SOUTH WALES POLICE AUTHORITY

FINANCIAL REPORT & STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2012

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Contents

Foreword

This Statement of Accounts presents the overall financial position of the Police Authority for the year ended 31 March 2012. The accounts are produced in accordance with the Accounts & Audit (Wales) (Amendment) Regulations 2010 and in the format recommended by the Chartered Institute of Public Finance and Accountancy in accordance with best accounting practice (the Code).

The Authority's Accounts for the financial year 2011/12 are set out on pages **25** to **88** and consist of the following:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Pension Fund Account
- Notes to the Accounts, which explain further the entries in the financial statements

These Statements of Account continue to follow International Financial Reporting Standards (IFRS) and a comprehensive Code of Practice on Local Authority Accounting in the UK. The attached annex includes a description of the purpose of these statements. There are no material restatements for the previous year necessary to aid comparison.

Revenue Account

The Police Authority set a net revenue budget for 2011/12 of £257.347M, to fund existing expenditure commitments and identified force priorities. The Authority delegates management of the majority of the budget to the Chief Constable and receives regular reports on performance.

On the 20th October 2011 the Chancellor of the Exchequer Mr. George Osborne MP set out the Governments spending plans for the next four years and announced that departmental spending will fall by 19% over the next four years, in order to save £81Billion. This is in keeping with the Government's policy to remove the 'structural' deficit by 2014/15 primarily by cutting spending, rather than increasing taxes.

The consequences of these funding allocations for South Wales Police in respect of 2011/12 were a revenue account reduction of £9.8M along with a reduction in capital grant of £0.2M. The impact over the 4 years to 2015 was an estimated funding gap of £47M.

In order to meet this reduction and the further cuts set out in the UK Governments Comprehensive Spending Review (CSR 2010) a number of robust measures were implemented which included the centralisation of police staff budgets and a virtual freeze on all recruitment along with a comprehensive review of all spending plans and acceleration of project Reform together with a comprehensive 4 year Value For Money Plan to deliver cash releasing efficiency savings of £31M to 2015 with a target for 2011/12 of £14.7M.

The table below provides a summary of the final outturn position for 2011/12 compared to the approved budget and incorporates transfers to reserves:

	Budget £000's	Actual £000's	Variation £000's
Total Gross Expenditure	285,052	289,192	(4,140)
Income	(8,871)	(10,081)	1,210
Other Grants	(18,834)	(20,585)	1,751
Net Movement in Earmarked Reserves	0	407	(407)
Budget Requirement	**257,347**	**258,933**	**(1,586)**
Police Grant (Home Office)	(100,647)	(100,647)	0
Revenue Support Grant (Welsh Government)	(48,911)	(48,911)	0
Non-Domestic Rates (Welsh Government)	(32,947)	(32,947)	0
Amount to be met by Local Taxation	(74,842)	(74,842)	0
Net Movement in General Fund Reserves	0	(1,586)	1,586
Total Net Expenditure and Contribution to Reserves	**(257,347)**	**(258,933)**	**1,586**

Note: the format of the above table compares the actual outturn in overall terms with the original budget. It differs in format to the Comprehensive Income & Expenditure Account, which is presented in compliance with the CIPFA Local Authority Code of Practice. The latter accounts for the Net Cost of Services split by a service analysis and includes charges for retirement benefits, depreciation and pensions top up grant receivable. Employers' pension contributions and Capital Expenditure are excluded from the Income and Expenditure Account, but included in the above summary when determining the statutory Budget Requirement. Further analysis is provided in Note 7.

The position for the year, before adjustments in respect of specific reserves was £2.6M which equates to 1% of the overall Revenue Budget or a Budget to Actual Outturn of 99%. This is a very good outcome given the Value For Money Challenge of £14.7M for the year. The effective implementation and monitoring arrangements in place resulted in a Value For Money Plan achievement of £19M for the year and is a testament to the strong governance arrangements undertaken throughout the year.

The Revenue Account is effectively balanced by the required adjustments to specific reserves leaving a transfer to the General Fund of £1.6M which relates to the repatriation of investments in Icelandic banks and is in accordance with the Medium Term Financial strategy of retaining a General Fund Balance of 3% of the Gross Revenue Budget.

The main provisions within the accounts are in respect of known liabilities certain to occur as follows: further details in Note 21.

- Public liability insurances/ legal claims, current assessment requires an additional £2.039M.
- New provision is required, in part, with regard to former MMI managed claims, previously recognised as contingent liabilities.
- Injury Awards, last years provision is released at £0.371M.

Reserves

The Authority has assessed the level of General Fund necessary to manage risks effectively to be 3% of the gross revenue expenditure. The current balance on the General Fund has improved over the last year and now stands at £7.305M. This improved position is as a direct result of the receipt of Icelandic deposit investments of £3.590M, over the past three years. Reserves are currently £1.031M short of the 3% target level. The level of general reserves will continue to improve, as and when further repayments are received in relation to the Icelandic Banks.

The Authority has a robust budgetary control framework which provides incentives to devolved budget managers for prudent resource management by permitting reasonable roll over of year end balances. In addition, adequate specific reserves are established to meet known expenditure requirements to meet objectives set out in the annual plan. These measures help to mitigate the lower than target level of general reserves.

The movement of reserves are reflected at Note 8 of the accounts and show a balance on earmarked revenue reserves of £18.933M and earmarked capital reserves of £14.510M.

Impairment of Financial Assets with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Authority had £7M deposited across two of these institutions, with varying maturity dates and interest rates.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Authority will be determined by the administrators / receivers. The Authority has received principal repayments of £3.590M, approximately 51%.

For the 2011/12 accounts, LAAP bulletin Update no. 6 issued in May 2012 provided updated information, advice and recommendations. Estimated recoveries for Heritable are 88% and Landsbanki 100%, the latter is subject to further legal process and foreign currency exchange rates.

The Balance Sheet shows the net impact of the impairment of the Icelandic Banks investment in the Financial Instruments Adjustment Account. Regulations issued in March 2009, extended in March 2010, allow the Authority to defer the impact of an impairment loss on the General Fund until March 2012. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. This account has been cleared to the General Fund in 2011/12. Further details are contained in Note 15.

Capital Finance & Borrowing

Capital expenditure for the period was £7.129M, financed by specific grant, borrowing, capital receipts and revenue contributions. This represented investment in property of £1.898M, vehicles £1.690M and information technology and other £3.541M.

The Authority undertakes borrowing annually in line with the Capital Financing settlement from the UK Government. CIPFAs Prudential Code and government regulations does however permits the Authority to determine its own borrowing requirements provided this is affordable and sustainable. During the year a total of £2.589M was borrowed from the Public Works Loan Board (PWLB) to partly finance capital expenditure. This is all now regarded as unsupported borrowing.

After accounting for repayments of previous debt, the total outstanding long term debt for capital purposes increases from £19.236M to £19.752M at the 31st March 2012.

Police Authority Assets

Assets of the Authority include classifications for Property, Plant and Equipment. Intangible assets, mainly IT software, Assets held for sale and Investment Property are required to be accounted for separately where significantly applicable. Further details are provided in Note 12-14 and the total asset value for accounting purposes is included at £84.375M.

Pensions Liability

The software model, developed by the Government Actuary's Department, has been used to 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 £2,151.6M to £2,309.6M, an increase of 7%. This is attributed to changes in actuarial assumptions underlying the present value of pension liabilities, which partly reverses a gain last year of 11%.

The Pension Scheme for Police Officers is unfunded by statute, the Fund's Account is included separately at page 29.

In the case of Police Staff, the Police Authority is an admitted body to the Rhondda Cynon Taff County Borough Council Local Government Pension Scheme. Following the full actuarial valuation of that Scheme, further work has been undertaken by the Fund's Actuaries to derive suitable approximate allocations to participating bodies. The Police Authority's share of the estimated deficit in this scheme increased over the year from £95.830M to £127.230M as at 31 March 2012, an increase of 33%. An actuarial loss reverses last year's actuarial gain of 23%. This takes account of a significant actuarial loss, of £29M, which arises almost entirely from changes in assumptions most notably the discount rate reducing from 5.4% to 4.8%. Further detail in Note 4 (effect of major assumptions) and Note 38 (Pension Scheme Deficits).

An unrealised net loss for the year has no direct impact on the cost of services and the 'notional' liability for both Police Officers and Police staff is recognised in the balance sheet only.

Corporate Governance

South Wales Police Authority is responsible for ensuring that their business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating its functions, which includes ensuring that a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk.

The Annual Governance Statement demonstrates how the Authority's has met the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. The statement highlights the internal control environment, comments on its effectiveness and identifies issues for the future work. The statement is backed by a signed statement by the Chair and Chief Executive of the Police Authority and Chief Constable of the Force.

Future Activities

South Wales Police has in place a five year plan for 2011/12 to 2015/16, which will be reviewed and updated annually and published by the end of June each year. This Plan sets out the local policing priorities which focuses on delivering a citizen focused police service and contains clear targets to become a top performing force. The priorities and targets have been designed to take the force forward in a manageable way; ensuring performance is sustainable over time.

The Police Authority's mission statement is "Keeping South Wales Safe" and it aims to achieve its vision "to be the best at understanding and responding to our communities needs" through the following priorities which cut across four domains of the policing plan with respect to People, Policing, Partnership and Performance Outcomes:

- Making every contact count
- Equality, Diversity and Human Rights
- Quality of Service
- Leadership
- Value for Money

South Wales Police is fully committed to serving its communities whilst improving performance, public satisfaction and becoming more efficient. This is happening against a backdrop of unprecedented funding reductions.

The impact of the current political and economic climate on the Authority

The Police Reform and Social Responsibility Act received Royal Assent during 2011/12 and will introduce a fundamental change to the governance of the Police Activities in the Future.

From November 2012 every eligible citizen in England and Wales will be able to vote for their own Police and Crime Commissioner or PCC who will replace the Police Authority. This individual will be responsible for overseeing the Chief Constable, and representing the public.

The Police and Crime Commissioner is responsible for the local police funding. He/she will receive all government grants and council tax precept payments, and will allocate the budget, in consultation with the Chief Constable.

Responsibilities

The overall responsibility for the PCC will be to maintain an effective and efficient police service by holding the Chief Constable to account.

Other duties include:

- Consult with and involve the public
- Set policing priorities and produce an Annual Plan;
- Set the annual police budget and council tax precept
- Scrutinise, support and challenge the performance of the force
- Appoint and, if necessary, dismiss the Chief Constable
- Attend meetings of the Police and Crime Panel
- Publish Annual Report and Accounts;
- Investigate complaints against the Chief Constable
- Administer an Independent Custody Visiting Scheme
- Collaborate with other forces and criminal justice agencies.
- The PCC will play a leading role in community safety and crime reduction in the force area.

Police and Crime Panels

A Police and Crime Panel will also be set up to scrutinise the work of the Commissioner. This will be made up of Councillors and Independent Members from across the South Wales area. The duties of the Panel are to

- Make reports and recommendations about actions and/or decisions of the PCC;
- Scrutinise the draft Police and Crime Plan
- Summon the PCC, and their 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
- Appoint an Acting PCC from amongst the Commissioner's staff if he/she resigns, is disqualified from office, is incapacitated or suspended
- Hold confirmation hearing for the PCCs proposed Chief Executive, Chief Financial Officer and Deputy PCC appointments;
- Deal with lower level complaints against the PCC. Serious allegations will be referred to the Independent Police Complaints Commission (IPCC).
- The Panel will not scrutinise the performance of the force – that is the role of the Police and Crime Commissioner. The Panel will scrutinise the actions and decisions of the Commissioner

The Medium Term Financial Strategy 2012-2016, details the very significant challenges that lie ahead and includes a Value for Money Plan, which seeks to address the funding shortfalls. Project Reform will be the main vehicle for delivering the VFM, but costs will need to be incurred to facilitate the required organisational change. It is recognised that the level of cost reductions represent a huge sustained challenge for the organisation over the medium term.

The 2012 Budget announcements by the Chancellor set out a continued contraction in Public expenditure through to 2017 to address the structural deficit in the national budget. The Value For Money continues to be refined to help meet the challenge ahead.

Chief Financial Officer Dated: 18 June 2012

Chief Financial Officer Dated: 24 September 2012

SOUTH WALES POLICE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITIES

The South Wales Police Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Statutory arrangements will change on the 22nd of November 2012 when, under the Police Reform and Social Responsibility Act 2011, South Wales Police Authority will cease to exist and be replaced by a directly elected Police and Crime Commissioner (PCC) who will be at the forefront of local relationships across the wider community safety and criminal justice arena. The PCC will become responsible for holding the Chief Constable to account for the maintenance of an efficient and effective force. In addition, the PCC will set the precept levels, hold the police fund and will play a significant role in community safety and commissioning of services within the South Wales Police force area.

Until November 2012, however, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and facilitating its functions. This includes ensuring that a sound system of internal control is maintained throughout the year and that arrangements are in place for the management of risk. In exercising this responsibility the Authority places reliance on the Chief Constable of South Wales Police to support the governance and risk management processes.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government.* A copy of the code is on the Authority website at www.southwalespoliceauthority.org.uk or can be obtained from the Chief Executive, South Wales Police Authority, Tŷ Morgannwg, Police Headquarters, Bridgend, CF31 3SU. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2010 in relation to the publication of a statement of internal control.

Good governance arrangements are the foundations on which the Authority establishes its policies and the services it delivers to the community. At the same time, however, Governance itself must adapt to change in circumstances. Public bodies such as the Authority must be responsive to developments in services, expectations and the actions of other stakeholders. The Annual Governance Statement is the opportunity to ensure that the fundamentals of good governance remain in place and that they are responding to internal and external changes.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and the activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives with a clear focus on performance and outcomes, whilst also ensuring that those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.

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

The Force must have a strong governance process so that decisions are taken at the correct level within the organisation with the appropriate audit trails. The Governance Framework was approved by the Police Authority in June 2009 and has been kept up to date to recognise the work of Project Reform.

3. THE GOVERNANCE FRAMEWORK

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the Authority is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. It therefore follows that the Authority must satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

The governance control within the Force, is based on a Gold, Silver and Bronze framework which ensures that performance against the plan is monitored and all cross cutting issues and risks are identified.

Chief Officer Gold meetings are held on a fortnightly basis and are attended by all Chief Officers. This meeting allows Chief Officers to discuss performance, risk, developmental projects and other strategic issues to ensure the Force meets the objectives laid out in both the annual and policing plans.

At Silver level, Chief Officers meet regularly with their respective senior managers allowing them to manage business within their portfolio as outlined in their local delivery plans.

Each department and BCU also hold their own management or Bronze meetings to discuss overall performance against their respective delivery plans.

Within the Authority a framework of governance and internal control is in place to ensure that the aspirations set out in the code of governance are delivered. The Authority's governance reporting structure consists of six primary groups: Audit and Scrutiny, Community Engagement, Equalities and Human Rights, Performance Monitoring, Protective Services and, Quality of Service. The terms of reference of each of these groups are set out on the Authority's website. The frequency of meetings has been reduced by one meeting per primary group so as to allow the Authority's secretariat to prepare for a smooth transition to PCC's whilst maintaining business as usual until 21 November 2012.

The remainder of this section of the Annual Governance Statement addresses the key elements of the system and processes that comprise the governance arrangements.

3.1 Principles Of Good Governance

This statement is informed by assurances on the six principles of the Authority's Code of Corporate Governance and by audit and inspection opinions.

The Authority's six principles of good governance are as follows:

- Focusing on the purpose of the Authority, on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

3.2 GOVERNANCE ARRANGEMENTS

3.2.1 Focusing On The Purpose Of The Authority And On Outcomes For The Community And Creating And Implementing A Vision For The Local Area

South Wales Police and South Wales Police Authority play a key role in the lives of people who live, work and visit our area. Our prime purpose is about **'Keeping South Wales Safe'** and to have a positive impact on the communities we serve. To do this, we want to be **the best at understanding and responding to our communities' needs**, which is why we have set this as the vision for our service.

To support our vision we are focusing on five priority areas which are:

- Making Every Contact Count
- Equality, Diversity and Human Rights
- Quality of Service
- Leadership
- Value for Money

These priority areas are in turn measured against four enablers of people, policing, partnership and performance.

The Police Reform Act 2002 requires the Authority to publish a Policing Plan outlining its policing priorities and performance targets. However, the Police Authority and Chief Constable published a 5-year Policing Plan in 2010 which outlined how the Authority and Force intended to be the best at understanding and responding to our communities' needs and ensure we continue to keep South Wales Safe.

The Medium Term Policing Plan is reviewed on an annual basis and updated with any challenges or demands faced by our service and outlines what our communities can expect to see from us in the medium to long term. This review is led by Corporate Support and information on current performance, risks, community feedback and emerging policing issues is prepared for the

Force and Police Authority for consideration at the Police Authority annual planning seminars.

The Annual Policing Plan sets out in greater detail the objectives to be undertaken throughout the year to ensure the Force remains community driven to become a truly citizen focussed police service. The Annual Plan is discussed and agreed at the Police Authority annual planning seminar.

Information collated from Force and Authority stakeholder surveys and other consultation exercises is also used, ensuring that the views from all of our communities, Community Safety Partnerships and Local Criminal Justice Boards are reflected in the development of our policing priorities and target setting process. This is done by various means including public surveys (questionnaires), victim satisfaction surveys (undertaken by the Force), Police Authority road shows which consult directly with members of the public, Citizen Panel and attendance at various public events throughout the force area.

In developing our Policing Plan, we have set annual improvement targets which have been designed to take the service forward in such a way so that improvements can be sustained. All performance targets are set and approved with the Authority's Performance Monitoring Group and ratified by the Police Authority.

The development of the Police and Crime plan from April 2013 will be the responsibility of the Police and Crime Commissioner.

<u>Financial Governance</u>
Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Authority's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of the Authority's assets and limited resources.
The medium term finance plan (MTFP) includes full provision for inflation, known commitments and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
The Audit and Scrutiny Group continuously reviews and challenges the governance arrangements of the Authority through:

- consideration of the Authority and Force Risk Registers;
- monitoring the effectiveness of existing governance controls;
- targeted risk-based audit activity;
- consideration of internal and external audit reports; reports on the effectiveness of the Force
- information and reports provided by Her Majesty's Inspector of Constabulary;
- professional opinions and assurance from the Authority's management.

The aim is to promote service quality by ensuring delivery in accordance with the Authority's objectives and best use of resources.

<u>Collaboration</u>
The four Welsh Police Authorities have established a Police Authority of Wales (PAW), a statutory joint committee to develop strategic policing

capabilities in Wales and to increase efficiency and effectiveness through collaboration, whilst ensuring that suitable administrative, management and governance arrangements are in place. The key drivers, which are fully reflected in the annual National Policing Plan for Wales are:

- Optimising operational effectiveness through close co-ordination and co-operation without loss of individual identity.
- Exploring opportunities to use resources individually and collectively in a more efficient, effective and economic way, thereby securing best value.
- Securing better quality policing outcomes by releasing more resources to the front line and increasing citizen focus.
- Developing innovative solutions to enhance operational and organisational capacity and capability and in doing so make a significant contribution to the future direction of the Police service in Wales.

The 2012-15 National Policing Plan will be the last drafted by the Police Authorities of Wales and reflects the dynamic journey police collaboration in Wales has taken over the past six years. It highlights the very strong foundations which are now in place for collaboration between the four Welsh police authorities and forces and is a legacy that Police and Crime Commissioners and Chief Constables can develop further in line with the new responsibilities they will have under the Police Reform and Social Responsibility Act 2011.

The strength of the collaborative model is its flexibility and its recognition that future collaboration must be based on a pragmatic approach which takes account of the operational imperatives that impact on each of the forces and on capturing the best opportunities. Forces will develop at their own pace to meet local needs and may opt in or out of individual projects and schemes as suits their needs. The purpose of the collaborative partnership should be to enhance the levels of service and protection provided to our communities by making more effective and efficient use of combined resources.

The strong links between the four Welsh forces ensures that such opportunities are captured and put forward for consideration through the collaborative governance structure overseen by PAW. The overarching governance model for collaboration in Wales separates four force collaboration from that which involves two and three forces and identifies the need for differing governance arrangements. It also highlights the importance of avoiding a silo effect which could lead to interdependencies being overlooked and consequent duplication of effort and wastage of resources.

Regular reports on the progress of collaborative projects are considered by an Executive Board made up of Members of PAW, Chief Executives & Treasurers of Police Authorities in Wales, and the Chief Constables of the Police Forces in Wales. This group undertakes a detailed review of the reports presented to it, ensuring progress on projects and referring matters to PAW with detailed advice and recommendations, as required. PAW measures progress against targets and within the budget allocated, to ensure efficient and effective delivery of the agreed projects.

3.2.2 Members And Officers Working Together To Achieve A Common Purpose With Clearly Defined Functions And Roles

The roles and responsibilities of members and officers of the Authority and senior officers with the Force are set out in clear delegation arrangements contained within the Police Authority's Constitution, Procedural Standing Orders, Scheme of Delegation, Contractual Standing Orders, and Financial Regulations. A statement of the statutory duties and responsibilities of the Authority, its members and officers, is published on its website.

The arrangements for challenging and scrutinising Force activity is inherent in the work of the full Police Authority and is predominantly discharged through its six primary Groups.

The Audit & Scrutiny Group is responsible for the monitoring and review of all Audit activities, considering and monitoring risk control and the risk management arrangements for both the Force and Authority Strategic Risk Register, undertaking an approved programme of scrutiny to ensure the Force is providing value for money and effective and efficient services to the communities it serves.

The Community Engagement Group is responsible for considering the work and any issues arising from the Local Authority Community Safety Partnerships, Safer South Wales, Local Service Boards, Local Criminal Justice Board, All Wales Community Safety Forum, Local Authority Crime and Disorder Scrutiny Panels that affect the Police Authority. It is also responsible for considering and monitoring the role of neighbourhood policing and Partnerships and Communities Together (PACT) meetings and monitoring the Authority's and Force's Community Engagement Strategies.

The Equalities & HR Group is responsible for monitoring all issues relating to staffing, the monitoring, consideration and promotion of all strands of diversity and equality, monitoring the Force and Authority Equality Schemes and impact assessments and monitoring the progress of strategic HR projects.

The Protective Services Group is responsible for the consideration of protective services issues, overseeing the regional collaboration programme and monitoring the performance of the Force in relation to protective services

The Quality of Service Group is for monitoring complaints made against police officers, up to the rank of Chief Superintendents; monitor complaints made against police staff, investigating public complaints made against the Chief Constable, Deputy Chief Constable and Assistant Chief Constables and monitoring issues complained about by Members of the public and intervene where it appears that the response of the Force is unsatisfactory.

The Performance Monitoring Group is responsible for the monitoring of Force performance against the Annual and Strategic Policing Plan targets and objectives, financial performance, and any emerging risks to the Authority's vision and objectives.

The Police Authority has in place a Monitoring Officer and a Section 151 Officer who ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

3.2.3 Promoting Values For The Authority And Demonstrating The Values Of Good Governance Through Upholding High Standards Of Conduct And Behaviour

The Force and Authority values of being professional, proud and positive are guiding principles to all staff and members.

The Authority has a Code of Conduct which each Member must sign up to on appointment and thereafter abide by. The Code maintains their actions while performing their role as a Police Authority Member. The Code requires all members to abide by the ten general principles of public life: selflessness, honesty and integrity, objectivity, accountability, openness, personal judgement, respect for others, duty to uphold the law, stewardship and leadership. The Code of Conduct is compliant with the General Principles of Public Life defined in the Relevant Authorities (General Principles) Order 2001.

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. They apply to all police staff and to those subject to suspension.

The Police Authority has a legal duty to investigate complaints against Chief Police Officers. Any complaints made against either Police Officers, or police staff, are investigated by the Force Professional Standards Department, or the Independent Police Complaints Commission (IPCC). The Authority's Quality of Service Group monitors all complaints made against South Wales Police.

A joint Force and Authority anti-fraud and anti-corruption strategy is in place and has been supported by fraud risk briefings, provided to members of the Audit & Scrutiny Group. The Authority also has a confidential reporting policy which all members and officers have been made aware of.

3.2.4 Taking Informed And Transparent Decisions Which Are Subject To Effective Scrutiny And Managing Risk

Significant decisions affecting the roles and responsibilities of the Authority and the performance of its functions are taken with the full involvement of members of the Authority through their:

- Attendance and participation in meetings of the Authority or its Committees and Sub-Committees

- Participation as lead members in roles requiring specialist knowledge or focus
- Participation at Police Authority AGM, Planning and Finance Seminars

An Authority papers process has been developed that sets out the standards required for the production and submission of South Wales Police reports to the Police Authority. This will ensure that members and officers of the Authority receive all information which is necessary for them to make balanced and informed decisions about the matters under consideration. Appropriate legal, financial, human resources and other professional advice is considered as part of the decision making process.

The meetings, decisions, and minutes of the Authority and its Committees and Sub Committees are available for public scrutiny on the Authority's website.

From November 2012, the PCC will become responsible for holding the Chief Constable to account for the maintenance of an efficient and effective force. A Police and Crime Panel (PCP), consisting of local councillors from the Force Area, as well as independent members, will be responsible for holding the PCC to account for their actions and decision making. The PCP will not scrutinise the performance of the Force as this is the sole responsibility of the directly elected PCC.

The Authority's Risk Register is reviewed and updated regularly with at least quarterly management meetings to review the current risk environment. The Force Risk Manager and the Authority's Performance Manager ensure any links between their respective risk registers are identified. The design of the Register has been continually improved to provide information in a clearer, more straightforward format and to better align with the format of the Force.

Risks are identified throughout the organisation and recorded on a strategic risk register. These are then scored for likelihood and impact and allocated an owner. Monitoring and mitigation of risk is assured through the Force's Gold/Silver/Bronze governance structure.

Risk is a standing agenda item on all strategic meetings within the Force and all decision making meetings of the Authority.

3.2.5 Developing The Capacity And Capability Of Members And Officers To Be Effective

An Annual Training Plan directly linked to the Policing Plan and Annual Plan is in place and supports the delivery of the Authority & Force's vision through a programme of statutory, corporate, and personal development training.

A mandatory system of Performance Development Reviews exists for each Police Officer and member of Police Staff. This process allows for focussed performance review, and for the cascading and targeting of key objectives which are directly linked to the Annual Plan.

Police Authority members receive a variety of training to ensure that they have the skills and knowledge to allow them to challenge, scrutinise and govern effectively. Members also receive training on relevant areas of their responsibility during the course of any given year and are subject to an annual personal development appraisal.

3.2.6 Engaging With Local People And Other Stakeholders To Ensure Robust Public Accountability

The Police Authority has a statutory duty to consult with the public in relation to policing issues in general and specific issues, such as the level of council tax precept. The force also has a fundamental need to engage with local communities on policing issues. This is achieved through a variety of formal and informal mechanisms, such as: the use of surveys; commissioning specific research and consultative events; public interaction at Authority meetings; regular dialogue with partner agencies; and consultation with the Business Community.

The Authority offers the public a variety of different ways to become involved, and contribute to policing matters through roadshows; questionnaires, meetings, and the Citizens Panel. The outputs from these events are fed directly into the Police Authority and the Force's decision making process. Additionally, the Authority maintains a list of members of the public who wish to be consulted on different issues. The results of public consultations are posted on the Authority's website within one month of completion.

The Authority's Community Engagement Group has developed a Community Engagement Strategy to ensure effective engagement with all sections of the community and stakeholders. The strategy also aims to promote visible awareness and create a positive, informed and recognizable profile for the Authority. Community engagement is an integral part of achieving the Authority's vision of 'Keeping South Wales Safe'.

4 REVIEW OF EFFECTIVENESS

The Police Authority is responsible for approving the local Code of Corporate Governance and for carrying out an annual review of its operation and effectiveness. This process will inform and support the production of the Annual Governance Statement that is required to meet audit and accounting regulations.

The review is informed by the work of internal audit, the Wales Audit Office, other review agencies and officers within the Authority and Force. Much of the review work is ongoing throughout the year and is incorporated into the work of Police Authority groups.

The Authority receives and approves the Annual Governance Statement at the Annual General Meeting. The Statement will, if appropriate, include an action plan to rectify any significant areas of weakness in corporate governance, and will be signed jointly by the Chairman of the Authority and the Chief Executive.

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors (Deloitte) and the executive managers within the Authority and Force who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the Wales Audit Office in their annual letter.

The audit work for the year is risk based and focuses on significant financial and operational risks. During 2011/12, Deloitte carried out a total of 21 audits, covering our core financial systems, business and operational systems and governance processes. Internal audit reports are submitted to the Audit & Scrutiny group to consider their conclusions and recommendations. For the period ended 31 March 2012, Deloitte gave an 'adequate' level of assurance in relation to the adequacy and effectiveness of South Wales Police's arrangements for governance, risk management and control. In addition the governance arrangements of both the Authority and Force have, over recent years, been subject to specific review by internal audit and both processes have received substantial assurance levels.

Her Majesty's Inspectorate of Constabulary (HMIC) regularly conduct inspections of the Force to monitor and support the development of many of our priorities. During 2011/12 the Force and Authority have both been subject to a number of inspections on a wide range of police business. In June 2011 the HMIC undertook an inspection in relation to collaboration with the organisation and 'Valuing the Police – Demanding times'. In July 2011 two 'Value For Money' inspections were undertaken entitled 'Adapting to Austerity and a 'Preparedness Inspection'. In September 2011 HMIC carried out the 'Without Fear of Favour' Integrity Review and in November 2011 there were inspections with regard to Protective Service, the second phase of the 'Valuing the Police Inspection and also an inspection measuring the Olympic Capability within the force. December 2011 saw the inspection of Youth Offending – 'Who's Looking After the Children" and also an unannounced visit to Police Custody units within South Wales Police during the same month. In January 2012 there was an inspection relating to Anti Social Behaviour.

The HMIC has produced a suite of Value for Money indicators to challenge areas of exceptional spend in comparison with the most similar forces. The Authority has incorporated the results of the benchmarks within the VFM Plan.

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.

5 TRANSITIONAL ARRANGEMENTS

- Under the Police Reform and Social Responsibility Act 2011, South Wales Police Authority will cease to exist and be replaced by a directly elected Police and Crime Commissioner (PCC) who will be at the forefront of local relationships across the wider community safety and criminal justice arena. The PCC will become responsible for holding the Chief Constable to account for the maintenance of an efficient and effective force, set the precept levels, hold the police fund and will play a significant role in community safety and commissioning of services within the South Wales Police Force Area. This will bring a shift in the governance framework and the Authority has committed to an efficient and effective governance framework right up until the termination date in November 2012.

- Changes in the Authority's priorities, working practices or structures due to change in the National Governments new priorities.
- A revision of the authorities Scheme of Delegation, including the Role of the 'Chief Financial Officer' for compliance with the CIPFA Statement and the interim arrangements relating to the section 151 responsibilities, along with Contract Standing Orders and Financial Regulations.

6 OTHER GOVERNANCE ISSUES

- Reform Programme which is identifying organisational, structural and process options to address funding reductions and the continued and increased challenges of achieving required efficiencies to meet existing and planned grant reductions whilst maintaining and indeed improving performance.
- Estates Strategy, in particular, meeting the requirements of condition surveys, the challenges faced by legislative changes for custody arrangements and meeting the strategy for operational hubs to deliver step change in performance.
- Continued review of collaboration opportunities both within policing, through the Police Authorities of Wales Governance Framework, the plans for a strategic alliance with Gwent Police Authority and within the public sector generally.
- MOPI/PND - the ability to successfully implement a number of essential mandatory developments through effective resource realignment and management.
- The implementation of a Fully Integrated Resource Management (FIRM) System to streamline Financial and Human Resource Management and improve Value for Money is scheduled to commence in 2012 with a two year implementation plan to replace HR, Duty Management and the Financial and Payroll systems.

Signed

Chair of South Wales Police Authority

Date: 24 September 2012

Chief Constable of South Wales Police Force

Date: 24 September 2012

Chief Executive of South Wales Police Authority

Date: 24 September 2012

on behalf of the members and senior officers of South Wales Police Authority and South Wales Police Force

Independent auditor's report to the Members of South Wales Police Authority

I have audited the accounting statements and related notes of:

- South Wales Police Authority; and
- South Wales Police Authority Pension Fund

for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004.

South Wales Police Authority's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement. South Wales Police Authority Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 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 pension fund accounts, 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 South Wales Police Authority and South Wales Police Authority 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 Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of South Wales Police Authority

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of South Wales Police Authority as at 31 March 2012 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 2011/12

Opinion on the accounting statements of South Wales Police Authority Pension Fund

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

- give a true and fair view of the financial transactions of South Wales Police Authority Pension Fund during the year ended 31 March 2012 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 2011/12

Opinion on other matters

In my opinion, the information contained in the Foreword for the financial year for which the accounting statements and related notes are prepared 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 Annual Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or 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 South Wales Police Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
26 September 2012

Statement of Responsibilities for the Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer, following the retirement of the Treasurer effective 1st June 2011.
- manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- approve the statement of accounts.

I certify that the South Wales Police Authority approved this statement of accounts at its meeting on 24 September 2012.

Councillor
Chair of the Police Authority Dated: 24 September 2012

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the Authority's 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 Authority at the accounting date and its income and expenditure for the year ended 31 March, 2012.

Chief Financial Officer
Date of signing (by responsible financial officer) Dated 18 June 2012

Chief Financial Officer
Date of signing (prior to the approval of the Authority) Dated 24 September 2012

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's 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 undertaken by the Authority.

	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
		£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2010		**(5,114)**	**(22,219)**	**0**	**(27,333)**	**2,422,258**	**2,394,925**
Movement in reserves during 2010/11							
(Surplus) or deficit on provision of services		(167,170)	0	**0**	(167,170)	0	(167,170)
Other Comprehensive Income and Expenditure		0	**0**	**0**	0	(79,314)	(79,314)
Total Comprehensive Income and Expenditure		**(167,170)**	**0**	**0**	**(167,170)**	**(79,314)**	**(246,484)**
Adjustments between accounting basis & funding basis under regulations	7	158,501	**0**	**(418)**	158,083	(158,083)	0
Net (Increase)/ Decrease before Transfers to Earmarked Reserves		**(8,669)**	**0**	**(418)**	**(9,087)**	**(237,397)**	**(246,484)**
Transfers (to)/ from Earmarked Reserves	8	8,064	**(8,728)**	**418**	(246)	246	0
(Increase)/ Decrease movement in Year		**(605)**	**(8,728)**	**0**	**(9,333)**	**(237,151)**	**(246,484)**
Balance at 31 March 2011 carried forward		**(5,719)**	**(30,947)**	**0**	**(36,666)**	**2,185,107**	**2,148,441**

Movement in Reserves Statement (continued)

	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
		£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2011		**(5,719)**	**(30,947)**	**0**	**(36,666)**	**2,185,107**	**2,148,441**
Movement in reserves during 2011/12							
(Surplus) or deficit on provision of services		104,892	0	**0**	104,892	0	104,892
Other Comprehensive Income and Expenditure		0	**0**	**0**	0	82,972	82,972
Total Comprehensive Income and Expenditure		**104,892**	**0**	**0**	**104,892**	**82,972**	**187,864**
Adjustments between accounting basis & funding basis under regulations	7	(109,767)	**0**	**(408)**	(110,175)	110,175	0
Net (Increase)/ Decrease before Transfers to Earmarked Reserves		**(4,875)**	**0**	**(408)**	**(5,283)**	**193,147**	**187,864**
Transfers (to)/ from Earmarked Reserves	8	3,289	**(2,496)**	**408**	1,201	(1,201)	0
(Increase)/ Decrease movement in Year		**(1,586)**	**(2,496)**	**0**	**(4,082)**	**191,946**	**187,864**
Balance at 31 March 2012 carried forward		**(7,305)**	**(33,443)**	**0**	**(40,748)**	**2,377,053**	**2,336,305**

Comprehensive Income and Expenditure Statement

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. Authorities 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.

	Note	2011/2012 Gross Expenditure £000	2011/2012 Gross Income £000	2011/2012 Net Expenditure £000	2010/2011 Gross Expenditure £000	2010/2011 Gross Income £000	2010/2011 Net Expenditure £000
Gross expenditure, gross income and net expenditure of continuing operations							
Police Services	5.1	305,863	(30,578)	275,285	308,281	(38,226)	270,055
Corporate and democratic core		985	0	985	1,098	0	1,098
Non distributed costs:							
- Retirements Benefits Past Service Cost	5.2	450	0	450	(289,420)	0	(289,420)
- Other Non Distributed Costs incl Termination Benefits - Voluntary Early retirement	5.2	953	0	953	1,378	0	1,378
Cost of Services		**308,251**	**(30,578)**	**277,673**	**21,337**	**(38,226)**	**(16,889)**
Other operating expenditure	9	999	0	999	1,000	0	1,000
Financing and investment income and expenditure	10	135,915	(49,940)	85,975	142,599	(31,108)	111,491
Surplus or deficit of discontinued operations		0	0	0	0	0	0
		445,165	**(80,518)**	**364,647**	**164,936**	**(69,334)**	**95,602**
Taxation and non-specific grant income	11	0	(259,755)	(259,755)	0	(262,772)	(262,772)
(Surplus) or Deficit on Provision of Services		**445,165**	**(340,273)**	**104,892**	**164,936**	**(332,106)**	**(167,170)**
Surplus or deficit on revaluation of Property, Plant and Equipment assets				(2,222)			0
Actuarial (gains) / losses on pension assets / liabilities				85,194			(137,034)
Other Accounting Adjustments due to restatements				0			0
Other Comprehensive Income and Expenditure				**82,972**			**(137,034)**
Total Comprehensive Income and Expenditure				**187,864**			**(304,204)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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 is those that the Authority is not able to use to provide services. This category of reserves 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'.

	Note	31 March 2012 £000	31 March 2011 £000
Property, Plant & Equipment	12	81,869	83,781
Investment Property	13	0	0
Intangible Assets	14	1,598	2,353
Assets held for sale (> 1yr)	19	0	0
Long Term Investments	15	1,902	2,834
Long Term Debtors	15	0	0
Long Term Assets		**85,369**	**88,968**
Short Term Investments	15	30,686	32,669
Assets held for sale (<1yr)	19	909	272
Inventories	16	798	776
Short Term Debtors	17	27,419	8,707
Cash and Cash Equivalents	18	2,289	13,556
Current Assets		**62,101**	**55,980**
Cash and Cash Equivalents - Bank Overdraft	18	0	0
Short Term Borrowing	15	(2,074)	(1,931)
Short Term Creditors	20	(21,637)	(22,582)
Current Liabilities		**(23,711)**	**(24,513)**
Long Term Creditors	15	0	0
Provisions	21	(3,502)	(2,230)
Long Term Borrowing	15	(19,752)	(19,236)
Other Long Term Liabilities:			
• Local Government Pension Schemes	38.1	(127,230)	(95,830)
• Police Pension Schemes	38.2	(2,309,580)	(2,151,580)
Long Term Liabilities		**(2,460,064)**	**(2,268,876)**
Net Assets		**(2,336,305)**	**(2,148,441)**
Usable Reserves	22/8	(40,748)	(36,666)
Unusable Reserves	23	2,377,053	2,185,107
Total Reserves		**2,336,305**	**2,148,441**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's 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) to the Authority.

	Note	2011/2012 £000	2010/2011 £000
Net (surplus) or deficit on the provision of services		104,892	(167,170)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(96,387)	142,857
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,038	4,894
Net cash flows from Operating Activities		**10,543**	**(19,419)**
Returns on Investments and Servicing of Finance	24	370	546
Investing Activities	25	1,012	7,509
Financing Activities	26	(658)	(215)
Net (increase) or decrease in cash and cash equivalents		**11,267**	**(11,579)**
Cash and cash equivalents at the beginning of the reporting period		13,556	1,977
Cash and cash equivalents at the end of the reporting period	18	**2,289**	**13,556**

Pension Fund Account

Police Scheme's	2011/12 £000	2010/11 £000
Contributions receivable		
from employer:		
• Normal	(27,153)	(27,826)
• Early retirements (incl. capital equivalent charge for ill health retirements)	(2,043)	(842)
• Other (reimbursement of unabated pensions of '30+' police officers)	(3)	(12)
from members	(12,194)	(12,513)
Transfers in		
Individual transfers in from other schemes	(230)	(319)
Other (recovery of pension overpayments)	0	0
Benefits payable		
Pensions	55,285	51,633
Commutations and lump sum retirement benefits'	24,083	10,656
Lump sum death benefits	373	84
Payments to and on account of leavers		
Refunds of contributions	7	0
Individual transfers out to other schemes	326	258
Sub-Total before transfer from the Police Authority	**38,451**	**21,119**
Additional funding payable by Police Authority	**(38,451)**	**(21,119)**
Net Amount payable/ receivable for the year	**0**	**0**

Net Asset Statement		
Net current assets and liabilities		
Current Assets		
Funding to meet deficit receivable from Police Authority/ Home Office Grant	15,908	0
Current Liabilities		
Creditor sums payable to retiring officers end of March for retirement benefits (lump sums) payable April 2012	(2,010)	0
Surplus for year payable to Police Authority/ Home Office Grant	0	(3,388)
Net	**13,898**	**(3,388)**

Notes to the Pension Fund Accounts

1. The Police Pension Scheme is administered and managed 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 Home Office make an annual advance of grant, which is based on projections of the estimated payments in and out of the account. Last years accounts included a creditor balance which was settled in full. A deficit or debtor grant balance of £15.9m results this year, which is carried in the Balance Sheet, which is due along with next years grant estimated advance in July 2012.
4. This deficit has arisen due to an increased number of commutation and lump sum retirement benefits actually being paid compared to those originally estimated. The estimate was based on a projection of numbers and values of those officers who become eligible to retire on age grounds, and those who are already eligible but have chosen to defer their retirement. Actual retirements reflect a significant number of officers retiring on age grounds and those under regulation A19.
5. 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 Authority's balance sheet, as future retirement benefits.
6. The amount of the additional funding payable by the Police Authority includes £22.543m received, equating to an instalment of 80% of that estimated, plus a debtor for grant owing of £15.908m, totalling £38.451m.

Notes to the Accounts

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 2011/12 - Based on International Financial Reporting Standards (the Code).

This is supplemented by the Best Value Accounting Code of Practice (BVACOP), applicable from April 2000, which revised the standard service classification for Local Authority Accounting and Reporting. The code has been renamed 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.

Authorities, 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 Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
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.

Acquired operations - administrative reorganisation of a public sector body/ function
Under the Police Reform & Social Responsibility Act 2011 on 15 November 2012 the first Police and Crime Commissioner (PCC) will be elected. The PCC will replace the Authority on 22November 2012 and will be responsible for holding the Chief

Constable to account and representing the public. The Chief Constable will continue to be in charge of operational policing but the PCC will be responsible for ensuring that he does this effectively and is accountable to the public. Whilst the Authority will cease to exist at this time it is considered that it is correct to prepare these accounts on a going concern basis as the functions of the Authority will be continuing under the new arrangements.

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 the Authority 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 the Authority 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 Authority. 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.

Employee benefits
<u>Benefits Payable During Employment</u>
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 to the Authority. 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.

<u>Termination Benefits</u>
Termination benefits are amounts payable as a result of a decision by the Authority 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 the Authority is demonstrably committed 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 by the Authority 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 Police Authority's 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 Police Authority is a participating member of the Rhondda Cynon Taff County Borough Council Pension Fund. The Authority makes an employer's contribution into that Pension Fund.

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

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.

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 the Authority's 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 the Authority's 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 Authority 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 that the Authority has, this means that 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 - Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority 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 to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that 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 Authority 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 the Authority when there is reasonable assurance that:
- the Authority 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-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
Certain low value grants below deminimus are recognised in the year of receipt.
Balances are assessed at each year-end and for certain low value deminimus 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 by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.
Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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.

Leases
Property leases are accounted for as operating leases and disclosed with leases of vehicles and equipment.

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.

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 to the Authority 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.

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:
    a. Infrastructure – Depreciated Historic Cost
    b. Community Asset – Depreciated Historic Cost
    c. Assets Under Construction – Depreciated Historic Cost
    d. Council Dwellings – Fair Value based on existing use – social housing (EUV-SH)
    e. Other Land and Buildings - Fair Value based on existing use (EUV)

If there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, authorities may need to estimate fair value using a depreciated replacement cost approach.
f. Vehicles Plant Furniture and Equipment Depreciated Replacement Cost if EUV cannot be determined
g. Surplus Assets - Fair Value based on existing use (EUV)
h. Assets held for sale should be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on those assets should cease
i. 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.]
Where 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 are provided by representatives of the Head of Property and Regeneration of Neath Port Talbot County Borough Council in support of an internal Estates Department.
- 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.

<u>Impairment</u>
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.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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 certain Community Assets) 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.

With regard to Componentisation of assets, the previous SORP code included the following:

Where the fixed asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life.

The IFRS Code expands this requirement as follows:

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be 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. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods. The requirement for componentisation for depreciation purposes shall be applicable to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010.

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.

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.

The following bases are used:

- Land & Buildings: Land values are not depreciated. Building values, excluding the land component, are currently provided for whole buildings or whole sites by 5 yearly valuation cycles, subject to annual indexation. Previously, an assumed average life of 50 years for both the host structure and other components was the basis of the annual depreciation charge. The estimated economic asset lives for these individual components may be significantly different. For a ‘typical’ building, the main host structures may have an asset life of 60-75 years but within that lifespan certain building components, may have shorter asset lives, say 15-25 years for example its roof and other services (mechanical and electrical) requiring significant replacement on a periodic basis.

• In consideration of the development to further componentise assets under IFRS, the accounting estimates for Depreciation are revised, as assets are enhanced or revalued, to take into account significant cost components of buildings and their applicable remaining estimated economic asset lives. The move away from an assumed average asset life of 50 years to a more accurate asset life assessment is applied this year. This is applied to assets as information becomes available from more detailed building condition surveys.

• The key consideration in this development is that failing to analyse an asset into component parts shall not materially misstate the depreciation charge within the accounts. In setting this de-minimus threshold, a ‘typical’ building asset may be valued at around £1M, which over an assumed 50 year asset life, equates to a depreciation charge of £20,000 per annum. Values below this level are considered not to be material to the financial statements and so may be disregarded for componentisation.

• Following consultation between representatives of the force Corporate Finance Department, the force Estates Department and the Police Authority Valuer (representatives of the Head of Property and Regeneration of Neath Port Talbot County Borough Council) it is recommended by the Chief Financial Officer in setting this Accounting Policy that significant components shall be determined as applicable to Buildings with asset values exceeding a threshold of £1M. This threshold captures most of the main higher valued operational properties, effectively the top 12 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 initial requirements, which maybe improved upon over time if desired. A deminumus 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.

• Multiple buildings on a site are currently valued for depreciation estimates on a single asset value and should have regard to the appropriate components of blocks or groups of buildings. The depreciation estimates for 2009/10 include Police Headquarters, as a single asset value. The depreciation estimates for 2010/11 and 2011/12 are revised on a component basis, in line with the above amended accounting policy. The development of componentisation similarly suggests that the single asset value to be analysed into ‘whole’ buildings or blocks as these tend to align with capital plans to replace or renew parts and would be most likely to have differing remaining estimated asset lives. Current advice (November 2010) indicates this would represent the minimum requirements, which maybe improved upon over time if more detailed componentisation is so desired. The move away from an assumed average asset life of 50 years to a more individual asset life assessment is amended this year.

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 3-68 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.

• 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 Authority 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 the Authority – 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. The Authority 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 the Authority 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 2011/12 the only accounting policy change that needs to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets).

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority 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. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be 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 made by the Authority 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 Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions	
Pensions Liability - LGPS (Information from Actuary)			
	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a **0.5%** increase in the discount rate assumptions would result in a decrease in the pension liability of **£25.82M**, (last year £21.89M). However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £1.18M as a result of estimates being corrected as a result of experience and increased by **£21.27M** (last year 0.71M) attributable to updating of the assumptions.	
Pensions Liability - Police (Information from Actuary)			
		Change in assumption*	Approximate effect on total liability
	The principal financial assumptions are the real rates of return in excess of pension increases and earnings growth. (The assumed nominal rate of return is less important although it does affect the past service liability in respect of Guaranteed Minimum Pensions (GMPs).)	Rate of return	
		(i) in excess of earnings -½% a year	**+ 2½%**
		(ii) in excess of pensions -½% a year	**+ 7½%**
	A key demographic assumption is pensioner mortality.	Pensioner mortality	
		(iii) pensioners living (on average) 2 years longer:	**+ 4 %**
	* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.		
	In variant (i) of the above, the assumed rate of return in excess of pension increases remains unchanged, and in variant (ii), the assumed rate of return in excess of earnings remains unchanged.		
Arrears of Income			
	At 31 March 2012, the Authority had a balance of sundry debtors for £1.307m. A review of significant balances suggested that an impairment of doubtful debts of 2% (£25k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £25k to set aside as an allowance.	

Note 5 Material Items of Income and Expense

5.1 Service Expenditure Code of Practice

Comprehensive Income and Expenditure Statement	2011/2012 Gross Expenditure	2011/2012 Gross Income	2011/2012 Net Expenditure	2010/2011 Gross Expenditure	2010/2011 Gross Income	2010/2011 Net Expenditure
	£000	£000	£000	£000	£000	£000
Gross expenditure, gross income and net expenditure of continuing operations						
Police Services						
Local Policing	120,631	(8,893)	111,738	157,474	(16,215)	141,259
Dealing with the Public	24,906	(1)	24,905	28,206	(125)	28,081
Criminal Justice Arrangements	34,964	(2,334)	32,630	26,584	(2,830)	23,754
Roads Policing	15,015	(3,049)	11,966	16,645	(4,144)	12,501
Specialist Operations	25,734	(2,927)	22,807	25,389	(2,000)	23,389
Intelligence	14,284	(1,198)	13,086	6,744	(681)	6,063
Specialist Investigations	49,130	(2,728)	46,402	24,892	(2,592)	22,300
Investigative Support	8,628	(263)	8,365	9,764	(379)	9,385
National Policing	12,571	(9,185)	3,386	12,583	(9,260)	3,323
	305,863	**(30,578)**	**275,285**	**308,281**	**(38,226)**	**270,055**

The above service analysis takes account of revised service definitions in line with revised national guidance for Police Objective Analysis as the basis for reporting under the Service Code of Practice. For 2011/12 a significant change in accounting for Local Investigation has moved allocations from Local Policing to Specialist Investigations.

5.2 Non Distributed Costs

	2011/2012 Gross Expenditure	2011/2012 Gross Income	2011/2012 Net Expenditure	2010/2011 Gross Expenditure	2010/2011 Gross Income	2010/2011 Net Expenditure
	£000	£000	£000	£000	£000	£000
Pensions/ Retirements Benefit:	450	0	450	(289,420)	0	(289,420)
Termination Benefits - VER	953	0	953	1,378	0	1,378
Discretionary Compensation Payments						
	1,403	**0**	**1,403**	**(288,042)**	**0**	**(288,042)**

With regard to the above Pension Retirement Benefit, a negative past service cost resulted last year which reflects the estimate by the Actuaries of the change in future benefits, as decided by the UK Government, being paid on the different measure of future inflationary increases, i.e. Consumer Price Index (CPI) rather than Retail Price Index (RPI), further details in Note 38.

The cost of Termination compensation payments incurred under a Voluntary Early Retirement scheme are charged here, as required by the Code and outlined in the Accounting Policy, under employee benefits. This excludes the unfunded employers pension of £0.464M (2011/12) and £1.051M (2010/11) which are included in Note 7. Further details also in Note 29 and Note 37.

Note 6 Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on **18 June 2012**. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.
The financial statements and notes have not been adjusted for the following events which took place after 31 March 2012 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date: There are no non-adjusting events.

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority 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 of an Authority are required to paid and out of which all liabilities of the Authority 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 the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority 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 7 Adjustments between Accounting Basis and Funding Basis under Regulations (Continued)

2011/12	General Fund Balance £000	Capital Receipts Reserve £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(5,721)	-	(5,721)	5,721	0
Revaluation losses on Property Plant and Equipment	(3,911)	-	(3,911)	3,911	0
Amortisation of intangible assets	(1,195)	-	(1,195)	1,195	0
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	(147)	-	(147)	147	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	1,931	-	1,931	(1,931)	0
Capital expenditure charged against the General Fund and HRA balances	4,124	-	4,124	(4,124)	0
Adjustments primarily involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(408)	(408)	408	0
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	386	-	386	(386)	0
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(181,470)	-	(181,470)	181,470	0
Employer's pensions contributions and direct payments to pensioners payable in the year	77,344	-	77,344	(77,344)	0
Adjustment primarily involving the Accumulated Absences Account:					
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	(1,108)	-	(1,108)	1,108	0
Total Adjustments	**(109,767)**	**(408)**	**(110,175)**	**110,175**	**0**

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations (Continued)

2010/11	General Fund Balance £000	Capital Receipts Reserve £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(6,353)	-	(6,353)	6,353	0
Revaluation losses on Property Plant and Equipment	(935)	-	(935)	935	0
Amortisation of intangible assets	(1,221)	-	(1,221)	1,221	0
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	(288)	-	(288)	288	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	1,938	-	1,938	(1,938)	0
Capital expenditure charged against the General Fund and HRA balances	7,281	-	7,281	(7,281)	0
Adjustments primarily involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(418)	(418)	418	0
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	201	-	201	(201)	0
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	95,390	-	95,390	(95,390)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	61,456	-	61,456	(61,456)	0
Adjustment primarily involving the Accumulated Absences Account:					
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	1,032	-	1,032	(1,032)	0
Total Adjustments	**158,501**	**(418)**	**158,083**	**(158,083)**	**0**

Note 8 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 2011/12.

	Balance at 31 March 2010 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2011 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2012 £000
General Fund:							
Earmarked Revenue Reserves							
Devolved Budget Carry Forwards	(459)	459	(238)	**(238)**	238	(193)	**(193)**
Other Specific Reserves:							
Legacy Investigations	(469)	0	0	**(469)**	0	0	**(469)**
Chief Constables Contingency	(500)	0	0	**(500)**	0	0	**(500)**
Major Crime Fund	(200)	0	0	**(200)**	0	0	**(200)**
Financial Investigators	(687)	0	0	**(687)**	0	(33)	**(720)**
Ill Health Retirements	(984)	0	0	**(984)**	0	0	**(984)**
Bank Holiday Reserve	(400)	0	(157)	**(557)**	182	0	**(375)**
Estate Development	(250)	0	0	**(250)**	0	0	**(250)**
Management of Police Information/ Police National Database	(222)	0	0	**(222)**	0	0	**(222)**
Body Armour Replacement	(200)	0	0	**(200)**	0	0	**(200)**
Major Events Fund	0	0	(231)	**(231)**	0	(769)	**(1,000)**
Road Safety	0	0	(1,205)	**(1,205)**	8	0	**(1,197)**
Vehicle Management System	(109)	92	(537)	**(554)**	242	0	**(312)**
Invest to Save Initiatives	0	0	(141)	**(141)**	3	0	**(138)**
Police Authority Tribunals/ Appeals	0	0	(50)	**(50)**	0	0	**(50)**
Project Darwin - Control Rooms	(292)	146	0	**(146)**	3	0	**(143)**
Resource Management System transition	0	0	0	**0**	0	(300)	**(300)**
Bridewell Development	0	0	0	**0**	0	(1,640)	**(1,640)**
Project Reform	(575)	2,579	(8,497)	**(6,493)**	0	(49)	**(6,542)**
Other Specific Reserves	(551)	265	(829)	**(1,115)**	630	(370)	**(855)**
Police Authorities of Wales Joint Committee	(17)	17	(102)	**(102)**	28	(31)	**(105)**
	(5,915)	**3,558**	**(11,987)**	**(14,344)**	**1,334**	**(3,385)**	**(16,395)**
Earmarked Reserve- Possible Impaired Investments Icelandic							
Repayments (principal)	(5,601)	605	0	(4,996)	1,586	0	**(3,410)**
Recognition of Financial Instruments Adjustment Account in accordance with the end of statutory mitigation for possible impairment of Icelandic Bank deposits. Being the estimated impairment of carrying discounted value of principal and interest.					872	0	**872**
Total Earmarked Revenue Reserves	**(11,516)**	**(7,824)**		**(19,340)**	**407**		**(18,933)**
Earmarked Capital Reserves resources allocated to part finance capital programme expenditure	(10,703)	0	(904)	**(11,607)**	205	(3,108)	**(14,510)**
	(10,703)	**0**	**(904)**	**(11,607)**	**205**	**(3,108)**	**(14,510)**
Total Earmarked Reserves	**(22,219)**	**(8,728)**		**(30,947)**	**(2,496)**		**(33,443)**
General Fund	**(5,114)**		**(605)**	**(5,719)**	**872**	**(2,458)**	**(7,305)**
Total Usable Reserves	**(27,333)**	**4,163**	**(13,496)**	**(36,666)**	**4,869**	**(8,951)**	**(40,748)**
(Increase)/ Decrease movement in Year		**(9,333)**			**(4,082)**		

Note 9 Other operating expenditure

	2011/12 £000	2010/11 £000
Gain/losses on disposal of non current assets	147	288
Levies to national police services	852	712
Total	**999**	**1,000**

Note 10 Financing and investment income and expenditure

	2011/12 £000	2010/11 £000
Interest payable on debt	955	1,039
Capital Financing Grant	(88)	(95)
Impairment of financial instruments	(386)	(201)
Pensions interest costs	134,960	141,560
Expected return on pension assets	(10,430)	(9,200)
Pensions top up Grant receivable (HO)	(38,451)	(21,119)
Investment Interest income	(585)	(493)
Total	**85,975**	**111,491**

Note 11 Taxation and non-specific grant income

	2011/12 £000	2010/11 £000
Capital government grants and contributions	(2,408)	(5,440)
Council tax income	(74,842)	(70,911)
Non domestic rates (National Assembly for Wales)	(32,947)	(38,780)
Revenue Support Grant (National Assembly for Wales)	(48,911)	(45,176)
Non ringfenced government grants (Home Office)	(100,647)	(102,465)
Total	**(259,755)**	**(262,772)**

Note 12 - Property, Plant and Equipment & Intangible Assets

including copy of Note 19 - Assets held for sale

Movements on Balances in 2011/12	Property, Plant & Equipment			Note 12		Note 14	Note 19	
	Other Land & Buildings	Vehicles, Plant & Equipment	PP&E Under Construction	Total PP&E		Intangible Assets	Assets held for sale	Total Fixed Assets
	£000	£000	£000	£000		£000	£000	£000
Cost or Valuation								
At 1 April 2011	72,279	45,610	0	**117,889**		8,463	272	**126,624**
Adjustments between cost/value & depn/impairment	0	0	0	**0**		0	0	**0**
Adjusted 1 April 2011 balance	**72,279**	**45,610**	**0**	**117,889**		**8,463**	**272**	**126,624**
Additions	908	4,337	990	**6,235**		894	0	**7,129**
Donations	0	0	0	**0**		0	0	**0**
Revaluation Increases/(decreases) to RR	2,193	0	0	**2,193**		0	29	**2,222**
Revaluation Increases/(decreases) to SDPS Incl Non enhancing spend	(483)	(817)	(670)	**(1,970)**		(118)	0	**(2,088)**
Revaluation Increases/(decreases) to SDPS VALUER revaluations	(2,919)	0	0	**(2,919)**		0	(149)	**(3,068)**
Derecognition-Disposals	(125)	(3,495)	0	**(3,620)**		0	(175)	**(3,795)**
Derecognitions-Other	0	0	0	**0**		0	0	**0**
Reclassified to/from Held for Sale	(932)	0	0	**(932)**		0	932	**0**
Reclassifications	320	336	(320)	**336**		(336)	0	**0**
At 31 March 2012	**71,241**	**45,971**	**0**	**117,212**		**8,903**	**909**	**127,024**
Depreciation and Impairment								
At 1 April 2011	0	(34,108)	0	**(34,108)**		(6,110)	0	**(40,218)**
Adjustments between cost/value & depn/impairment	0	0	0	**0**		0	0	**0**
Adjusted 1 April 2011 balance	**0**	**(34,108)**	**0**	**(34,108)**		**(6,110)**	**0**	**(40,218)**
Depreciation Charge	(1,245)	(4,476)	0	**(5,721)**		(1,195)	0	**(6,916)**
Depreciation written out to RR	1,245	0	0	**1,245**		0	0	**1,245**
Depreciation written out to SDPS	0	0	0	**0**		0	0	**0**
Impairment losses/(reversals) to RR	(1,245)	0	0	**(1,245)**		0	0	**(1,245)**
Impairment losses/(reversals) to SDPS	1,245	0	0	**1,245**		0	0	**1,245**
Derecognition-Disposals	0	3,241	0	**3,241**		0	0	**3,241**
Derecognitions-Other	0	0	0	**0**		0	0	**0**
Eliminated on reclassification to Held for Sale	0	0	0	**0**		0	0	**0**
Reclassifications	0	0	0	**0**		0	0	**0**
At 31 March 2012	**0**	**(35,343)**	**0**	**(35,343)**		**(7,305)**	**0**	**(42,648)**
Net Book Value								
At 31 March 2012	**71,241**	**10,628**	**0**	**81,869**		**1,598**	**909**	**84,376**
At 31 March 2011	**72,279**	**11,502**	**0**	**83,781**		**2,353**	**272**	**86,406**

The charge for depreciation is effectively accounted for as an addition of £1.245M to the revaluation reserve, consistent to previous years. This is applied in meeting part of the above impairment/ revaluation decreases. Further details of impairment are included at Note 35.

Assets under construction refer to the cost and reclassification of the revalued amounts associated with property schemes, including an extension and refurbishment of existing operational buildings to create a centralised Control Room or Public Service Centre at HQ. A net impairment of £0.670M is recognised comparing the construction cost, previous carrying value and revised carrying value as advised by a valuer.

Note 12 - Property, Plant and Equipment & Intangible Assets (continued)

including copy of Note 19 - Assets held for sale

Movements on Balances in 2010/11	Property, Plant & Equipment			Note 12		Note 14	Note 19	
	Other Land & Buildings	Vehicles, Plant & Equipment	PP&E Under Construction	Total PP&E		Intangible Assets	Assets held for sale	Total Fixed Assets
	£000	£000	£000	£000		£000	£000	£000
Cost or Valuation								
At 1 April 2010	70,352	43,759	0	**114,111**		6,882	662	**121,655**
Adjustments between cost/value & depn/impairment	0	0	0	**0**		0	0	**0**
Adjusted 1 April 2010 balance	**70,352**	**43,759**	**0**	**114,111**		**6,882**	**662**	**121,655**
Additions	1,787	4,660	945	**7,392**		1,702	0	**9,094**
Donations	0	0	0	**0**		0	0	**0**
Revaluation Increases/(decreases) to RR	0	0	0	**0**		0	(163)	**(163)**
Revaluation Increases/(decreases) to SDPS Incl Non enhancing spend	(122)	(1,076)	(641)	**(1,839)**		(121)	0	**(1,960)**
Revaluation Increases/(decreases) to SDPS	(20)	0	0	**(20)**		0	0	**(20)**
Derecognition-Disposals	(22)	(1,733)	0	**(1,755)**		0	(227)	**(1,982)**
Derecognitions-Other	0	0	0	**0**		0	0	**0**
Reclassified to/from Held for Sale	0	0	0	**0**		0	0	**0**
Reclassifications	304	0	(304)	**0**		0	0	**0**
At 31 March 2011	**72,279**	**45,610**	**0**	**117,889**		**8,463**	**272**	**126,624**
Depreciation and Impairment								
At 1 April 2010	0	(30,342)	0	**(30,342)**		(4,889)	0	**(35,231)**
Adjustments between cost/value & depn/impairment				**0**				**0**
Adjusted 1 April 2010 balance	**0**	**(30,342)**	**0**	**(30,342)**		**(4,889)**	**0**	**(35,231)**
Depreciation Charge	(1,205)	(5,148)	0	**(6,353)**		(1,221)	0	**(7,574)**
Depreciation written out to RR	1,205	0	0	**1,205**		0	0	**1,205**
Depreciation written out to SDPS	0	0	0	**0**		0	0	**0**
Impairment losses/(reversals) to RR	(1,205)	0	0	**(1,205)**		0	0	**(1,205)**
Impairment losses/(reversals) to SDPS	1,205	0	0	**1,205**		0	0	**1,205**
Derecognition-Disposals	0	1,382	0	**1,382**		0	0	**1,382**
Derecognitions-Other	0	0	0	**0**		0	0	**0**
Eliminated on reclassification to Held for Sale	0	0	0	**0**		0	0	**0**
Reclassifications	0	0	0	**0**		0	0	**0**
At 31 March 2011	**0**	**(34,108)**	**0**	**(34,108)**		**(6,110)**	**0**	**(40,218)**
Net Book Value								
At 31 March 2011	**72,279**	**11,502**	**0**	**83,781**		**2,353**	**272**	**86,406**
At 31 March 2010	**70,352**	**13,417**	**0**	**83,769**		**1,993**	**662**	**86,424**

The charge for depreciation is effectively accounted for as an addition of £1.205M to the revaluation reserve, consistent to previous years. This is applied in meeting part of the above impairment/ revaluation decreases. Further details of impairment are included at Note 35.

Assets under construction refer to the cost and reclassification of the revalued amounts associated with property schemes, including a new station at Talbot Green. A net impairment of £0.641M is recognised comparing the previous carrying value, construction cost and revised carrying value

Note 12 - Property, Plant and Equipment & Intangible Assets (continued)

Number of Fixed Assets

	2011/12	2010/11
Police Headquarters, Bridgend	1	1
Divisional Headquarters	4	4
Other Police Stations and Offices	61	67
Radio Masts	4	4
Houses for Police Officers	5	8
	75	**84**
Vehicles	767	741

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
- Infrastructure – 25 years

Capital Commitments

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

Commitments	**2011/12** £000	**2010/11** £000
Property Schemes	167	128
Vehicles	467	39
Computer Systems	1608	285
Communication Systems	0	0
Other	96	287
	2,338	**739**

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

Note 13 Investment Properties

The Authority does not hold properties whose sole purpose is to earn rentals or for capital appreciation or both.

Note 14 Intangible Assets

Details are included with Note 12.

The Authority 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 15 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2012 £000	**31 March 2011** £000	**31 March 2012** £000	**31 March 2011** £000
Investments				
Loans and receivables	1,902	2,834	30,686	32,669
Debtors				
Loans and receivables	0	0		
Financial assets carried at contract amounts			27,419	8,707
Borrowings				
Financial liabilities at amortised cost	(19,752)	(19,236)	(2,074)	(1,931)
Creditors				
Financial liabilities at amortised cost	0	0		
Financial liabilities carried at contract amount			(21,637)	(22,582)

Income, Expense, Gains and Losses

		2011/12 £000		**2010/11** £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	955	0	1,039	0
Impairment losses	(386)	0	(201)	0
Fee expense	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**569**	**0**	**838**	**0**
Interest income	0	(585)	0	(493)
Fee income	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**(585)**	**0**	**(493)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by 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 2012 of 1.73% to 11.75% for loans from the PWLB and 0.8% to 1.5% for other loans receivable and payable, based on new lending rates for equivalent 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 2012		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	(2,074)	(2,074)	(1,931)	(1,931)
Long-term creditors	(19,752)	(23,054)	(19,236)	(20,591)
	(21,826)	(25,128)	(21,167)	(22,522)

The fair value of the liabilities is higher than the carrying amount because the Authority'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 2012) arising from a commitment to pay interest to lenders higher than current market rates.

	31 March 2012		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Long term				
Loans and receivables	1,902	1,902	2,834	2,834
Long-term debtors	0	0	0	0

Impairment of Financial Assets with Icelandic Banks

Early in October 2008, the Icelandic banks **Landsbanki**, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, **Heritable** and Kaupthing Singer and Friedlander went into administration. The Authority had £7M deposited across two of these institutions, with varying maturity dates and interest rates. Details as follows:

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Amount Repaid (principal)	Carrying Amount 31 March 2012	Estimated Impairment Discounted (principal+interest)
			£		£	£	£
Heritable	08-Sep-08	22-Oct-08	1,500,000	5.54%	(1,018,500)	472,585	180,117
Heritable	03-Jul-08	03-Nov-08	1,200,000	6.04%	(814,800)	394,479	158,565
Heritable	16-Jan-08	14-Jan-09	500,000	5.39%	(339,500)	181,065	80,111
Heritable	18-Feb-08	16-Feb-09	800,000	5.47%	(543,200)	290,343	129,574
Landsbanki	15-Sep-08	20-Oct-08	500,000	5.35%	(145,733)	353,531	71,703
Landsbanki	12-Sep-08	31-Oct-08	500,000	5.48%	(145,733)	354,644	73,349
Landsbanki	03-Oct-08	28-Nov-08	500,000	6.15%	(145,733)	355,684	81,022
Landsbanki	04-Jun-08	01-Dec-08	1,000,000	5.99%	(291,468)	731,472	161,657
Landsbanki	15-Feb-08	13-Feb-09	500,000	5.49%	(145,733)	378,341	76,920
TOTAL			**7,000,000**		**(3,590,400)**	**3,512,144**	**1,013,018**

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Authority will be determined by the administrators / receivers. The Authority has received principal repayments of **£3.590M**, approximately **51%.**

For the 2011/12 accounts, LAAP bulletin Update no. 6 issued in May 2012 provided updated information, advice and recommendations. Estimated recoveries for Heritable are **88%** and Landsbanki **100%**, the latter is subject to further legal process and foreign currency exchange rates.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. CIPFA have provided specific accountancy advice (LAAP Bulletin 82 update No. 1 issued September 2009 through to update 6 issued in May 2012) to reflect an appropriate impairment in the Authority's Accounts.

The latter guidance confirms the requirement to clear or charge the Financial Instruments Adjustment Account balance to the General Fund. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years. A second Landsbanki distribution has been received of £367k plus interest, all in sterling, increasing the total to some 40% of the value of the claim. This is not a material change to the stated position for 2011/12.

Revised estimated payment schedules are as follows:

Heritable Bank

Date	Repayment	Date	Repayment
Received to March 2012	67.90%		
April 2012	3.79%	January 2013	3.50%
July 2012	3.50%	April 2013	5.81%
October 2012	3.50%		
		Total	**88.00%**

Landsbanki

Date	Repayment	Date	Repayment
Approximately Received to March 2012	30.00%		
		December 2015	8.00%
December 2012	8.00%	December 2016	8.00%
December 2013	8.00%	December 2017	8.00%
December 2014	8.00%	December 2018	22.00%
		Total	**100.00%**

General Impact in the Accounts

In accordance with LAAP Bulletin 82 update No. 1, the impairment loss recognised in the Comprehensive Income and Expenditure Statement in 2008/09, **£2.007M**, had been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available. For the 2009/10 accounts, LAAP Bulletin Update no. 2, recommends the revised calculations and accounting entries, which results in a reduced impairment to **£1.667M**. For the 2010/11 accounts, LAAP Bulletin Update no. 4, recommends the revised calculations and accounting entries, which results in a reduced impairment to **£1.466M**. For the 2011/12 accounts LAAP bulletin update no. 5 and 6 recommends the revised calculations and accounting entries, which results in a reduced impairment to **£1.013M.** It is pleasing to note the continued reduction to this calculated figure.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of **£1.609M** had been transferred to the Financial Instruments Adjustment Account. In 2009/10, this was reduced by £0.150m to **£1.459M**. In 2010/11, this was further reduced by £0.201m to **£1.258M.** In 2011/12 this was further reduced by £0.386m to **£0.872M**. The removal of this statutory provision requires this balance to be charged to the General Fund.

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments and discounted using the investment's original interest rate.

The Balance Sheet shows the net impact of the impairment of the Icelandic Banks investment in the Financial Instruments Adjustment Account. Regulations issued in March 2009, extended in March 2010, allow the Authority **to defer** the impact of an impairment loss on the General Fund until March 2012. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the **timing differences** between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. This account has been cleared to the General Fund in 2011/12.

Note 16 Inventories

Stock, as analysed below, has been valued at the lower of Cost or Net Realisable Value (NRV)

Consumables	Transport 2011/12 £000	Supplies & Services 2011/12 £000	Total 2011/12 £000	Transport 2010/11 £000	Supplies & Services 2010/11 £000	Total 2010/11 £000
Balance outstanding at start of year	**140**	**636**	**776**	**105**	**701**	**806**
Purchases	2,810	1,045	**3,855**	2,595	1,239	**3,834**
Recognised as an expense in the year	(2,802)	(1,031)	**(3,833)**	(2,560)	(1,304)	**(3,864)**
Balance outstanding at year-end	**148**	**650**	**798**	**140**	**636**	**776**

Consumables for transport include vehicle fuel & traffic parts. Consumables for supplies and services include uniforms, communication parts and other stocks of stationery and printing supplies.

Note 17 Debtors

	31 March 2012 £000	**31 March 2011** £000
Central government bodies	18,855	5,205
Other local authorities and police authorities	2,188	2,330
NHS bodies	15	9
Public corporations and trading funds	1	0
Other entities and individuals:		
Other Sundry Debtors	840	483
Prepayments	5,380	617
Payroll Temporary Advance Payments	140	63
Reimbursement of Provisions	0	0
Total	**27,419**	**8,707**
Each line item is presented net of impairment		

Note 18 Cash and Cash Equivalents

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

	31 March 2012 £000	**31 March 2011** £000
Cash held by the Authority	49	47
Bank current accounts	1,740	4,019
Short-term deposits with callable bank accounts	500	9,490
Total Cash and Cash Equivalents	**2,289**	**13,556**

Note 19 Assets Held for Sale

	Current	
	2011/12 £000	**2010/11** £000
Balance outstanding at start of year	272	662
Assets newly classified as held for sale:		
.. Property, Plant and Equipment	932	0
Revaluation losses	(149)	(163)
Revaluation gains	29	0
Assets sold	(175)	(227)
Balance outstanding at year-end	**909**	**272**

Note 20 Creditors

	31 March 2012 £000	**31 March 2011** £000
Central government bodies	5,532	8,710
Other local authorities	3,503	5,488
NHS bodies	0	18
Public corporations and trading funds	103	184
Other entities and individuals (incl Other Funds)	12,499	8,182
Total	**21,637**	**22,582**

Note 21 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 2012, with movements passing through the Comprehensive Income and Expenditure Statement:

	Outstanding Legal Claims £000	Insurance claims re: MMI £000	Injury Related Pension Payments £000	Other Provisions £000	Total £000
Balance at 1 April 2011	(1,770)	0	(371)	(89)	**(2,230)**
Additional provisions made in 2011/12	(2,039)	(387)	0	(1)	**(2,427)**
Amounts used in 2011/12	784	0	0	0	**784**
Unused amounts reversed in 2011/12	0	0	371	0	**371**
Balance at 31 March 2012	**(3,025)**	**(387)**	**0**	**(90)**	**(3,502)**

Outstanding Legal and Insurance Claims

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

The Police Authority maintains provision to meet the costs of likely policy excesses and self insured risks for existing cases/ claims. The Authority provides an allocation from its revenue budget and prior year provisions to assist in meeting these costs. Increased provision is allocated for legal/ liability claims of £2M. A new provision is required with regard to former Municipal Mutual Insurance (MMI) managed claims, previously recognised as contingent liabilities. Further information and details are awaited to better assess possible liabilities. Exact amounts and timing of future liabilities are uncertain and a new provision equating to 25% or £0.387M of the previous contingent liability is made. Further details in Note 39.

Injury Award Pension Payments: this provision is to reflect the potential liability of a number of cases where injury related pension payments have yet to be made. Provision is no longer required and is released with any residual costs having to be met as settled.

Other Provisions

These group other provisions which are individually insignificant. It includes Interest on fund seizures. The Authority 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.

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

Insured risks	'Self insured' risks
Employers Liability above £540,000 in total and above £100,000 for individual claims	Employers Liability below £540,000 in total and below £100,000 for individual claims
Public Liability above £715,000 in total and above £100,000 for individual claims	Public Liability below £715,000 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 22 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

Note 23 Unusable Reserves

	31 March 2012 £000	31 March 2011 £000
Revaluation Reserve	(10,091)	(8,032)
Capital Adjustment Account	(52,484)	(57,239)
Financial Instruments Adjustment Account	0	1,258
Pensions Deficit Reserve - Local Government	127,230	95,830
Pensions Deficit Reserve - Police	2,309,580	2,151,580
Accumulated Absences Account	2,818	1,710
Total Unusable Reserves	**2,377,053**	**2,185,107**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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.

	2011/12 £000	2010/11 £000
Balance at 1 April	(8,032)	(8,032)
Upward revaluation of assets	(3,467)	(1,205)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,245	1,205
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(10,254)**	**(8,032)**
Amount written off to the Capital Adjustment Account	163	0
Balance at 31 March	**(10,091)**	**(8,032)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account (continued)

	2011/12 £000	2010/11 £000
Balance at 1 April	**(57,239)**	**(57,481)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of noncurrent assets	5,721	6,353
Revaluation losses on Property, Plant and Equipment	3,911	935
Amortisation of intangible assets	1,195	1,221
Revenue expenditure funded from capital under statute	0	0
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	555	706
	11,382	**9,215**
Adjusting amounts written out of the Revaluation Reserve	-163	0
Net written out amount of the cost of non-current assets consumed in the year	**11,219**	**9,215**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(408)	(418)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,408)	(5,440)
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,931)	(1,938)
Transfer to / (from) Earmarked Reserves	(1)	664
Capital expenditure charged against the General Fund and HRA balances	(1,716)	(1,841)
	(6,464)	**(8,973)**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at 31 March	**(52,484)**	**(57,239)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2011/12 £000	2010/11 £000
Balance at 1 April	1,258	1,459
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(1,258)	(201)
Balance at 31 March	**0**	**1,258**

Pensions Reserve

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

	2011/12	**2010/11**
	£000	£000
Balance at 1 April	2,247,410	2,541,290
Actuarial gains or losses on pensions assets and liabilities	85,194	(137,034)
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	181,470	(95,390)
Employer's pensions contributions and direct payments to pensioners payable in the year	(77,344)	(61,456)
Balance at 31 March	**2,436,730**	**2,247,410**

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.

	2011/12	**2010/11**
	£000	£000
Balance at 1 April	1,710	2,742
Settlement or cancellation of accrual made at the end of the preceding year	(1,710)	(2,742)
Amounts accrued at the end of the current year	2,818	1,710
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	0	0
Balance at 31 March	**2,818**	**1,710**

Note 24 - 26 Notes to the Cash Flow Statement

	2011/12 £000	2010/11 £000
Net cash flows from Operating Activities	**10,543**	**(19,419)**

Note 24 Cash Flow Statement – Operating Activities

	2011/12 £000	2010/11 £000
The cash flows for operating activities include the following items:		
Interest received	(585)	(493)
Interest paid	955	1,039
Dividends received	0	0
	370	**546**

Note 25 Cash Flow Statement – Investing Activities

	2011/12 £000	2010/11 £000
Purchase of property, plant and equipment, investment property and intangible assets	7,129	9,094
Purchase of short-term and long-term investments	32,588	35,503
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(408)	(418)
Capital grants	(2,408)	(5,440)
Proceeds from shot-term and long-term investments	(35,889)	(31,230)
Other receipts from investing activities	0	0
Net cash flows from investing activities	**1,012**	**7,509**

Note 26 Cash Flow Statement – Financing Activities

	2011/12 £000	2010/11 £000
Cash receipts of short- and long-term borrowing	(2,589)	(2,153)
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contra	0	0
Repayments of short- and long-term borrowing	1,931	1,938
Other payments for financing activities	0	0
Net cash flows from financing activities	**(658)**	**(215)**

	2011/12 £000	2010/11 £000
Net increase or decrease in cash and cash equivalents	**11,267**	**(11,579)**

Note 27 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 Best Value Accounting Code of Practice. However in this Authority, which has responsibility for single service decisions, resource allocation decisions are taken by the Command Team and Police Authority 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

	2011/12 £000	2010/11 £000
Fees, charges & other service income	(10,081)	(11,181)
Government grants	(20,497)	(27,045)
Total Income	**(30,578)**	**(38,226)**
Employee expenses	193,875	193,264
Other operating expenses	114,376	(171,927)
Support Service Recharges	0	0
Total operating expenses	**308,251**	**21,337**
Net Cost of Services	**277,673**	**(16,889)**

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

	2011/12 £000	2010/11 £000
Cost of Services in Service Analysis	277,673	(16,889)
Add services not included in main analysis	0	0
Add amounts not reported to management	0	0
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	0	0
Net Cost of Services in Comprehensive Income and Expenditure Statement	**277,673**	**(16,889)**

Note 27 Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis 2011/12		Service Analysis £000s	Net Cost of Services £000s	Corporate Amounts £000s	**Total 0 £000s**
Fees, charges & other service income		(10,081)	(10,081)	0	**(10,081)**
Surplus or deficit on associates and joint ventures		0	0	0	**0**
Interest and investment income		0	0	(971)	**(971)**
Income from council tax		0	0	(74,842)	**(74,842)**
Government grants and contributions		(20,497)	(20,497)	(223,452)	**(243,949)**
Total Income		**(30,578)**	**(30,578)**	**(299,265)**	**(329,843)**
	0	-	-	-	-
Employee expenses		193,875	193,875	0	**193,875**
Other service expenses		105,867	105,867	0	**105,867**
Support Service recharges		0	0	0	**0**
Depreciation, amortisation and impairment		8,509	8,509	0	**8,509**
Interest Payments - on debt		0	0	955	**955**
Interest Payments - pension retirement Benefits		0	0	124,530	**124,530**
Precepts & Levies		0	0	852	**852**
Payments to Housing Capital Receipts Pool		0	0	0	**0**
Gain or Loss on Disposal of Fixed Assets		0	0	147	**147**
Total operating expenses		**308,251**	**308,251**	**126,484**	**434,735**
	0	**-**	-	**-**	**-**
Surplus or deficit on the provision of services		**277,673**	**277,673**	**(172,781)**	**104,892**

Reconciliation to Subjective Analysis 2010/2011	Service Analysis £000	Net Cost of Services £000	Corporate Amounts £000	**Total** £000
Fees, charges & other service income	(11,181)	(11,181)	0	**(11,181)**
Surplus or deficit on associates and joint ventures	0	0	0	**0**
Interest and investment income	0	0	(694)	**(694)**
Income from council tax	0	0	(70,911)	**(70,911)**
Government grants and contributions	(27,045)	(27,045)	(213,075)	**(240,120)**
Total Income	**(38,226)**	**(38,226)**	**(284,680)**	**(322,906)**
Employee expenses	193,264	193,264	0	**193,264**
Other service expenses	(180,436)	(180,436)	0	**(180,436)**
Support Service recharges	0	0	0	**0**
Depreciation, amortisation and impairment	8,509	8,509	0	**8,509**
Interest Payments - on debt	0	0	1,039	**1,039**
Interest Payments - pension retirement Benefits	0	0	132,360	**132,360**
Precepts & Levies	0	0	712	**712**
Payments to Housing Capital Receipts Pool	0	0	0	**0**
Gain or Loss on Disposal of Fixed Assets	0	0	288	**288**
Total operating expenses	**21,337**	**21,337**	**134,399**	**155,736**
Surplus or deficit on the provision of services	**(16,889)**	**(16,889)**	**(150,281)**	**(167,170)**

Note 28 Members' Allowances

The Authority paid the following total to members of the Police Authority:

	2011/12 £000	2010/11 £000
Allowances and Expenses	208	210

Note 29 Officers'/ Employee Remuneration

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 2008. 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.

Number of Police Officers and Police Staff (Employees): Remuneration band	2011/12	2010/11
£60,000 - £64,999	40	43
£65,000 - £69,999	7	13
£70,000 - £74,999	7	5
£75,000 - £79,999	15	13
£80,000 - £84,999	3	8
£85,000 - £89,999	6	6
£90,000 - £94,999	0	3
£95,000 - £99,999	0	3
£100,000 - £104,999	3	2
£105,000 - £109,999	2	1
£110,000 - £114,999	0	0
£115,000 - £119,999	1	0
£120,000 - £124,999	1	0
£125,000 - £129,999	0	1
£130,000 - £134,999	1	0
£135,000 - £139,999	1	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	1
£150,000- £154,999	0	0
£155,000- £159,999	1	0
	88	**99**

The reduction of reportable employees in 2011-12 is as result of the Authority's continued use of Voluntary Early Retirement and A19 regulations of Police Officers.

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.

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	
	2011/12	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12** £000	**2010/11** £000
£0 – £20,000	7	12	17	0	24	12	232	123
£20,001 – £40,000	1	0	3	0	4	0	99	0
£40,001 – £60,000	0	0	1	0	1	0	56	0
Total	**8**	**12**	**21**	**0**	**29**	**12**	**387**	**123**

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.

One officer/ post has received payment in respect of compensation for loss of employment. 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.

Note 29 Officers'/ Employee Remuneration (Continued) 2011/12

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 **2011/12**
		£	£	£	£	£	£	£	£
Chief Constable P.Vaughan		154,370	0	0	0	1,407	4,028	35,863	195,668

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 **2011/12**
		£	£	£	£	£	£	£	£
Deputy Chief Constable		128,202	0	0	0	3,434	0	29,586	161,222
ACC Territorial policing		103,143	0	0	0	5,559	544	23,719	132,965
ACC Specialist Crime	Note 1	98,222	0	15,214	0	3,564	0	23,769	140,769
Assistant Chief Constable (seconded)	Note 2	113,298	0	0	0	3,271	2,543	26,156	145,268
Director of Legal Services	Note 3	94,810	0	0	0	5,903	0	10,429	111,142
Chief Executive	Note 4	75,418	0	0	56,889	3,924	0	8,296	144,527
Chief Executive (interim)	Note 5	21,548	0	0	0	0	0	2,370	23,918
Director of Finance		99,599	0	0	0	5,872	0	10,956	116,427
Treasurer to Police Authority	Note 6	5,435	0	0	0	0	0	598	6,033
ACC Specialist Ops		110,982	0	0	0	6,193	3,020	25,615	145,810
Director Of Human Resources	Note 7	98,641	0	0	0	3,292	0	10,851	112,784

Note 1 Expenses includes relocation expenses
Note 2 Additional Assistant Chief Constable post due to secondment and the costs are reimbursed by the host body (HM Prison Service)
Note 3 Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged
Note 4 Retired 31st December 2011. Payment for loss of office made on termination.
Note 5 Appointed interim Chief Executive 1st January 2012, the equivalent annualised salary is £86,190
Note 6 The Treasurers role is on a part-time basis. The whole time equivalent salary is £81,530. The individual retired 31st May 2011. Role responsibilities were passed on an interim basis to the Chief Financial Officer.
Note 7 Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

*** Provisional benefit in kind figures per returns to HMRC July 2012
**** Includes Compensatory Grant

Note 29 Officers'/ Employee Remuneration (Continued) 2010/11

Post holder information (Post title and name)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind (e.g. Car Allowance) ***	Other Payments (Police Officers only) ****	Pension contributions (Employers)	Total Remuneration including pension contributions **2010/11**
		£	£	£	£	£	£	£
Chief Constable P.Vaughan		152,835	0	34	1,119	3,893	35,491	193,372

Post holder information (Post title)	Notes	Salary (Including fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind (e.g. Car Allowance) ***	Other Payments (Police Officers only) ****	Pension contributions (Employers)	Total Remuneration including pension contributions **2010/11**
		£	£	£	£	£	£	£
Deputy Chief Constable	Note 1	126,936	0	18,112	3,695	0	29,280	178,023
ACC Territorial policing 01/04/10 to 31/05/10	Note 2a	17,838	0	743	0	4,131	4,163	26,875
T/ACC Territorial Policing 01/06/10 to 17/07/10	Note 2b	11,908	0	262	0	0	3,461	15,631
ACC Territorial Policing from 18/07/10	Note 2c	68,959	0	1,674	2,855	0	15,911	89,399
T/ACC Specialist Crime 01/04/10 to 05/07/10	Note 3a	23,530	0	725	0	0	5,583	29,838
ACC Specialist Crime from 05/07/10	Note 3b	68,943	0	13,340	911	0	16,685	99,879
Assistant Chief Constable (seconded)	Note 4	109,199	0	4,654	1,790	2,542	25,164	143,349
Director of Legal Services	Note 5	90,988	0	368	5,903	0	14,831	112,090
Chief Executive		94,958	0	523	5,222	0	15,478	116,181
Director of Finance		89,671	0	632	5,998	0	14,616	110,917
Treasurer to Police Authority	Note 6	32,270	0	1,954	0	0	5,261	39,485
ACC Specialist Ops from 01/01/2011	Note 7b	27,746	0	314	4,202	0	6,404	38,666
T/ACC Specialist Ops 01/04/10 to 31/12/10	Note 7a	69,253	0	943	3,782	1,909	16,239	92,126
ACC Human Resources 01/04/2010 to 31/12/10	Note 8a	82,140	0	1,281	0	2,419	18,946	104,786
Director Of Human Resources	Note 8b	22,993	0	577	1,360	0	3,748	28,678

Note 1 Expenses includes relocation expenses
Note 2a ACC retired 31/05/2010. Annualised salary is £103,217
Note 2b Temporary ACC covered post 01/06/10 to 17/07/10
Note 2c ACC appointed 18th July 2010. Annualised salary is £93753. Benefits in Kind includes relocation expenses
Note 3a Temporary ACC covered post 01/04/10 to 05/07/10
Note 3b ACC appointed 5th July 2010. Annualised salary is £93,753. Expenses includes relocation expenses
Note 4 Additional Assistant Chief Constable post due to secondment and the costs are reimbursed by the host body (HM Prison Service)
Note 5 Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged
Note 6 The Treasurer works reduced hours under a part-time agreement. The whole time equivalent salary is £81,530
Note 7a Temporary ACC Post covered from 01/04/10 to 31/12/10
Note 7b ACC appointed 01/01/2011. Annualised salary is £105,849
Note 8a ACC covering Human Resources post. Annualised salary is £105,849
Note 8b Started 1st January 2011 annualised salary is £94,810 - Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

*** Revised for final benefit in kind figures per returns to HMRC July 2011
**** Includes Compensatory Grant

Note 30 External Audit Costs

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

	2011/12 £000	2010/11 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	82	83
Credit Notes received relating to Performance Audits for previous years	(18)	0
Total	**64**	**83**

Note 31 Grant and Other Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12:

		2011/12 £000	2010/11 £000
Credited to Services	**Funding Body**		
All Wales Schools Programme	NAW/ Other Police Authorities	(1,030)	(1,087)
Basic Command Unit Fund Grant	Home Office	0	(856)
Building Safer Communities	Other Local Authorities	0	(508)
Counter Terrorism/Cardiff Airport	Home Office	(113)	(644)
Community Support Officers & Neighbourhood Policing Grant	Home Office	(6,512)	(6,482)
Crime Fighting Fund/Extra Officers	Home Office	0	(4,628)
Criminal Justice Board	Home Office	0	(193)
Dedicated Security Posts	Home Office	(1,573)	(1,611)
Drugs Intervention Programme	Home Office	(372)	(393)
Mobile Data Capital Development	Home Office	(746)	(619)
Police Incentivisation Fund	Home Office	(497)	(323)
Princes Trust	National Council for Education and Training	(57)	(257)
Regional Asset Recovery	Home Office	(1,066)	(1,036)
Counter Terrorism Intelligence Unit	Home Office	(4,071)	(4,372)
Regional Intelligence Unit	Home Office	(502)	(411)
Regional Task Force / Tarian	NAW/ Other Police Authorities	(642)	(642)
Special Priority Payments Grant	Home Office	(21)	(459)
Speed Reduction Camera Partnership	Home Office/ NAW/ Other Local Authorities	(1,828)	(1,879)
Tackling Knives Action Programme	Home Office	0	(140)
Olympics	Home Office	(224)	(31)
Prevent	Home Office	(266)	(106)
Criiminal Records Bureau	Home Office/ Ministry of Justice	(320)	0
Operation Cambria Guard	Home Office	(322)	0
Other Miscellaneous Grants (less than £150,000)	Various	(335)	(368)
		(20,497)	**(27,045)**
Corporate Grants			
Capital Financing Grant - Pre 1990 loan debt	Home Office	(88)	(95)
Pensions Top up Grant	Home Office	(38,451)	(21,119)
		(38,539)	**(21,214)**
Total		**(59,036)**	**(48,259)**

Note 31 Grant and Other Income (continued)

	2011/12 £000	2010/11 £000
Other Income		
Seconded Officers	(1,352)	(1,599)
LA Traffic Parking Schemes (Cardiff CC)	0	(149)
Special Duty Charges	(465)	(672)
Special Services to National Assembly	(566)	(591)
Vehicle Recovery Scheme	(1,609)	(1,712)
Rents	(115)	(176)
Mutual Aid to other Police Forces	(73)	(49)
Recovery of Costs from other Police Forces	(2,125)	(1,448)
Police Cost recovered	(719)	(424)
Training Course fees	(1,052)	(1,672)
Partnership Contributions	(803)	(650)
Sale of Vehicles	(267)	(262)
Vetting Check Income	(6)	(383)
Illegal Immigrants Income	(130)	(154)
Sale of Accident Reports	(137)	(138)
Other (headings less than £150,000)	(662)	(1,102)
	(10,081)	**(11,181)**

Financing from Council Taxpayers

In accordance with the Local Government Finance Act 1992, as amended by the Police Act 1996, the South Wales Police Authority at its meeting in February 2010 resolved to issue the following precepts on the Council Tax Collection Funds of the following Local Authorities:

	Taxbase (no of Band D properties)	2011/12 £000	2010/11 £000
Precepts:			
Cardiff County Council	136,311.00	21,994	20,877
City and County of Swansea	87,363.00	14,096	13,293
Bridgend County Borough Council	49,444.62	7,978	7,525
Merthyr Tydfil CBC	17,320.48	2,795	2,635
Neath Port Talbot CBC	45,838.27	7,396	7,046
Rhondda Cynon Taff CBC	72,472.87	11,693	11,088
The Vale of Glamorgan Council	55,100.00	8,890	8,447
	463,850.24	**74,842**	**70,911**
Resultant Council tax payable by tax payers in each Authority area:			
Band A		£107.57	£102.44
Band B		£125.49	£119.52
Band C		£143.42	£136.59
Band D		£161.35	£153.67
Band E		£197.21	£187.81
Band F		£233.06	£221.96
Band G		£268.92	£256.11
Band H		£322.70	£307.33
Band I		£376.48	£358.56

Note 32 Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 the Authority.

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 31.

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 28. Member's interests are declared and recorded in the statutory register maintained by the Chief Executive to the Police Authority. There have been no material interests disclosed by Members. For Police Offices and Police Staff, the appropriate Chief Officer maintains registers.

Note 33 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 the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	28,838	26,685
Capital investment		
Property, Plant and Equipment	6,235	7,392
Investment Properties	0	0
Intangible Assets	894	1,702
Revenue Expenditure Funded from Capital under Statute	0	0
Sources of finance		
Capital receipts	(408)	(418)
Government grants and other contributions	(2,408)	(5,221)
Sums set aside from revenue:		
Direct revenue contributions	(1,724)	(1,302)
Closing Capital Financing Requirement	**31,427**	**28,838**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	1,671
Increase in underlying need to borrowing (unsupported by government financial assistance)	2,589	482
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	0	0
Increase/(decrease) in Capital Financing Requirement	**2,589**	**2,153**

There is now no supported borrowing, which was a decision of the UK Government and the Home Office in the 2011/12 settlement. Consequently, the funding required is now considered unsupported in that it no longer features in the distribution of RSG, although this had not affected the total of RSG.

Note 34 Leases

Operating Leases

These include property, and equipment leases. The future minimum lease payments due under non-cancellable leases in future years are:

	2011/12 £000	2010/11 £000
Not later than one year	1,160	1,214
Later than one year and not later than five years	1,495	2,576
Later than five years	276	472
	2,931	**4,262**

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

	2011/12 £000	2010/11 £000
Minimum lease payments (annual cost)	1,291	1,348
	1,291	**1,348**

Note 35 Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12 and 14 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

Note 36 Capitalisation of Borrowing Costs

Where an Authority has capitalised borrowing costs, paragraph 4.8.4.2 of the Code requires disclosure of the amount of borrowing costs capitalised during the year and the capitalisation rate used to determine the amount of eligible borrowing costs.
Not significantly applicable to the Authority in the year.

Note 37 Termination Benefits

The following outlines totals of termination benefits, including compensation for VER retirements and enhanced pension benefits, referenced also in Note 29.

	2011/12 £000	2010/11 £000
VER costs - compensation payment (charged to CIEA note 5.2)	913	1,378
VER costs - unfunded pension (Adjustment to General Fund Balance)	464	1,051
Included in Employers Pension Contributions (Note 7)		
Further details of the accounting arrangements are included in the Accounting Policies		
	1,377	**2,429**

On 14 February 2011, the Police Authority approved a Voluntary Early Retirement scheme for police staff aged of 55 or over with 3 months membership in the Local Government Pension scheme, based on an unreduced pension plus a discretionary compensatory payment. In total 89 police staff opted for the first tranche of VER applications in March 2011. A total of 47 further retirements under this policy were

approved in 2011/12. These additional payments are necessary in order to release efficiency savings/ budgetary reductions in future years, by reducing/ ceasing future recruitment and considering redeployment of other employees into more critical roles.

Other efficiency measures under further consideration include application of the Police Regulation (A19) which enables the compulsory retirement of Police Officers who are beyond 30 years service, and the use of the regulation (A20) to retire officers who are unable to carry out the duties of an ordinary Police Officer. In addition, we have started the consultation necessary for compulsory redundancies.

Note 38 Defined Benefit Pension Schemes

38.1 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, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority 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 the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- 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. 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 2011/12 £000	Local Government Pension Scheme 2010/11 £000	Discretionary Benefits Arrangements 2011/12 £000	Discretionary Benefits Arrangements 2010/11 £000	Total 2011/12 £000	Total 2010/11 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• current service cost	7,930	8,860	0	0	**7,930**	**8,860**
• past service costs	450	(31,600)	0	(130)	**450**	**(31,730)**
• settlements and curtailments	0	0	0	0	**0**	**0**
Financing and Investment Income and Expenditure						
• interest cost	12,850	12,750	70	80	**12,920**	**12,830**
• expected return on scheme assets	(10,430)	(9,200)	0	0	**(10,430)**	**(9,200)**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**10,800**	**(19,190)**	**70**	**(50)**	**10,870**	**(19,240)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
• actuarial gains and (losses):						
The difference between the Expected and Actual Return on assets	(6,720)	(3,040)	0	0	**(6,720)**	**(3,040)**
Experience Gains and (Losses) arising on the scheme Liabilities	(3,710)	(6,160)	0	0	**(3,710)**	**(6,160)**
Changes in assumptions underlying the present value of the pension liabilities	(18,740)	10,370	(120)	(40)	**(18,860)**	**10,330**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(29,170)**	**1,170**	**(120)**	**(40)**	**(29,290)**	**1,130**
Movement in Reserves Statement						
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(10,800)	19,190	(70)	50	**(10,870)**	**19,240**
Actual amount charged against the General Fund Balance for pensions in the year:						
• employers' contributions payable to scheme	7,711	9,409	0	0	**7,711**	**9,409**
• retirement benefits payable to pensioners	0	0			**0**	**0**

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Pension Scheme 2011/12 £000	Funded Pension Scheme 2010/11 £000	Unfunded Discretionary Benefits 2011/12 £000	Unfunded Discretionary Benefits 2010/11 £000	Total 2011/12 £000	Total 2010/11 £000
Opening balance at 1 April	(237,240)	(252,680)	(1,410)	(2,110)	**(238,650)**	**(254,790)**
Current service cost	(7,930)	(8,860)	0	0	**(7,930)**	**(8,860)**
Interest cost	(12,850)	(12,750)	(70)	(80)	**(12,920)**	**(12,830)**
Contributions by scheme participants	(3,060)	(3,290)			**(3,060)**	**(3,290)**
Actuarial gains and losses	(22,450)	4,210	(120)	(40)	**(22,570)**	**4,170**
Benefits paid	10,070	5,140	90	90	**10,160**	**5,230**
Past service costs	(450)	31,600	0	130	**(450)**	**31,730**
Entity combinations (Business Combination)	0	(610)	0	600	**0**	**(10)**
Curtailments	0	0	0	0	**0**	**0**
Settlements	0	0	0	0	**0**	**0**
Closing balance at 31 March	**(273,910)**	**(237,240)**	**(1,510)**	**(1,410)**	**(275,420)**	**(238,650)**

Reconciliation of fair value of the scheme (plan) **assets:** Local Government Pension Scheme	**2011/12**	**2010/11**
	£000	£000
Opening balance at 1 April	142,820	130,250
Expected rate of return	10,430	9,200
Actuarial gains and (losses)	(6,720)	(3,040)
Employer contributions	8,670	8,260
Contributions by scheme participants	3,060	3,290
Benefits paid	(10,070)	(5,140)
Entity combinations	0	0
Settlements	0	0
Closing balance at 31 March	**148,190**	**142,820**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.
The actuarial return on scheme assets in the year was a loss of **£6.720M** (2010/11: £3.040m loss)

Scheme History	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(152,460)	(178,390)	(252,680)	(237,240)	(273,910)
Discretionary Benefits	(1,940)	(1,960)	(2,110)	(1,410)	(1,510)
Fair value of assets in the Local Government Pension Scheme	106,720	89,210	130,250	142,820	148,190
Total	**(47,680)**	**(91,140)**	**(124,540)**	**(95,830)**	**(127,230)**
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(45,740)	(89,180)	(122,430)	(94,420)	(125,720)
Discretionary Benefits	(1,940)	(1,960)	(2,110)	(1,410)	(1,510)
Total	**(47,680)**	**(91,140)**	**(124,540)**	**(95,830)**	**(127,230)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of **£127.230M** has a substantial impact on the net worth of the Authority 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 the Authority 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 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2011/12	**2010/11**	**2011/12**	**2010/11**
Long-term expected rate of return on assets in the scheme:				
Equity investments	8.1%	8.4%	-	-
Government Bonds	3.1%	4.4%	-	-
Corporate Bonds	3.7%	5.1%	-	-
Property	7.6%	7.9%	-	-
Other	8.1%	8.4%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.2	23.1	-	-
• Women	24.5	24.4	-	-
Longevity at 65 for future pensioners:				
• Men	25.1	25.0	-	-
• Women	26.5	26.4	-	-
Main Assumptions:				
Rate of inflation RPI	3.6%	3.7%	3.4%	3.6%
Rate of inflation CPI	2.6%	2.8%	2.4%	2.7%
Rate of increase in salaries	5.1%	5.2%	-	-
Rate of increase in pensions	2.6%	2.8%	2.4%	2.7%
Rate for discounting scheme liabilities	4.8%	5.4%	4.6%	5.5%
Take-up of option to convert annual pension into retirement lump sum				
- pre 1 April 2008 pension entitlements	50%	50%	-	-
- post 31 March 2008 pension entitlements	75%	75%	-	-

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	-5.7%	-34.8%	22.2%	-2.1%	-4.5%
Experience gains and losses on liabilities	0.7%	-13.0%	13.4%	2.6%	-0.4%

Note 38 Defined Benefit Pension Schemes (continued)

38.2 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, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority 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.
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 Scheme		Unfunded Injury Benefit Scheme Discretionary Benefits Arrangements		Total	Total
	2011/12	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**
	£000	£000	£000	£000 (restated)	£000 (restated)	£000 (restated)
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• current service cost	47,670	51,490	890	1,320	**48,560**	**52,810**
• past service costs	0	(246,920)	0	(10,770)	**0**	**(257,690)**
• settlements and curtailments	0	0	0	0	**0**	**0**
Financing and Investment Income and Expenditure						
• interest cost	117,150	123,430	4,890	5,300	**122,040**	**128,730**
• expected return on scheme assets	0	0	0	0	**0**	**0**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**164,820**	**(72,000)**	**5,780**	**(4,150)**	**170,600**	**(76,150)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
• actuarial gains and (losses) :						
The difference between the Expected and Actual Return on assets	0	0	0	0	**0**	**0**
Experience Gains and (Losses) arising on the scheme Liabilities	6,840	118,180	0	2,550	**6,840**	**120,730**
Changes in assumptions underlying the present value of the pension liabilities	(53,900)	11,320	(10,220)	4,590	**(64,120)**	**15,910**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(47,060)**	**129,500**	**(10,220)**	**7,140**	**(57,280)**	**136,640**
Movement in Reserves Statement						
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(164,820)	72,000	(5,780)	4,150	**(170,600)**	**76,150**
Actual amount charged against the General Fund Balance for pensions in the year:						
• employers' contributions payable to scheme	28,852	28,668	2,330	2,260	**31,182**	**30,928**
• retirement benefits payable to pensioners (grant funded)					**0**	**0**

Assets and Liabilities in Relation to Post-employment Benefits Reconciliation of present value of the scheme **liabilities** (defined benefit obligation):	Funded Pension Scheme		Unfunded Discretionary Benefits		Total	Total
	2011/12	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**
	£000	£000	£000	£000	£000	£000
			(restated)	(restated)	(restated)	(restated)
Opening balance at 1 April	(2,065,090)	(2,316,710)	(86,490)	(100,040)	**(2,151,580)**	**(2,416,750)**
Opening/ restatement actuarial adjustment- injury	0	0	0	0	**0**	**0**
Current service cost	(47,670)	(51,490)	(890)	(1,320)	**(48,560)**	**(52,810)**
Interest cost	(117,150)	(123,430)	(4,890)	(5,300)	**(122,040)**	**(128,730)**
Contributions by scheme participants	(12,190)	(12,510)	0	0	**(12,190)**	**(12,510)**
Actuarial gains and losses	(47,060)	129,500	(10,480)	7,140	**(57,540)**	**136,640**
Benefits paid	80,000	62,630	2,330	2,260	**82,330**	**64,890**
Past service costs	0	246,920	0	10,770	**0**	**257,690**
Entity combinations	0	0	0	0	**0**	**0**
Curtailments	0	0	0	0	**0**	**0**
Settlements	0	0	0	0	**0**	**0**
Closing balance at 31 March	**(2,209,160)**	**(2,065,090)**	**(100,420)**	**(86,490)**	**(2,309,580)**	**(2,151,580)**

Reconciliation of fair value of the scheme (plan) **assets:** *(A new disclosure requirement for 2011/12) hence a restatement for prior year*	Police Pension Scheme	(restated)	(original)
	2011/12	**2010/11**	**2010/11**
	£000	£000	£000
Opening balance at 1 April	0	0	0
Expected rate of return	0	0	0
Actuarial gains and (losses)- 'balance'	38,614	21,452	0
Employer contributions	31,526	30,928	0
Contributions by scheme participants	12,190	12,510	0
Benefits paid	(82,330)	(64,890)	0
Entity combinations	0	0	0
Settlements	0	0	0
Closing balance at 31 March	**0**	**0**	**0**

Scheme History	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
	£000	£000	£000	£000	£000
		(restated)	(restated)		
Present value of liabilities:					
Police Pension Scheme	(1,571,330)	(1,527,740)	(2,316,710)	(2,065,090)	(2,209,160)
Discretionary Benefits	(36,480)	(32,930)	(42,320)	(86,490)	(100,420)
Discretionary Benefits- restatement	0	(33,060)	(57,720)	0	0
Fair value of assets in the Police Pension Scheme	0	0	0	0	0
Total	**(1,607,810)**	**(1,593,730)**	**(2,416,750)**	**(2,151,580)**	**(2,309,580)**
Surplus/(deficit) in the scheme:					
Police Pension Scheme	(1,571,330)	(1,527,740)	(2,316,710)	(2,065,090)	(2,209,160)
Discretionary Benefits	(36,480)	(65,990)	(100,040)	(86,490)	(100,420)
Total	**(1,607,810)**	**(1,593,730)**	**(2,416,750)**	**(2,151,580)**	**(2,309,580)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £**2,309.580M** has a substantial impact on the net worth of the Authority 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 the Authority 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 the Authority.

The principal assumptions used by the actuary have been:

	Police Pension Scheme		Discretionary Benefits	
	2011/12	**2010/11**	**2011/12**	**2010/11**
Long-term expected rate of return on assets in the scheme:				
Equity investments	-	-	-	-
Government Bonds	-	-	-	-
Corporate Bonds	-	-	-	-
Other	-	-	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.3	24.1	23.3	24.1
• Women	25.7	27.3	25.7	27.3
Longevity at 65 for future pensioners:				
• Men	25.6	26.1	25.6	26.1
• Women	27.8	29.2	27.8	29.2
Main Assumptions:				
Rate of inflation RPI	3.6%	3.8%		
Rate of inflation CPI	2.5%	3.0%		
Rate of increase in salaries	4.7%	5.3%	-	-
Rate of increase in pensions	2.5%	3.0%		
Rate for discounting scheme liabilities	4.9%	5.7%		
Take-up of option to convert annual pension into retirement lump sum		actuarially neutral		

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	2007/08 %	**2008/09 %**	**2009/10 %**	**2010/11 %**	**2011/12 %**
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities					
old scheme	1.1%	-3.0%	-0.6%	-5.8%	-0.3%
new scheme	-19.2%	-10.7%	-2.0%	6.0%	-2.0%

Note 39 Contingent Liabilities

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

39.1 Municipal Mutual Insurance Limited – Scheme of Arrangement
This insurance company ceased trading in 1992 and ceased to write new or renew policies. Potentially claims can still be received as the Company continues to settle outstanding liabilities. Whilst informed opinion suggests that the Company will achieve a solvent run-off in surplus, an assessment of the liability to South Wales Police at 31st March 2012 is **£1.548M,** unchanged from March 2011. During 2011/12 provision is partly made equating to 25% of this amount, reducing the contingent liability to **£1.161M.**

Note 40 Nature and Extent of Risks Arising from Financial Instruments

The Authority'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 Authority
• **liquidity risk** – the possibility that the Authority might not have funds available to meet its commitments to make payments
• **market risk** – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority'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 Authority in the annual treasury management strategy.

Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority'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 the Authority are as detailed below:
The Authority 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. The Authority 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 Authority each February.

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

The Authority's 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 of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise.

Note 15 includes details of impairment recognised with regard to Icelandic Bank investments during 2008, which are anticipated shall be partly repaid.

The Authority 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:

	31 March 2012 £000	**31 March 2011** £000
Less than three months	1120	959
Three to six months	153	123
Six months to one year	9	0
More than one year	25	30
	1,307	**1,112**
The experience of default is illustrated by the balances of impairment of doubtful debts:		
Balances at 31 March (£000)	25	18
%	1.9%	1.6%

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

The maturity analysis of financial liabilities is as follows:

	31 March 2012 £000	**31 March 2011** £000
Less than one year	2,074	1,931
Between one and two years	2,178	1,786
Between two and five years	6,214	4,869
Between five and ten years	9,300	6,149
More than ten years	2,060	6,432
	21,826	**21,167**

Market Risk

Interest Rate Risk

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

• borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise. The Authority 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. The Authority 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.

The Authority 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 the Authority'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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£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
Impact on Surplus or Deficit on the Provision of Services	0
Decrease in fair value of fixed rate long term investment assets	note 1 and 2
Note1 - relate to changes in the estimated fair value of impaired Icelandic investment repayments beyond 1 year and subject to other external factors	0
Note2 - Short term investments are carried at cost as this is a fair approximation of their value.	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	296
The impact of a 1% fall in interest rates would be as above but with the movements being reversed.	

Price Risk
The Authority does not generally invest in equity shares or shareholdings.

Foreign Exchange Risk
The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Note 41 Police Authorities of Wales – Collaboration

The Police Authorities of Wales is a statutory joint committee formed in July 2007 representing the four police authorities in Wales. The strategic goal of this organisation is to develop strategic policing capabilities in Wales and to increase efficiency and effectiveness through collaboration. It prepares its own Statement of Accounts. For accounting purposes, PAW is a Joint Venture accounted for in accordance with IAS 31. In summary, it does not have the power to directly employ staff, enter into contracts, or own assets.

The four police authorities have agreed to provide funding for this organisation and in 2011/12, South Wales Police Authority has made a net contribution of £1,685,000. Funding contributions in previous years were £1,918,000 in 2010-11, £1,705,000 in 2009-10, £1,609,214 in 2008-09 and £250,000 in 2007-08. The share of PAW's usable reserves allocated to South Wales Police Authority is £105,076 at 31 March 2012 (subject to finalisation of the audited statements for PAW). This represents the only usable reserve balance, which is determined on an agreed basis in terms of funding contributions.

Each individual police Authority in Wales is required to reflect the relevant proportion of the income, expenditure, assets and liabilities of PAW within its own financial statements

Police Authorities of Wales has considered introducing a new methodology to better reflect the relevant proportion of the income, expenditure, assets and liabilities of Police Authorities of Wales within the 2011-12 financial statements of each individual police authority. However, it was agreed not to change the approach adopted in previous years because the joint committee will cease on 21 November 2012 and they believe there would be no material difference to a user's understanding of the individual financial statements. Changes will therefore continue to be reported as a note to the accounts rather than through adjustment of the core financial statements.

In the absence of a finalised model and to give an indication of the required cost apportionments, an initial basis based on each Authority's central government funding ratio is set out in the table below. The table below shows the percentage of costs on this basis and it should be noted that not all forces participate in all the collaboration streams.

Estimated share		Proposed	PAW total	South Wales	Dyfed Powys	Gwent	North Wales
Regional Intelligence Unit	*RIU*	SSA	100%	56.4%	17.9%	25.7%	0.0%
Counter Terrorism Unit	*CTIU*	SSA	100%	44.9%	14.2%	20.5%	20.4%
Regional Asset Recovery Unit	*RART*	SSA	100%	56.4%	17.9%	25.7%	0.0%
Regional Task Force	*RTF*	Agreement	100%	55.0%	21.0%	24.0%	0.0%
Scientific Support Unit	*SSU*	SSA	100%	56.4%	17.9%	25.7%	0.0%
PAW	*PAW*	Equal	100%	25.0%	25.0%	25.0%	25.0%

Applying this proposal would allocate the costs of PAW's activities as shown in the table below:

Comprehensive Income and Expenditure Statement

			PAW total 2011-12 £	South Wales £	Dyfed Powys £	Gwent £	North Wales £
Income (incl Speciifc Grants)							
Dealing with the Public	-		0	0	0	0	0
Community Intelligence	*RIU*	SSA	(503,370)	(283,901)	(90,103)	(129,366)	0
National Policing	*CTIU*	SSA	(4,328,920)	(1,943,685)	(614,707)	(887,429)	(883,100)
Specialist investigation	*RART*	SSA	(1,053,227)	(594,020)	(188,528)	(270,679)	0
Specialist investigation	*RTF*	Agreement	(644,728)	(354,600)	(135,393)	(154,735)	0
Investigative Support	*SSU*	SSA	(110)	(62)	(20)	(28)	0
			(6,530,355)	**(3,176,268)**	**(1,028,750)**	**(1,442,237)**	**(883,100)**
Expenditure:							
Dealing with the Public	-		0	0	0	0	0
Community Intelligence	*RIU*	SSA	666,239	375,759	119,257	171,223	0
National Policing	*CTIU*	SSA	4,338,588	1,948,026	616,079	889,410	885,072
Specialist investigation	*RART*	SSA	1,073,362	605,376	192,132	275,854	0
Specialist investigation	*RTF*	Agreement	3,209,103	1,765,007	673,912	770,185	0
Investigative Support	*SSU*	SSA	229,388	129,375	41,060	58,953	0
Corporate and Democratic Core	PAW	Equal	71,244	17,811	17,811	17,811	17,811
Cost of Services			**9,587,923**	**4,841,353**	**1,660,251**	**2,183,436**	**902,883**
Other Operating Expenditure	RIU	SSA	(5,892)	(3,323)	(1,055)	(1,514)	0
Other Operating Expenditure	CTIU	SSA	(9,750)	(4,378)	(1,385)	(1,999)	(1,989)
Other Operating Expenditure	RTF	Agreement	(34,148)	(18,782)	(7,171)	(8,196)	0
Financing and Investment income		Force Cont	0	0	0	0	0
Force Contributions Received		Force Cont	(3,103,929)	(1,685,282)	(629,773)	(771,754)	(17,121)
(Surplus) or Deficit on Provision of Services			**(96,151)**	**(46,680)**	**(7,882)**	**(42,263)**	**673**

The assets of the units in respect of police vehicles are held/ owned by the individual Police Authority and are included on each Authority's balance sheet. The accounts for PAW <u>also</u> include those assets on the basis of joint operation. The below apportionment gives a proposed allocation of asset values and a share of the 'unusable' reserves (including a capital adjustment and unrecognised revaluation accounts). Such assets have been fully financed by individual police authorities, making this an accounting adjustment not a funding consideration. It is not possible, to date, to quantify the level of over or understatement, but the Police Authority does not consider this to be material to an understanding of the financial statements.

Balance Sheet

			PAW total 31 March 2012 £	South Wales £	Dyfed Powys £	Gwent £	North Wales £
Assets - PPE (Vehicles)							
Dealing with the Public	-		0	0	0	0	0
Community Intelligence	*RIU*	SSA	36,433	20,548	6,522	9,363	0
National Policing	*CTIU*	SSA	364,460	163,643	51,753	74,714	74,350
Specialist investigation	*RART*	SSA	13,993	7,892	2,505	3,596	0
Specialist investigation	*RTF*	Agreement	308,640	169,752	64,814	74,074	0
Investigative Support	*SSU*	SSA	0	0	0	0	0
			723,526	**361,835**	**125,594**	**161,747**	**74,350**
Current Assets							
Cash and cash equivalents		usable	266,353	115,311	37,021	50,122	63,899
Debtors		usable	66,492	28,786	9,242	12,512	15,952
Current Liabilities (creditors)		usable	(90,134)	(39,021)	(12,528)	(16,961)	(21,623)
Net Assets			**966,237**	**466,911**	**159,329**	**207,420**	**132,577**
Usable Reserves			(242,711)	(105,076)	(33,735)	(45,673)	(58,227)
Unusable Reserves			(723,526)	(361,835)	(125,594)	(161,747)	(74,350)
Total Reserves			**(966,237)**	**(466,911)**	**(159,329)**	**(207,420)**	**(132,577)**

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 the Authority 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 the Authority 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 the Authority 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 the Police Authority.

POLICE CAPITAL GRANT
The amount of Home Office grant towards the approved capital expenditure programme of the Police Authority.

PRECEPT
The amount of income collected by the constituent County Borough Councils from Council Tax payers to pay for Police Authority services.

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 an Authority's 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 an Authority's 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 Authority 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 National Assembly for Wales.

STOCKS
Uniforms, communication equipment parts, diesel, petrol and vehicle spares are procured by the Police Authority 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 of the Authority.

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