmarks are incorporated within the Force's change programme.

The Welsh Government, Home Office and a number of other bodies require financial returns to monitor expenditure on revenue and capital. Strict terms and conditions are in place to govern additional external funding received from these bodies.

## Police and Crime Panel

The Police and Crime Panel is responsible for overseeing the Police and Crime Commissioner and scrutinising his decisions.

The panel is not there to scrutinise the performance of South Wales Police directly – that is the role of the Commissioner.

The Panel is made up of ten local Councillors, representing the seven local councils in South Wales, along with two independent members.

The responsibilities of the panel include:

- Making reports and recommendations about actions and/or decisions of the Commissioner;
- Scrutinise the draft Police and Crime Plan;
- Summon the Commissioner, and his staff, for public questioning;
- Scrutinise and potentially, by two-thirds majority, veto the police budget and council tax precept;
- Scrutinise and potentially, by two-thirds majority, veto the appointment of the Chief Constable;
- Hold confirmation hearings for senior staff;
- Deal with lower level complaints against the Commissioner.

Merthyr Tydfil County Borough Council is responsible for the administration of the Police and Crime Panel. Panel members have the power to make reports and recommendations about any actions and decisions taken by the Commissioner. They have a specific role in scrutinising the draft Police and Crime Plan, council tax precept, Chief Constable appointment(s), and the Annual Report. They also have the power to call in the Commissioner and their staff for public questioning.

All reports and minutes are published publicly.

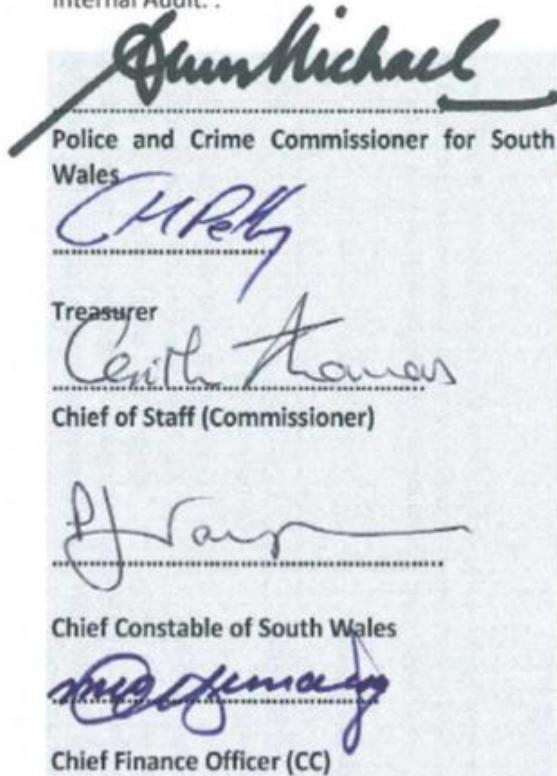
## SIGNIFICANT GOVERNANCE ISSUES

The following have been identified as significant governance issues that will need to be managed through 2015/16. They are drawn from the Strategic Risk Register and an assessment of external and internal opportunities and threats:

- **Funding:** The challenge presented by continued austerity on our ability to maintain and improve services unless we can realise the benefits of improved productivity through better use of technology, smarter ways of working and collaboration with partners. Project Fusion is key to productivity improvement. There are also governance challenges presented as a consequence of the re-structuring of key financial functions within the force.; Ensuring we meet the governance requirements of significant external grants, such as the Innovation Fund and Ministry of Justice Victims' Grant;
- **Partners:** The challenges presented by the changes in the future of Welsh local government which may mean that partners do not wish to make long-term commitments and may withdraw from community safety initiatives which could adversely impact upon crime and anti-social behaviour issues, Governance of our ongoing relationships with our partners to meet the needs of the vulnerable. Issues of Child Sexual Exploitation and Mental Health services remain key.;
- **Managing any impact on trust and confidence** that may arise from both national issues such as Child Sexual Exploitation and more local issues such as disciplinary cases, which will be heard in public during 2015/16 , and our own legacy cases;
- **Collaboration:** Governance of an expanding portfolio of collaborations both regionally (e.g. as a result of the review being undertaken on support functions within the four Welsh forces, regional crime, integrated offender management) and nationally e.g. National Police Air Service and the ICT Company;

- Development and implementation of an Estates Strategy to meet the changing nature of service delivery, the requirements of condition surveys and to ensure our properties provide a safe working environment;
- Understanding and communicating the changes in relation to crime recording and the implementation of the National Crime Recording Standards.
- The management of any implications for the police service that may arise from the A19 legal process, for which the test cases are the subject of a successful appeal to the Employment Appeals Tribunal.
- **Political:** Management of any uncertainty/changes required due to the Commissioner's election process in May 2016

These areas continue to be monitored through the existing governance and risk management structures within the Office of the Commissioner and the Force as outlined above, and as set out in the Appendix hereto. Where relevant, such issues are also reflected in the plan of future work to be undertaken by Internal Audit. .



The image shows four handwritten signatures in blue ink, each followed by a dotted line and a printed title. The signatures are: 1. A large, stylized signature for the Police and Crime Commissioner for South Wales. 2. A signature for the Treasurer. 3. A signature for the Chief of Staff (Commissioner). 4. A signature for the Chief Constable of South Wales. Below the Chief Constable's signature is another signature for the Chief Finance Officer (CC).

Police and Crime Commissioner for South Wales

Treasurer

Chief of Staff (Commissioner)

Chief Constable of South Wales

Chief Finance Officer (CC)

## APPENDIX 1

The following tables(s) detail how the Commissioner and Chief Constable\ has complied with the governance framework to meet of each of the Nolan principles (as extended) and the six good governance principles. Each section of the statement includes a commentary on work undertaken during the last year, areas identified for development and improvement as part of the review process which will form an action plan for the forthcoming year.

### Nolan Principles

<b><u>Principle:</u></b>	<b><u>What we do:</u></b>	<b><u>Plan for 2015/16 :</u></b>
<b>Selflessness:</b>  <b>Decisions will be taken solely in terms of the public interest, and not for personal financial or other gain, whether for such person, their family or their friends.</b>	<p>Commissioner:</p> <ul style="list-style-type: none"> <li>• Compliance with the Elected Local Policing Bodies (Specified Information) Order 2011 and the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2012 which requires the publication of information in relation to various matters including, the names of the Commissioner and Deputy Commissioner, correspondence address for each, salaries, expenses, register of interests and the number of complaints about them which are brought by the Police and Crime Panel.</li> <li>• Specific reference to interests on the decision form.</li> <li>• The Commissioner's, Deputy Commissioner's and senior officers' salaries and expenses are disclosed in Statement of Accounts</li> <li>• Details of key decisions taken by the Commissioner are published on the website.</li> </ul> <p>Chief Constable:</p> <ul style="list-style-type: none"> <li>• The Force's external website contains details of declared business interests and of gifts and hospitality accepted and declined by Chief Officers</li> <li>• Senior officers' salaries and expenses are disclosed in Statement of Accounts</li> </ul>	<p>Monitoring any changes to the 2011 and 2012 Orders and continuously seeking to ensure all relevant information is captured and disclosed as required. Ongoing through 2015/16.</p> <p>Completion 31<sup>st</sup> March 2016.</p>
<b>Integrity:</b>  <b>The Commissioner, the Chief Constable, their officers and</b>	<p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>• Compliance with the Manual of Governance and Hallmarks of Relationships agreed between the Chief Constable and the Commissioner.</li> <li>• Ensuring that the register of gifts and hospitality is updated as and when offers are</li> </ul>	<p>1. Reinforce the procedures set out in the Manual of Governance to ensure understanding and compliance.</p>

<p><b>staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.</b></p>	<p>received.</p> <ul style="list-style-type: none"> <li>• Ensuring related parties disclosure in the Statement of Accounts.</li> <li>• The chief officer team creates a climate of ethical behaviour and encourages others to challenge unprofessional behaviour, leading by example. Officers and staff are aware of the boundaries of professional behaviour, and more serious unprofessional behaviour is investigated by the professional standards department.</li> <li>• The force has utilised a variety of media to raise awareness of integrity issues for staff. In addition, some training on ethical behaviour and integrity has been provided, but the force needs to ensure that all staff have access to it and then develop a plan to ensure staff understand and adhere to the Code of Ethics. HMIC also noted that good governance arrangements are in place to monitor integrity-related issues.</li> <li>• The central register of gifts and hospitality is well used and includes offers to staff that are declined. HMIC have noted that the force's business interest policy is clear and well documented. All requests for authorisation of a business interest are recorded in a central register . There are confidential mechanisms and a clear policy to support staff reporting wrongdoing.</li> <li>• HMIC found that the professional standards department plays an important role in creating a supportive environment for those reporting.</li> <li>• In the Peel Inspection undertaken by the HMIC this year it was noted that <i>“Chief officers demonstrate their commitment to integrity, and set high standards of behaviour that are clearly understood by staff. People feel confident to report misconduct and unprofessional behaviour, and HMIC has seen good evidence of the active investigation of misconduct and corruption. With a capable and well-resourced professional standards department and anti-corruption unit, South Wales Police is well placed to minimise any risks it faces from corruption, although [it was noted that] further work in some areas is required”</i>.</li> </ul>	<p>2. Areas for improvement identified by the HMIC were the timeliness of conduct investigations and the development of an audit process for decisions made at misconduct hearings/meetings.</p>
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<p>Objectivity:</p> <p><b>In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, the Chief Constable, their officers and staff will make choices on merit.</b></p>	<p>Commissioner:</p> <ul style="list-style-type: none"> <li>• All posts are made on merit in compliance with section 7 of the Local Government and Housing Act 1989 including the Deputy Commissioner who is not subject to this requirement in law.</li> <li>• The appointment of the Chief of Staff, Chief Finance Officer, Deputy Commissioner and Assistant Commissioner were made in compliance with schedule 1 paragraphs 6-8 of the Police Reform and Social Responsibility Act 2011.</li> <li>• All posts within the Commissioner's staff are politically restricted, with the exception of the Commissioner and Deputy Commissioner.</li> <li>• The Monitoring Officer and Chief Financial Officer have specific legal responsibilities to advise on the lawfulness and budget implications of transactions.</li> </ul> <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>• The Manual of Governance (including the Financial Regulations and the Standing Orders Relating to Contracts) expressly provide for the competitive processes to be applied in relation to contracts. Such processes are transparent and auditable with full use being made of the etenderwales and SelltoWales systems.</li> <li>• Contract documentation is also published on the Blue Light Police Database, which is a national system accessible by the public.</li> <li>• Contracts are also published in accordance with the requirements of the 2011 Order (as amended).</li> <li>• All force appointments (both into operational and support roles) are made in accordance with force recruitment policies and in accordance with the requirements of current legislation.</li> </ul>	<p>No further appointments are anticipated at this stage but should this become necessary, these will be made in compliance with the requirements of the Act and Regulations.</p>
<p>Accountability:</p> <p><b>The Commissioner, the Chief Constable, their officers and staff will be</b></p>	<p>Commissioner:</p> <ul style="list-style-type: none"> <li>• Decision record published on public website in compliance with the 2011 and 2012 Orders and with the requirements of section 11 of the Police Reform and Social Responsibility Act 2011.</li> <li>• The Commissioner is held to account and scrutinised by the Police and Crime Panel; a</li> </ul>	



<p><b>accountable for their decisions and actions to the public and will submit themselves to whatever scrutiny is appropriate.</b></p>	<p>body consisting of ten local councillors representing the seven local authorities in South Wales and two co-opted independent members. The Police and Crime Panel (which is hosted by Merthyr Tydfil County Borough Council) meets on a quarterly basis with the remit to:</p> <ul style="list-style-type: none"> <li>a) Support the South Wales Police and Crime Commissioner to exercise their functions effectively;</li> <li>b) Review the Police Commissioner's annual draft Police and Crime Reduction Plan;</li> <li>c) Review the Police and Crime Commissioner's annual draft budget and precept proposal;</li> <li>d) Review and scrutinise decisions and actions taken by the Police and Crime Commissioner;</li> <li>e) If necessary, review the proposed appointment or removal of the Chief Constable;</li> <li>f) Make reports or recommendations to the South Wales Police and Crime Commissioner as needed; and</li> <li>g) Review the proposed appointment of the Deputy Police and Crime Commissioner and senior officer appointments.</li> </ul> <ul style="list-style-type: none"> <li>• The Commissioner provides the Police and Crime Panel with any information which it may reasonably require (in compliance with section 13 of the Police Reform and Social Responsibility Act 2011).The Commissioner produces an annual report in accordance with section 12 of the Police Reform and Social Responsibility Act 2011.</li> <li>• The Panel do not scrutinise the performance of the Force as this is the responsibility of the Commissioner. The meetings of the Panel are held in public and it has met 6 times during 2014/15.</li> </ul> <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>• Statement of Accounts produced annually and subject to public inspection and audit by Wales Audit Office. Wales Audit Office report by exception on the Annual Governance Statement. Wales Audit Office assess the arrangements for securing economy, efficiency and effectiveness in the use of resources</li> <li>• The Commissioner and Chief Constable jointly commission an Internal Audit service and have agreed the audit plan</li> </ul>	
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	<ul style="list-style-type: none"> <li>An independent <b>Joint Audit Committee</b> has been appointed by the Commissioner and the Chief Constable which meets quarterly and this operates in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Financial Management Code of Practice</li> </ul> <p>Chief Constable:</p> <ul style="list-style-type: none"> <li>The HMIC conducts its own comprehensive inspection of Force performance and the Commissioner comments on the findings. HMIC reports are published on their website and publically accessible.</li> </ul>	
<p>Openness:</p> <p><b>The Commissioner, the Chief Constable, their officers and staff will be as open as possible about all decisions and action they take. Reasons for decisions will be made available and information will be restricted only when so required by the wider public interest.</b></p>	<p>Commissioner:</p> <ul style="list-style-type: none"> <li>The Commissioner's decisions, which are of significant public interest, are publicised on his website (unless there are specific reasons why a decision should be exempt).</li> <li>Compliance has been ensured with the Elected Local Policing Bodies (Specified Information) Order 2011.</li> </ul> <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>Public consultation and/or engagement has been undertaken in 2014/15 by way of a comprehensive strategy which includes: <ul style="list-style-type: none"> <li>Regular meetings with the Leaders and Chief Executives of the seven local authorities</li> <li>Frequent meetings with other key partners, including the Welsh Government</li> <li>Public consultation on the Police and Crime Reduction Plan and Medium Term Financial Strategy</li> <li>Widespread use of social media and the Commissioner's website</li> <li>Press, TV and radio articles and interviews</li> <li>Responding to complaints</li> </ul> </li> </ul> <p>Chief Constable:</p> <ul style="list-style-type: none"> <li>Minutes of the Chief Constable's Gold meetings are published on the force's internal and external websites.</li> </ul>	

<p>Honesty:  <b>The Commissioner, the Chief Constable, their officers and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.</b></p>	<p>Commissioner:</p> <ul style="list-style-type: none"> <li>• A Register is maintained of the Police and Crime Commissioner’s disclosable interests in accordance with Schedule 1, Paragraph 1(e) of the Elected Local Policing Bodies (Specified Information) Order 2011 (as amended)</li> </ul> <p>Chief Constable:</p> <ul style="list-style-type: none"> <li>• Any business interests are disclosed and maintained in a Register (which is accessible to the public)</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Annual reminders to be sent out in case personal circumstances have changed in respect of the disclosable interests.</li> </ul>
<p>Leadership:  <b>The Commissioner, the Chief Constable, their officers and staff will promote and support these principles through leadership and by example.</b></p>	<p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>• Adoption of Nolan Principles in the Code of Governance</li> <li>• Clear Leadership Team</li> <li>• Adoption of Investors in People</li> </ul> <p>Chief Constable:</p> <ul style="list-style-type: none"> <li>• All new starters in the Force (and new ‘leaders’ upon promotion) receive an information package from the Head of the Professional Standards Department – this outlines major areas of organisational risk and the behavioural expectations for all staff. (This is reinforced by an induction session for all new staff). An internal website is also maintained which contains information and guidance on ethics and behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>○ Revised People Strategy to be developed before December 2015</li> </ul>
<p><b>Fairness:</b>  The Commissioner, the Chief Constable, their officers and staff will act with fairness and impartiality.</p>	<p>8. Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>• The Commissioner and Chief Constable strive to treat each other <b>fairly</b>, with <b>dignity</b> and with <b>respect</b>, and this is reflected in their agreed Decision Making and Accountability Framework within the Manual.</li> <li>• Duties are undertaken in accordance with the laws relating to human rights and equality.</li> </ul>	

	<ul style="list-style-type: none"> <li>It is recognised that some individuals who come into contact with the police are vulnerable and may require additional support and assistance.</li> <li>A proactive approach is taken to opposing discrimination and this is reflected in the learning strategies of the force.</li> </ul>	
<b>Respect:</b> The Commissioner, the Chief Constable, their officers and staff will act with self-control and tolerance, treating members of the public and colleagues with respect and courtesy.	9. Chief Constable: <ul style="list-style-type: none"> <li>The values of being 'professional, proud and positive' are guiding principles for all staff and officers.</li> <li>In support of this standard, the Chief Constable requires all officers to remain composed and respectful (even in the face of provocation) and this is reflected in the force training undertaken</li> </ul> Commissioner and Chief Constable <ul style="list-style-type: none"> <li>Authority is only exercised in a way which is proportionate, lawful, accountable, necessary and ethical</li> </ul>	<ul style="list-style-type: none"> <li>New Code of Ethics has been introduced for police forces.</li> <li>The Chief Constable and the Commissioner to establish a Joint Ethics Committee in 2015/16.</li> </ul>

<b>Standard:</b>	<b>What we do:</b>	<b>Plan for 2015/16 :</b>
1. Focusing upon the purpose of the Commissioner and the Chief Constable, and on outcomes for local people, and creating a vision for the local area	10. Commissioner: <ul style="list-style-type: none"> <li>The Commissioner has issued a <b><i>Police and Crime Reduction Plan</i></b>, and this outlines the police and crime objectives (outcomes) and the strategic direction for policing. The Commissioner and the Chief Constable both have regard to the Plan. Key priorities include:</li> </ul> 11. <p style="margin-left: 40px;"><b>12. Working with the Police:</b></p> <ul style="list-style-type: none"> <li>○ <i>Crime Reduction and Prevention</i></li> <li>○ <i>Understanding and responding to community concerns</i></li> <li>○ <i>Public Perception</i></li> <li>○ <i>Victim Satisfaction</i></li> <li>○ <i>Workforce Diversity</i></li> </ul>	The Commissioner will publish an Annual Report that will set out progress on the Police and Crime Plan and this will be presented to the Police and Crime Panel. <p>The Commissioner is collaborating with Probation and the Prison Service to procure a new contract for Integrated Offender Management to build on the existing Drug Intervention Programme.</p> <p>The Welsh Commissioners and Chief Constables have jointly agreed to</p>

	<p><b>Working with Partners:</b></p> <ul style="list-style-type: none"> <li>• <i>Strong, swift response to anti-social behaviour</i></li> <li>• <i>Putting victims at the heart of our work</i></li> <li>• <i>Tackling violence against women and girls</i></li> <li>• <i>Working with partners on violence and the causes of crime</i></li> </ul> <ul style="list-style-type: none"> <li>• <b>Working with the Criminal Justice System:</b> <i>Strong, swift response to anti-social behaviour</i></li> <li>• <i>Putting victims at the heart of our work</i></li> <li>• <i>Tackling violence against women and girls</i></li> <li>• <i>Working with partners on violence and the causes of crime</i></li> </ul> <p><b>Work in Development:</b></p> <ul style="list-style-type: none"> <li>• <i>Understanding and addressing the needs of older people</i></li> <li>• <i>Online Safety</i></li> </ul> <ul style="list-style-type: none"> <li>○ The Commissioner's priorities are based on the fundamental principle 'To be tough on crime and the causes of crime, tackling and preventing crime by promoting an evidence based partnership approach to identify what works' and how value can be added.</li> </ul> <p>Chief Constable:</p> <ul style="list-style-type: none"> <li>○ Policing plays a key role in the lives of people who live, work and visit our area. The Mission of the Chief Constable is 'Keeping South Wales Safe' and to have a positive impact on the communities it serves. To do this, the Force wants to be <b>'the best at understanding and responding to its communities' needs</b>, which has been set as the Vision for the Force.</li> <li>○ To support this Vision, focus is targeted on five priority areas which are: <ul style="list-style-type: none"> <li>• Making Every Contact Count</li> <li>• Equality, Diversity and Human Rights</li> </ul> </li> </ul>	<p>commission a review of the collaborative opportunities for support services. It had been identified that the outcome of this work may be one of the significant governance challenges during 2015/16.</p> <p>The Chief Constable is developing a Target Operating Model for the force which will support the delivery of the Police and Crime Reduction Plan.</p>
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	<ul style="list-style-type: none"> <li>• Quality of Service</li> <li>• Leadership</li> <li>• Value for Money</li> </ul> <ul style="list-style-type: none"> <li>○ These priority areas are in turn measured against the three enablers of ‘people, policing, partnership to deliver performance’ outcomes.</li> <li>○ A <b>medium term financial strategy</b> is jointly developed and thereafter reviewed quarterly to support delivery of these plans.</li> </ul> <p><u>Collaboration agreements (Commissioner and Chief Constable)</u></p> <ul style="list-style-type: none"> <li>○ Collaboration agreements are in place to govern those areas of business undertaken jointly with other Forces, Commissioners and other partners.</li> <li>○ The three southern Wales police forces have established a Southern Wales Collaboration Board (which replaces the All Wales Collaboration Board). This develops strategic policing capabilities in Wales in support of the requirements of the 2011 Act and the Strategic Policing Requirement, with a view to increasing efficiency and effectiveness through collaboration, whilst also ensuring that suitable administrative, management and governance arrangements are in place to support the same.</li> </ul>	
2. Working together to achieve a common purpose with clearly defined functions and roles:	<p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>• The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 and the Policing Protocol Order 2011. The legislation also set out the function and roles of statutory officers, namely the Monitoring Officer and the Chief Finance Officer (CC)/Treasurer (Commissioner).</li> <li>• The functions and roles set out in legislation and guidance are codified in the scheme of delegation. The scheme was initially approved in November 2012 and was revised during 2014-15 to take into account the impact of the Stage 2 transfer on 1<sup>st</sup> April 2014.</li> <li>• The wider governance framework further detailing specific roles and responsibilities has been updated to take into account the implications of the</li> </ul>	<p>The process for operating both the Commissioner’s Strategic Board and the Chief Constable’s Gold meeting are kept under constant review (as evidenced by the fact that the frequency of the Commissioner’s meetings have changed to every two months and also that the format of the agendas for both have evolved during 2014/15). To build upon this practice, it is intended that these meetings and their respective agendas will be further</p>

	<p>Stage 2 transfer and the restructure of the Commissioner's office. These arrangements have been consolidated within a substantially revised Manual of Governance in 2014/15.</p> <ul style="list-style-type: none"> <li>• The Joint Planning and Performance Group which has representation from both the Commissioner's team and the Force support the Commissioner's Strategic Board (see below) and considerable work was undertaken during 2014/15 to move to a single programme deliver framework.</li> </ul> <p>Commissioner:</p> <ul style="list-style-type: none"> <li>• The Commissioner's Strategic Board (the 'Board') chaired by the Commissioner (and attended by the Chief Constable and their senior officers) holds the Chief Constable to account in securing the maintenance of an efficient and effective police service for South Wales. The terms of reference for the Board are incorporated within the Scheme of Governance section of the Manual.</li> <li>• The Board now meets every two months and it met 5 times during the 2014/15 financial year. The frequency was changed in 2014/15 as it became evident that monthly meetings did not allow sufficient time for activity to take place between Board meetings. It was also necessary to take cognisance of other governance meetings, such as the Joint Planning and Performance Board, which provide assurance that planning and performance monitoring is constant and it was noted that any issues of concern could be highlighted through such for a if the need arose. The Commissioner and the Chief Constable also meet frequently on a 1-1 basis to monitor issues.</li> <li>• During 2014/15 one Board meeting was deferred to enable the Force to respond to the NATO summit held in September 2014. During that period alternative arrangements were in place, primarily via the Joint Planning and Performance Board, to highlight any potential areas of concern to the Commissioner. The Commissioner and Chief Constable continued to meet regularly during that period and were able to address any urgent matters if the need arose.</li> <li>• The Commissioner held the Chief Constable to account on delivering the Commissioner's objectives effectively and efficiently, through scrutiny of</li> </ul>	<p>reviewed during 2015/16 to ensure that these reflect and are supportive of the achievement of corporate objectives for both corporations sole. Any amendments to the Manual of Governance that may be required as a result of such review will also be implemented.</p>
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	<p>financial and performance reports from the Chief Constable and one off reports on specific areas of interest or concern. The work of the Board, and the role of the Commissioner in holding the Chief Constable to account, was supported and informed by on-going work undertaken by officers of the Commissioner (both with colleagues from the Force and external stakeholders such as the Home Office and the Welsh Government).</p> <ul style="list-style-type: none"> <li>• The Board meetings continue to facilitate a successful and constructive working relationship between the Commissioner and the Chief Constable at a strategic level, leading to the effective delivery of the Police and Crime Reduction Plan. The Board meetings have also provided the Commissioner with a means of continuously monitoring whether the force is efficient and effective.</li> </ul> <p>Chief Constable:</p> <ul style="list-style-type: none"> <li>• The Chief Constable holds his Chief Officers to account for their performance in the formal monthly Chief Officer Team meetings</li> </ul>	
<p>3. Promoting the values for the Police and Crime Commissioner and Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour:</p>	<p>Commissioner:</p> <ul style="list-style-type: none"> <li>○ The Commissioner is responsible for handling any complaints and conduct matters in relation to the Chief Constable, monitoring complaints against his staff, and monitoring the way in which South Wales Police complies with the requirements of the Independent Police Complaints Commission.</li> </ul> <p>Chief Constable:</p> <ul style="list-style-type: none"> <li>○ The Chief Constable manages all complaints against the Force, its officers and staff and ensures that the Commissioner is kept informed.</li> <li>○ Serious complaints and matters to do with conduct are referred to the Independent Police Complaints Commission in line with the requirements of legislation.</li> <li>○ The Police Staff Council has adopted standards of professional behaviour that reflect relevant principles enshrined in the European Convention on Human Rights and the Council of Europe Code of Police Ethics. These apply to all police staff.</li> </ul>	



<p>4. Taking informed and transparent decisions, which are subject to scrutiny and managing risk:</p>	<p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>• Informed and Transparent Decisions: All decision making operates within the specific legislative and regulatory frameworks that confer on the Commissioner and the Chief Constable duties, powers and responsibility.</li> <li>• As set out above, the Commissioner holds the Chief Constable to account for the maintenance of an efficient and effective force. The Commissioner and the Chief Constable ensure that information relating to decisions is made readily available to local people.</li> <li>• Scrutiny: The Joint Audit Committee has held 4 meetings during the course of the year. The Committee has also met on a number of occasions for training and briefing on topical matters. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the arrangements adopted by the Commissioner and the Chief Constable for governance and management of risk. <ul style="list-style-type: none"> <li>○ The Police and Crime Panel consisting of 10 local councillors from the Force Area, as well as independent members, scrutinise the decisions and actions taken by the Commissioner. (NB: The Panel do not scrutinise the performance of the Force which is the responsibility of the Commissioner).</li> <li>○ Risk is a standing agenda item on all strategic meetings within the Force and all decision making meetings of the Commissioner. The joint risk management adopted by the Commissioner and the Chief Constable establish how risk is embedded throughout the various elements of corporate governance of the corporation(s) sole.</li> <li>○ The Chief Finance Officers for the Commissioner and for the Chief Constable advise their respective corporation sole on the safeguarding of assets, risk management and insurance. They ensure that in relation to any strategic business decisions of the Commissioner and the Chief Constable, that consideration is given to immediate and longer term implications, opportunities and risks</li> <li>○ Risks are identified throughout the organisation and recorded on a Joint</li> </ul> </li> </ul>	<p>A Force Delivery Plan and Target Operating Model is being developed during 2015/16.</p> <p>Joint Strategic Risk Register: When the risk management framework was introduced it mirrored the force delivery plan structure of Gold, Silver and Bronze. Following the election of the Commissioner, the Gold Risk Register forms part of the Joint Strategic Risk Register. It is intended that during 2015/16 the Silver risk registers within the force will be re-invigorated to support the delivery of the new Delivery Plan and Target Operating Model, and these in turn will be used to escalate significant risks to the Joint Strategic Risk Register. Departments within the force, their senior management team, officers and staff will be engaged with the Target Operating Model and will not require their own (originally Bronze level) risk registers.</p> <p>Existing silver risk registers use unique reference numbers, show ownership and review/completion dates for control measures. These practices will continue and can be contrasted with the Joint Risk Register which is strategic (and as such the threats it contains are themes and the control measures long term strategies)</p> <p>Action: Once the silver risk registers have been reinvigorated, the interdependencies</p>
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	<p>Strategic Risk Register. These are then scored for likelihood and impact and allocated both a strategic and operational risk owner for mitigation and monitoring. Additionally, the identification of risk is a standing item on agendas of all strategic meetings within the Force and all decision making meetings of the Commissioner. Various projects also hold individual risk registers.</p> <ul style="list-style-type: none"> <li>○ Part of the approach to risk management involves the purchasing of insurance cover to protect assets and liabilities where it is either required or cost effective to do so. The organisation is proactive in self insuring some elements of the overall insurance package. The Commissioner and Chief Constable maintain an insurance provision which is reviewed annually to help meet claims.</li> </ul>	<p>of risk and control between these are the Joint Strategic Risk Register will be mapped. This mapping will highlight cause and effect and inform decision making.</p>
<p>5. Developing the capacity and capability of all to be effective in their roles:</p>	<p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>• During 2014-15 the Commissioner and the Commissioner's officers have received briefings in addition to a number of investigative and review reports and updated guidance from a range of national bodies and organisations. These include HMIC inspection reports and the WAO's report on public engagement.</li> <li>• Both the Commissioner and the Chief Constable encourage the continuing development of individuals and support the delivery of the Commissioner and Chief Constable's vision through a programme of statutory, corporate, and personal development training. This, in turn, links with the Plan and the Force Delivery Plan.</li> </ul> <p>Commissioner</p> <ul style="list-style-type: none"> <li>• The Commissioner's Chief of Staff is supported through the Association of Police and Crime Commissioners Chief Executives (APACCE). During 2014-15, to strengthen the arrangements for providing peer support, members of that group have worked to develop and circulate a directory setting out the specialist subject matter areas of each member. At their regular meetings APACCE have also provided a forum to deliberate on key issues for the developing role of Police and Crime Commissioners. APACCE has also arranged regular meetings for Chief Executives/Chiefs of Staff to meet Home Office officials</li> </ul>	

	<ul style="list-style-type: none"> <li>• The Chief Finance Officer continues to receive support from the Police and Crime Commissioner's Treasurer's Society (PaCCTS) and the associated technical information service. This has included a number of briefing papers and events over the year focused on the funding formula review.</li> <li>• The Police and Crime Commissioner is actively seeking Investors' in People accreditation for his team which will bring together both a culture and processes to optimise both staff performance and development.</li> </ul> <p>Chief Constable:</p> <ul style="list-style-type: none"> <li>• A mandatory system of Performance Development Reviews is in place for each Police Officer and each member of staff. This process allows for focused performance review, and for the cascading and targeting of key objectives which are directly linked to the Plan and the Force Delivery Plan.</li> </ul>	
6. Engaging with local people and other stakeholders to ensure robust public accountability:	<p>Commissioner:</p> <ul style="list-style-type: none"> <li>○ The Policing Protocol<sup>1</sup> highlights that the Commissioner is <b>accountable to local people</b> and that he draws on this mandate to set and shape the strategic objectives for the force area in consultation with the Chief Constable. The Commissioner has set out in his <b>Plan</b> his strategic direction and priorities and how these will be delivered.</li> <li>○ The Commissioner is also, pursuant to the 2011 Act, a cooperating body, rather than a responsible authority on community safety partnerships. The community safety duty, specifies that the Commissioner must "in exercising its functions, have regard to the relevant priorities of each responsible authority", referring to the authorities named in the Crime and Disorder Act 1998 and its amendments. It further specifies that the Commissioner and the responsible authorities "must act in co-operation with each other" in exercising functions conferred by the 1998 Act.</li> <li>○ In preparing his Plan, the Commissioner has taken account of the views and priorities of communities, victims of crime, community safety and criminal</li> </ul>	<p>A new joint Communications Strategy has been produced for 2015/16 for the Commissioner and the Chief Constable.</p> <p>As part of the shared communications function, the website for both corporations sole has been integrated (albeit with two front pages), bringing the information for the public and the communities we serve into one place and facilitating access to the same.</p> <p>Management of grants: work to be undertaken during 2015/16 to develop outcome based performance measures to be reported by any grant recipients. These will show how any funding provided by the</p>

<sup>1</sup> Policing Protocol Order 2011, section 14

	<p>justice partners. He has met with representatives of local authorities and voluntary and business groups across South Wales. He has also set out in his Plan his plans for consultation and engagement with the public during his term of office.</p> <p>Commissioner and Chief Constable:</p> <ul style="list-style-type: none"> <li>○ The Commissioner and Chief Constable are continuing to develop arrangements for effective engagement with key <b>stakeholders</b>, ensuring that where appropriate such stakeholders remain closely involved in decision making, accountability and the future direction of the service. To this end, a new Communications Plan will be launched in 2015/16.</li> <li>○ In compliance with the Elected Local Policing Bodies (Specified Information) Orders 2011 &amp; 2012 and the guidance provided by the Information Commissioner a range of information has been made publically available through the force and Commissioner's websites over the course of the last year.</li> </ul> <p>In terms of the effectiveness of this approach, it was noted that in the Victim Satisfaction Survey for the 12 month period to June 2014), 89.1 percent (<math>\pm</math> 0.9 percent) of victims were satisfied with their experience of South Wales Police, which was greater than the figure across England and Wales of 85.0 percent (<math>\pm</math> 0.2 percent).</p>	<p>Commissioner is used and identify any deliverables provided.</p>
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