

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

**FINANCIAL REPORT &
STATEMENT OF ACCOUNTS
FOR THE
YEAR ENDED 31ST MARCH 2013**

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Foreword

Introduction

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

Financial year 2012/13 saw the biggest change in police governance for a number of years with the introduction of Police and Crime Commissioners.

Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 (PRSRA) abolished the South Wales Police Authority at midnight on the 21st November 2012 and replaced it with a directly elected Police and Crime Commissioner (referred to as Commissioner throughout this document).

The first election took place on the 15th November 2012 with the people of South Wales voting for Mr Alun Michael as their Commissioner, to oversee policing in their area. The Commissioner took up his office on the 22nd November 2012.

The Commissioner will hold office for four years (the first term being three and a half years) and his responsibilities include:

- Securing the maintenance of an efficient and effective local police force;
- Holding the Chief Constable to account for the exercise of his functions and those of persons under his direction and control;
- Appointing or dismissing the Chief Constable;
- Producing the five year Police and Crime Plan which includes police and crime objectives;
- Setting the annual council tax precept and budget;

The Police and Crime Panel scrutinises the Commissioner to promote openness in the transaction of police business and also support the Commissioner in the effective exercise of his functions. The Panel comprises of ten local Councillors and two Independent Members.

The Chief Constable is responsible for maintaining the Queen's Peace and the enforcement of the law, and has direction and control over the force's officers and staff. He is accountable to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by the police force.

Each Commissioner and their Chief Constable is established in law as a corporation sole under the PRSRA. Each is a separate legal entity with their own legal status. As such, both are enabled by law to employ staff and hold funds in their official capacity. The term corporation sole is often used in respect of public office that has a separate and continuing legal existence and only one member – the sole office holder. Any contract made with a corporation sole continues from one officeholder to their successor or, if made during a vacancy in office, to the appointee.

There are legislative requirements upon the Commissioner and Chief Constable to appoint certain officers. The Commissioner must appoint a Chief Executive Officer (CEO) and both the Commissioner and Chief Constable must appoint a suitably qualified Chief Finance Officer (CFO).

Statement of Accounts

These are the first statutory accounts prepared under the new governance arrangements. Each corporation sole is required to produce their own single entity Statement of Accounts with the Commissioner producing a Statement of Accounts for the Group.

The transfer of assets, staff and liabilities from South Wales Police Authority to the Commissioner occurred at midnight on the 21st November 2012 by way of a statutory transfer, known as the Stage 1 transfer.

To achieve uniformity of accounting policies, the cash flows of the South Wales Police Authority were brought into the financial statements of the Police and Crime Commissioner (and the Chief Constable) from 1st April 2012, rather than from the date of transfer/inception in November 2012.

A Scheme of Governance is in operation between the Commissioner and Chief Constable, which determines their respective responsibilities during Stage 1, as well as local arrangements in respect of the Commissioners assets and staff.

All police staff remain employed by the Commissioner during Stage 1 as the Police Authority's successor. During Stage 1 the Commissioner has assigned authority and responsibility to staff under the direction and control of the Chief Constable to carry out specific activities via delegated authority in the same way as he would delegate functions to his CEO and CFO. Under delegated authority, the Commissioner remains accountable for the outcome of the delegated work.

The Commissioner therefore initially owns and funds all assets regardless of whether they are used by the Commissioner, force or both entities. The Commissioner is the recipient of all funding, including government grant and precept and other sources of income, relating to policing and crime reduction and all funding for the force must come via the Commissioner. How this money is allocated is a matter for the Commissioner in consultation with the Chief Constable, or in accordance with any grant terms. The Act prohibits the Chief Constable from borrowing money.

The PRSA allows for a Stage 2 transfer, whereby the Commissioner can transfer assets, staff and liabilities to the Chief Constable. Ministers have confirmed that this Stage 2 transfer should occur by April 2014.

During Stage 2 the Commissioner will give consent to the Chief Constable to undertake certain functions without the need to seek his approval. Transactions entered into following consent by the Commissioner to the Chief Constable will be in the Chief Constables own name as a separate legal entity.

There are certain technical accounting and other matters (including pensions, capital and taxation), and government regulatory changes, which may require further consideration together with proposed Stage 2 transition reforms.

Statutory Framework for the Statement of Accounts

The Accounts and Audit (Wales) Regulations 2005 as amended, require local government bodies to prepare a Statement of Accounts in accordance with proper practices. The Code of Practice on Local Authority Accounting in the UK is identified as representing proper practices.

The Code applies to local government bodies set out in the Public Audit (Wales) Act 2004 who are required to prepare accounts for audit under the Wales Audit Office regime. Section 12 of this Act has been amended by the PRSA to replace reference to Police Authority's with Commissioners and Chief Constables.

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

financial statements for external users of the accounts. These Statements of Account continue to follow International Financial Reporting Standards (IFRS).

Statement of Accounts format

The Statement of Accounts comprises the following:

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

Information published with the Statement of Accounts includes:

- Explanatory foreword
- Annual Governance Statement
- Glossary of Terms.

There are no material restatements for the previous year necessary to aid comparison. It has been necessary to provide new disclosure of the accounting relationship between the two new corporate soles and that of the group and reformed governance arrangements. The accounts of the former Police Authority essentially equate to those of the new group, with added entries or intra group transfers, between the single entity accounts and consolidated into the group under the responsibility of the Police and Crime Commissioner.

Revenue Account

The former Police Authority set a net revenue budget for 2012/13 of £249.335M, to fund existing expenditure commitments and identified force priorities.

The Comprehensive Spending Review 2010 represented the biggest financial challenge to face policing in a generation with a 20% cut in central funding over the four years with 85% of the cuts falling in the first two years of the CSR 2010. The overall funding shortfall for the periods to 2015 was assessed as £47M and the former Police Authority approved a plan to address this through a comprehensive Medium Term Financial Strategy and a detailed Value for Money Plan.

The 2012/13 outturn position reflects the achievement of the Value for Money Plan in respect of recurring savings and also further non-recurring savings, mainly arising from vacancies, that allowed for additional contributions to capital reserves to reflect the approved funding strategy for the Bridewell Custody Developments.

It is also important to note that grant reductions will continue throughout CSR2010, with 2013/14 being the third year of consecutive grant reductions.

The table below provides a summary of the final outturn position for 2012/13 compared to the approved budget and incorporates transfers to reserves:

	Budget £000's	Actual £000's	Variation £000's
Total Gross Expenditure	277,869	272,257	5,612
Income	(7,315)	(9,856)	2,541
Other Grants	(21,219)	(23,760)	2,541
Net Movement in Earmarked Reserves (revenue)	0	11,610	(11,610)
Budget Requirement	249,335	250,251	(916)
Police Grant (Home Office)	(92,690)	(92,690)	0
Revenue Support Grant (Welsh Government)	(39,342)	(39,342)	0
Non-Domestic Rates (Welsh Government)	(38,241)	(38,241)	0
Amount to be met by Local Taxation	(79,062)	(79,062)	0
Net Movement in General Fund Reserves	0	(916)	916
Total Net Expenditure and Contribution to Reserves	(249,335)	(250,251)	916

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 Revenue Account is effectively balanced by the required adjustments to specific reserves leaving a transfer to the General Fund of £0.9M, which relates to the further 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 £0.580M. Payments having been made of £0.702M.
- Additional provision is required, in part, with regard to former MMI managed claims, previously recognised as contingent liabilities, an estimated £1.548M over the long term. An initial levy of 15% is due in the short term, approximately £0.232M, which is further provided for to £0.619M and equating to an estimated 40% funded position.

Reserves

The former Authority 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 £8.221M. This improved position is as a direct result of the receipt of Icelandic deposit investments of £4.506M, over the past four years. Reserves are closer to the 3% target level (2.96%). The level of general reserves will continue to improve, as and when further repayments are received in relation to the Icelandic Banks.

South Wales Police/ the Commissioner 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 £7.323M and earmarked capital reserves of £12.076M. Additional capital reserves are earmarked for the Bridewell custody development schemes of £14.242M with funding reallocated from earmarked revenue reserves.

Impairment of Financial Assets with Icelandic Banks

Full details are contained in Note 15. The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available South Wales Police/ the Commissioner 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 7 issued in May 2013) to reflect an appropriate impairment in the Accounts.

Capital Finance & Borrowing

Capital expenditure for the period was £12.809M, financed by specific grant, borrowing, capital receipts and revenue contributions. This represented investment in property of £5.305M, vehicles £2.650M and information technology and other £4.854M.

The Commissioner has an overdraft facility with the Co-operative Bank. Under the requirements of the PRSRA, only the Commissioner can borrow money.

The Commissioner's underlying need to borrow for capital purposes is measured by reference to his Capital Financing Requirement (CFR) and set out annually in the Prudential Code. The Prudential Code for 2012/13 was approved by the Police Authority in February 2012 and adopted by the Commissioner. The Commissioner may borrow externally to invest in capital projects in accordance with the Prudential Code as long as the spending plans are affordable, prudent and sustainable in the long term.

During the year a total of £1.671M was borrowed from the Public Works Loan Board (PWLB) to partly finance capital expenditure. After accounting for repayments of previous debt, the total outstanding long term debt for capital purposes decreases from £19.752M to £19.245M at the 31st March 2013

Assets

All former South Wales Police Authority assets were formally transferred to the Commissioner on Stage 1 transfer. Assets 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 £83.580M.

Pensions Liability

The Pensions Liability which is disclosed on the Balance Sheet reflects the underlying commitments that the Chief Constable has in the long run to pay retirement benefits.

Recognition of the total liability has a substantial impact on the net worth as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy. Any unrealised net actuarial 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. The Chief Constable makes a pension contribution for both police officers and staff, with the actual pensions and commuted lump sums being met directly by the Police Pension Fund Account, which is funded by the Home Office via the Police and Crime Commissioner.

The estimated liability for the Pension Scheme for Police Officers increased over the year from £2,309.6M to £2,620.9M, an increase of 13%. This is mainly attributed to changes in actuarial assumptions of the real rates of return in excess of pension increases and earnings growth. Note 4 gives an indication over the sensitivity of changes in these actuarial assumptions. Both of these assumptions adversely affect the assessed liability and an actuarial significant loss of £215M results.

The Pension Scheme for Police Officers is unfunded by statute, the Fund's Account of annual expenditure and income, is included separately at **page 34**.

In the case of Police Staff, South Wales Police/ the Commissioner is an admitted body to the Rhondda Cynon Taff County Borough Council Local Government Pension Scheme. The Actuaries assessment of South Wales Police/ the Commissioner's share of the estimated deficit in this scheme increased over the year from £127.230M to £133.520M as at 31 March 2013, an increase of 5%. This includes a relatively minor actuarial loss of £1M, again due to changes in assumptions, of which most notably the discount rate.

Further detail for both schemes are outlined in Note 4 (effect of major assumptions) and Note 38 (Pension Scheme Deficits, Assets and Liabilities).

Future Activities

The Police and Crime Commissioner for South Wales Police has in place a four year plan for 2013/14 to 2016/17, which will be reviewed and updated annually. This Police and Crime Reduction Plan clearly sets out fifteen development priorities, all of which are set against a backdrop of unprecedented funding reductions:

- Crime Reduction and Prevention
- Working with the Criminal Justice System
- Strong, swift response to anti-social behaviour
- Continuing to tackle youth offending
- Developing a joint approach to the 18-25 age group
- Putting victims at the heart of our work
- Tackling violence against women and girls
- Understanding and addressing the needs of older people
- Working with partners on the causes of crime
- Making it easier for the public to communicate with the police

- Tackle online crime, including online child abuse and bullying
- Promoting the effective use of Restorative Justice
- Innovation on Road Safety and social justice
- Making the public feel safer
- Equality, Diversity and the impact of Poverty

The impact of the current political and economic climate on South Wales Police/ the Commissioner

The PRSA allows for a second Stage 2 transfer, which refers to the subsequent movement of certain police staff, property, rights and liabilities from the Commissioner to the Chief Constable. The Stage 2 transfer is designed to allow elected Commissioners the freedom to make their own local arrangements about how their functions and those of the police force will be discharged in future. In establishing these local arrangements the Commissioner will wish to clarify with his Chief Constable who will employ which staff, hold which properties, liabilities and assets.

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

Under the terms of the Act, the Commissioner must submit his proposals for Stage 2 transfer to the Home Secretary for approval. The Minister has stated that he expects Stage 2 transfers to occur by April 2014.

As we now enter the third year of the CSR2010, the Chancellor has revised some of the national projections on economic growth and budget deficit and made further reductions on Department Expenditure Limits for 2013/14 and 2014/15. The Home Office has absorbed the reduction for 2013/14 without further reducing the police settlement but it is unlikely to absorb the 2014/15 reductions. Consequently the South Wales Police/ the Commissioner budget deficits have been revised upwards for 2014 to 2017 to reflect this.

Looking ahead, the current indications from the Office of Budget Responsibility are that the national structural deficit is unlikely to be met before 2018. Therefore given the record of economic projections to date it is highly likely that austerity measures will continue to 2020.

The Medium Term Financial Strategy 2013-2017, details the very significant challenges that lie ahead and includes a Value for Money Plan, which seeks to address the funding shortfalls. It is recognised that the level of cost reductions represent a huge sustained challenge for the organisation over the medium term.

Chief Financial Officer

Dated:

28 June 2013

Chief Financial Officer

Dated

September 2013

ANNUAL GOVERNANCE STATEMENT OF THE POLICE AND CRIME COMMISSIONER FOR SOUTH WALES

Corporate Governance Statement

The Accounts and Audit (Wales) Regulations 2010 require that the Annual Governance Statement (the “Statement”) accompanies the Statement of Accounts. As permitted, the Police and Crime Commissioner for South Wales (the “Commissioner”) has elected to publish the Statement with the Statement of Accounts in a single document. The statement is a statutory document which explains the governance processes and procedures in place to enable the Commissioner to carry out his functions effectively. The Statement highlights the Commissioner’s (and the Chief Constable’s) internal control environment, comments on its effectiveness and identifies future priorities.

On 22nd November 2012, the South Wales Police Authority (the “Authority”) was abolished and replaced by the Commissioner. This Statement reflects both the governance framework in place up until 22nd November when the Authority was abolished, and the new governance framework put in place for the Commissioner (and the Chief Constable) for the year ended 31 March 2013 including plans for the financial year 2013-14

Good governance arrangements are the foundations on which the Commissioner (and formerly the Authority) establishes his policies and the services he delivers to the community. At the same time, however, governance itself must adapt to changes in circumstances. Public bodies must be responsive to developments in services, expectations and the actions of other stakeholders. The 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.

1. SCOPE OF RESPONSIBILITIES

1.1 Prior to 22nd November 2012

Prior to 22nd of November 2012, the Authority was responsible for ensuring business was conducted in accordance with the law and proper standards and that public money was safeguarded. The Authority also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

Until November 2012 the Authority was responsible for putting in place proper arrangements for the governance of its affairs and facilitating its functions. This included ensuring that a sound system of internal control was maintained until its abolition, and that arrangements were in place for the ongoing management of risk. In exercising this responsibility the Authority placed reliance on the Chief Constable of South Wales Police to support the governance and risk management processes.

The Authority approved and adopted a code of corporate governance, which was 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 of Staff, South Wales Police & Crime Commissioner, Tŷ Morgannwg, Police Headquarters, Bridgend, CF31 3SU. This statement explained how the Authority complied with the code and also met 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.

1.2 Post 22nd November 2012

On 22nd November 2012, Mr Alun Michael took office as the directly elected Police and Crime Commissioner for South Wales. Both the Commissioner and the Chief Constable became corporations sole and the Policing Protocol Order 2011 (statutory instrument) set out the new policing governance arrangements, clarifying the role and responsibilities of the Commissioner, the Chief Constable and the Police and Crime Panel and how they should work together to address crime and improve policing.

The Commissioner is responsible for performing his functions as set out in the Police Reform and Social Responsibility Act 2011 (the 2011 Act) and must hold the Chief Constable to account for the exercise of his functions and the functions of such persons as are under his direction and control. The Commissioner must secure the maintenance of the police force for the South Wales Police area and must secure that the police force is efficient and effective. Its business must be conducted in accordance with the law and proper standards

In discharging their respective responsibilities, both the Commissioner and the Chief Constable must put in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In this respect, the Commissioner and the Chief Constable have developed a joint Manual of Corporate Governance.

On taking his oath of office, the Commissioner pledged to place the strongest possible emphasis on the importance of values in the governance of the police. In addition to the principles of honesty, integrity and transparency, he emphasised the following principles for action:

- a) to be tough on crime and on the causes of crime
- b) to put cooperative values into practice, not least in encouraging a partnership approach to crime reduction – engaging with local authorities and other agencies as well as voluntary and community organisations and the public at large
- c) to pursue social justice as well as justice, and
- d) to hold the police to account and protect the police from political interference.

In drafting this Statement reliance has, therefore, also been placed on the governance processes within South Wales Police ('the Force'), as reflected in the Chief Constable's Annual Governance Statement which is published alongside the accounts of the Commissioner.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values in relation to which the Commissioner and Chief Constable are held accountable, and the activities through which they account to and engage with the community. It enables the Commissioner and Chief Constable to monitor the achievement of 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 risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and

to manage them efficiently, effectively and economically; or to tolerate the risk if it falls within the risk appetite.

The Commissioner and the Chief Constable must have a strong governance process to ensure that decisions are taken at the correct level within the organisation with the appropriate audit trails.

3. THE GOVERNANCE FRAMEWORK

3.1 Background to the Framework

The CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, and its subsequent *Addendum* published in 2012, sets the standard for governance in local government in the UK. Furthermore, the fully revised CIPFA *Guidance Note for Police* assists the policing sector in reviewing the effectiveness of their governance arrangements by reference to best practice and using self-assessment in relation to the CIPFA Framework.

Under the previous statutory arrangements, Authority members were responsible for the vision, strategic direction and priorities of the Authority, and were advised by the senior management team who also advised and supported members in influencing and shaping the strategic direction and priorities for the policing of South Wales. In addition relevant committees met regularly to consider the strategic direction, plans and progress, and review specific policy areas of the Authority and the Force. The Authority's governance reporting structure consisted 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 were set out on the Authority's website. The frequency of meetings was reduced by one meeting per primary group to allow the Authority's secretariat to prepare for the smooth transition to the Commissioner whilst maintaining business as usual until 21 November 2012.

Environmental scanning formed (and continues to form) an important part of the identification of local and national expectations.

The Commissioner has made his commitments for policing clear in his manifesto, and his Police and Crime Reduction Plan (the "Plan") indicates how the Commissioner will take this forward. The Plan also pays due regard to the Strategic Policing Requirement¹.

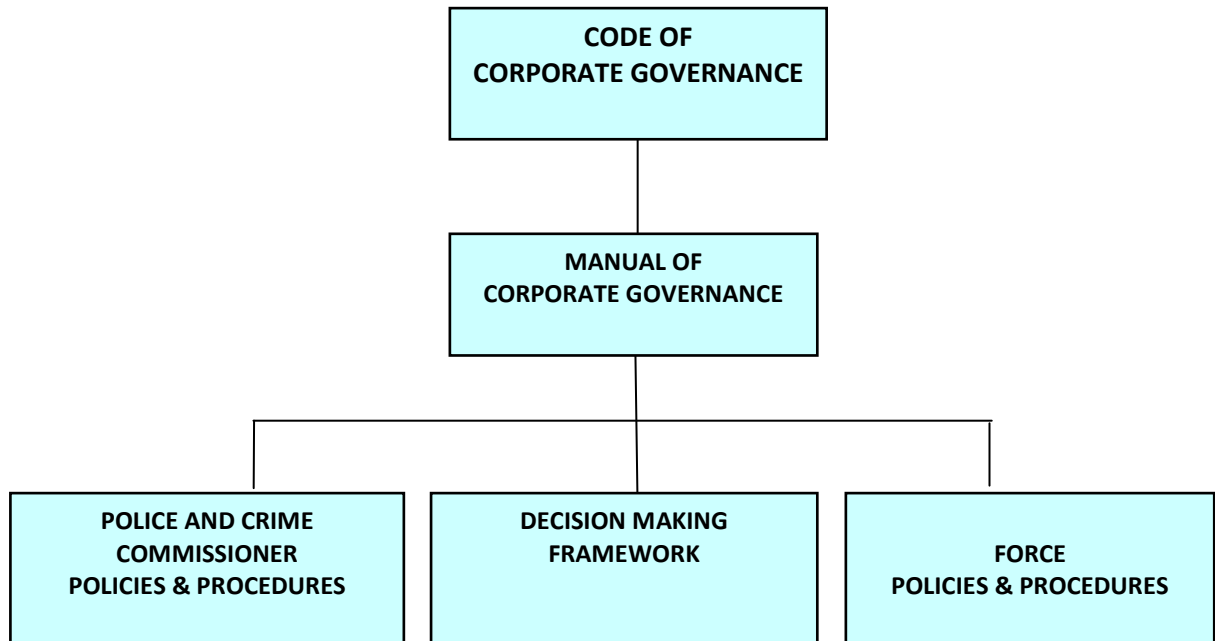
The Police and Crime Panel which held its inaugural meeting on 21st November 2012, and which meets in public, will hold the Commissioner to account; ensure statutory duties are complied with; and ensure the maintenance of an efficient and effective police service in South Wales.

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 Commissioner 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 Commissioner must satisfy himself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

The corporate governance framework within which both corporations sole will govern, both jointly and separately consists of:

¹ The Strategic Policing Requirement was issued in July 2012 in execution of the Home Secretary's statutory duty to set out what are, in her view, the national threats at the time of writing and the appropriate national policing capabilities required to counter those threats

- Code of corporate governance – statutory framework which sets out how the core principles will be implemented,
- Manual of Corporate Governance – defines the parameters within which the corporations soles will conduct their business,
- Separate policy and procedures for each corporation sole, with protocols where they operate jointly.



The Governance Framework is detailed within the Manual of Corporate Governance for the Commissioner and the Chief Constable of South Wales Police, which can be found on the Commissioner's website at:

<http://www.southwalescommissioner.org.uk/en/Transparency/Decision-Making/Manual-of-Governance.aspx>.

The governance arrangements for the Commissioner and the Chief Constable have therefore been developed in line with the 2011 Act, the Statutory Policing Protocol², the Home Office Financial Management Code of Practice³ and existing guidance on financial and governance matters which continue to apply and in support of the Plan.

3.2 Core Principles and their Application

The core principles, adopted by both corporations sole, abide by the Nolan principles for conduct in public life⁴, and are as follows:

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

² The Policing Protocol Order 2011

³ This was issued pursuant to section 17 of the 2011 Act and section 39A of the Police Act 1996.

⁴ The Policing Protocol also requires all parties to abide by the seven Nolan principles of conduct for those in public life.

2. **Integrity:** The Commissioner, the Chief Constable, their officers and staff will not place themselves under any financial or other obligation to outside individuals or organisations that may seek to influence them in the performance of their official duties.
3. **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, the Commissioner, the Chief Constable, their officers and staff will make choices on merit.
4. **Accountability:** The Commissioner, the Chief Constable, their officers and staff will be accountable for their decisions and actions to the public and will submit themselves to whatever scrutiny is appropriate to their office.
5. **Openness:** The Commissioner, the Chief Constable, their officers and staff will be as open as possible about all decisions and action they take. Reasons for decisions will be made available and information will be restricted only when so required by the wider public interest.
6. **Honesty:** The Commissioner, the Chief Constable, their officers and staff will have a duty to declare any private interests relating to public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
7. **Leadership:** The Commissioner, the Chief Constable, their officers and staff will promote and support these principles through leadership and by example.

This statement is also informed by the application of the Good Governance Standards for Public Services⁵ in a policing context, and by audit and inspection opinions, as follows:

i) Focusing upon the purpose of the Commissioner and the Chief Constable, and on outcomes for local people, and creating a vision for the local area:

The 2011 Act requires the Commissioner to issue a **Police and Crime Plan** for one year beyond his term of office, outlining the police and crime objectives (outcomes) and the strategic direction for policing. The Commissioner and the Chief Constable must have regard to the Plan.

Policing plays a key role in the lives of people who live, work and visit our area. Its prime purpose is 'Keeping South Wales Safe' and to have a positive impact on the communities it serves. To do this, the Force wants to be '**the best at understanding and responding to its communities' needs**, which has been set as the vision for the Force.

To support this vision, focus is targeted on five priority areas, which are:

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

⁵ Taken from The Good Governance Standard for Public Services [2004] developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA (as adapted for local government purposes). To assist in developing the approach to good governance CIPFA/SOLACE issued Delivering Good Governance in Local Government: Framework in 2007, with a subsequent Addendum in 2012 which reflects Regulation 4(3) of the Accounts and Audit Regulations.

- Value for Money

These priority areas are in turn measured against the three enablers of 'people, policing, partnership to deliver performance' outcomes.

The Commissioner supports the Chief Constable's mission and vision. The Commissioner's priorities are based on the fundamental principle 'To be tough on crime and the causes of crime, tackling and preventing crime by promoting an evidence based partnership approach to identify what works' and how value can be added.

Collaboration agreements;

The three southern Wales police forces have established a Southern Wales Collaboration Board (which replaces the All Wales Collaboration Board). This will develop strategic policing capabilities in Wales in support of the requirements of the 2011 Act and the Strategic Policing Requirement, with a view to increasing efficiency and effectiveness through collaboration, whilst also ensuring that suitable administrative, management and governance arrangements are in place to support the same.

A ***medium term financial strategy*** will be jointly developed and thereafter reviewed quarterly to support delivery of these plans.

ii) Working together to achieve a common purpose with clearly defined functions and roles:

As referenced above, prior to 22nd November 2012, the roles and responsibilities of each of the Authority's Committees were clearly defined in their individual terms of reference. The roles and responsibilities of members and officers of the Authority and senior officers with the Force were set out in clear delegation arrangements contained within the Police Authority's constitution, Procedural Standing Orders, Scheme of Delegation, Standing Orders relating to contracts and Financial Regulations. A statement of the statutory duties and responsibilities of the Authority, its members and officers, was published on its website. The arrangements for challenging and scrutinising Force activity was inherent in the work of the full Authority and was predominantly discharged through its six primary committees who had responsibility for challenging and reviewing the forces activities: -

- The Audit & Scrutiny Group was 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 was providing value for money and effective and efficient services to the communities served.
- The Community Engagement Group considered 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 affecting the Authority. It also considered and monitored the role of neighbourhood policing and Partnerships and Communities Together (PACT) meetings and monitored the Authority's and Force's Community Engagement Strategies.
- The Equalities & HR Group monitored issues relating to staffing, diversity and equality, the Force and Authority Equality Schemes and impact assessments, and monitored progress of strategic HR projects.

- The Protective Services Group considered protective services issues, oversaw the regional collaboration programme and monitored the performance of the Force in relation to protective services
- The Quality of Service Group monitored complaints made against police officers, up to the rank of Chief Superintendents; monitored complaints made against police staff, investigated public complaints made against the Chief Constable, Deputy Chief Constable and Assistant Chief Constables and monitored issues complained about by members of the public and intervened where it appeared that the response of the Force was unsatisfactory.
- The Performance Monitoring Group monitored Force performance against the Annual and Strategic Policing Plan targets and objectives, financial performance, and emerging risks to the Authority's vision and objectives.

The Authority's Standing Orders provided for the delegation of Authority functions and decision making to senior officers and included a scheme of delegation that set out those decisions that the Authority had delegated to its officers and the Chief Constable.

From 22nd November 2012, the governance arrangements for the Commissioner have been developed in accordance with the 2011 Act, the Statutory Policing Protocol, Home Office Financial Management Code of Practice (the 'Code') and existing guidance on financial and governance matters which continue to apply.

A Manual of Corporate Governance comprising of a scheme of delegation, financial regulations and standing orders relating to contracts has been developed in accordance with the Code to enable effective accountability and to govern the relationship between the Commissioner and the Chief Constable.

There is a decision making framework which ensures that all the Commissioner's decisions are published and available for public scrutiny.

The Commissioner's Leadership Team (the 'Board') chaired by the Commissioner, (and attended by the Deputy Commissioner and Assistant Commissioner) will hold the Chief Constable to account in securing the maintenance of an efficient and effective police service for South Wales. The terms of reference for the Board are incorporated in the Manual of Corporate Governance. The Commissioner will hold the Chief Constable to account on delivering the Commissioner's objectives effectively and efficiently, through scrutiny of monthly financial and performance reports from the Chief Constable and one off reports on specific areas of interest or concern. The work of the Board, and the role of the Commissioner in holding the Chief Constable to account, will be supported and informed by ongoing work undertaken by officers of the Commissioner (both with colleagues from the Force and external stakeholders such as the Home Office and the Welsh Government). The Chief Constable, in turn, holds his Chief Officers to account for their performance in the monthly Gold meetings (referred to in paragraph 3.3 below).

There are job descriptions for the Deputy Commissioner, Assistant Commissioner and Chair of the Joint Audit Committee.

The Commissioner (and the Authority prior to that) has in place a Monitoring Officer and a section 151 Officer to ensure compliance with relevant laws and regulations, internal policies and procedures, and to ensure that expenditure is lawful. The role of Monitoring Officer,

formally the responsibility of the Authority's Chief Executive, is now the responsibility of the Commissioner's Chief of Staff.

The 2011 Act⁶ sets out **the functions of the Police and Crime Commissioner and Chief Constable** and the protocol⁷ sets out how these functions will be undertaken to achieve the outcomes of the Plan.

The Commissioner has appointed a **Deputy Commissioner** (as provided for in the Act⁸) **and an Assistant Police and Crime Commissioner**, both of whom will be members of his staff. The role description for the Deputy Commissioner (approved by the Commissioner) incorporates functions delegated to the Deputy.

The Commissioner has also appointed a **Chief Executive**⁹ (Chief of Staff) **and Chief Financial Officer**. The Chief of Staff is the head of paid service and undertakes the responsibilities of monitoring officer¹⁰.

The **Financial Management Code of Practice and Statement of Roles**¹¹ sets out the responsibilities of the Chief Financial Officers for both the Commissioner and Chief Constable.

The **Manual of Corporate Governance** highlights the parameters for the key roles in both the corporations sole including delegations from the Commissioner, financial regulations and standing orders relating to contracts.

An independent **Joint Audit Committee** will operate in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Financial Management Code of Practice¹².

iii) Promoting the values for the Police and Crime Commissioner and Force and demonstrating the values of good governance through upholding high standards of conduct and behaviour:

The values of being 'professional, proud and positive' are guiding principles for all staff and officers.

In the period up to 22nd November 2012, the Authority had a Code of Conduct which each Member signed on appointment and abided by thereafter. The Code set out requirements to be observed whilst performing their role as a Police Authority Member, requiring all members to abide by the general principles of public life: and this Code of Conduct was also compliant with the General Principles of Public Life defined in the Relevant Authorities (General Principles) Order 2001.

The Authority had a legal duty to investigate complaints against senior Police Officers, with any complaints made against other Police Officers, or police staff being investigated by the Force Professional Standards Department, or the Independent Police Complaints Commission (IPCC). The Authority's Quality of Service Group monitored all complaints

⁶ Police Reform and Social Responsibility Act 2011 (PRSR Act), section 5 – 8,

⁷ Policing Protocol Order 2011

⁸ PRSR Act 2011, section 18 (1)

⁹ PRSR Act, sch 1, 6 (1) a,

¹⁰ Local Government and Housing Act, section 5,

¹¹ Financial Management Code of Practice for the Police, section 4, & CIPFA statement on role of chief finance officers, 2011

¹² Financial Management Code of Practice for the Police, section 11.1.3

made against South Wales Police. Since November 2012, and with the exception of complaints made about the Chief Constable (responsibility for which remains with the Commissioner), responsibility for dealing with complaints in relation to all police officers now rests with the Chief Constable.

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.

The Policing Protocol 2011 requires all parties to abide by the seven **Nolan Principles**¹³ and these will be central to the conduct and behaviour of all. It also highlights the expectation that the relationship between all parties will be based upon the principles of goodwill, professionalism, openness and trust.

In accordance with the Financial Management Code of Practice the Commissioner and Chief Constable will ensure that the **good governance principles** are embedded within the way the organisations operate.

iv) Taking informed and transparent decisions, which are subject to scrutiny and managing risk:

In respect of the Authority – significant decisions affecting its roles and responsibilities and the performance of its functions were taken with the full involvement of members of the Authority through:

- Attendance and participation in meetings of the Authority, its Committees or Sub-Committees
- Participation as lead members in roles requiring specialist knowledge or focus
- Participation at the Authority AGM, Planning and Finance Seminars

An Authority process set out the standards required for the production and submission of Force reports to the Authority. This ensured that Authority members and officers received all information necessary for them to make balanced and informed decisions about the matters under consideration. Appropriate legal, financial, human resources and other professional advice was considered as part of the decision making process. The meetings, decisions, and minutes of the Authority and its Committees and Sub Committees were available for public scrutiny on the Authority's website.

From November 2012, the Commissioner became responsible for holding the Chief Constable to account for the maintenance of an efficient and effective force. A Police and Crime Panel (Panel), consisting of local councillors from the Force Area, as well as independent members, are responsible for holding the Commissioner to account for his actions and decision making. The Panel do not scrutinise the performance of the Force as this is the responsibility of the Commissioner.

The Decision Making Framework sets out the way in which decisions will be taken by the Commissioner and Chief Constable. The Commissioner and the Chief Constable will ensure that information relating to decisions will be made readily available to local people.

The **Manual of Corporate Governance** sets out the parameters for decision making, including the delegations, consents, financial limits for specific matters and standing orders for contracts.

¹³ Standards in public life, 2005

The **risk management strategies** of the Commissioner and the Chief Constable establish how risk is embedded throughout the various elements of corporate governance of the corporation(s) sole. The Chief Finance Officer for the Commissioner also advises the Commissioner, in consultation with the Chief of Staff, on the safeguarding of assets, risk management and insurance. He will ensure that in relation to any strategic business decisions of the Commissioner, consideration is given to the immediate and longer term implications, opportunities and risks¹⁴.

The Commissioner and Chief Constable's Risk Register(s) are reviewed and updated on a quarterly basis at their respective management meetings to review the current risk environment. The Force Risk Manager and the Commissioner's Planning & Performance Manager ensure any links between their respective risk registers are identified. The design of the Register is being continually improved to provide information in a clearer, more straightforward format and to better align with the format of the Force. Both the Commissioner's and Chief Constable's risk registers will also be put before the Joint Audit Committee.

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 Commissioner.

v) Developing the capacity and capability of all to be effective in their roles:

Prior to 22nd November 2012, Police Authority members received a variety of training to ensure that they had the skills and knowledge to allow them to challenge, scrutinise and govern effectively. Members also received training on relevant areas of their responsibility during the course of any given year and were subject to an annual personal development appraisal.

Since 22nd November, both corporation sole's **learning and development strategies** will set the climate for continued development of individuals and support the delivery of the Commissioner and Chief Constable's vision through a programme of statutory, corporate, and personal development training. This will in turn link with the Plan and the Force Delivery Plan.

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

vi) Engaging with local people and other stakeholders to ensure robust public accountability:

The Authority had 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.

¹⁴ This is set out in paragraph 4.1 of the 2012 Financial Management Code of Practice for the Police Service of England and Wales.

In relation to the Authority, this was 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 also offered 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 were fed directly into the Police Authority and the Force's decision making process. Additionally, the Authority maintained a list of members of the public who wished to be consulted on different issues. The results of public consultations were posted on the Authority's website.

The Authority's Community Engagement Group developed a Community Engagement Strategy to ensure effective engagement with all sections of the community and stakeholders. The strategy also aimed to promote visible awareness and create a positive, informed and recognizable profile for the Authority.

The Policing Protocol¹⁵ highlights that the Commissioner is **accountable to local people** and that he draws on this mandate to set and shape the strategic objectives for the force area in consultation with the Chief Constable. The Commissioner has set out in his **Plan** his strategic direction and priorities and how these will be delivered.

Under the 2011 Act, the Commissioner is now a cooperating body, rather than a responsible authority on community safety partnerships. The community safety duty, specifies that the Commissioner must "in exercising its functions, have regard to the relevant priorities of each responsible authority", referring to the authorities named in the Crime and Disorder Act 1998 and its amendments. It further specifies that the Commissioner and the responsible authorities "must act in co-operation with each other" in exercising functions conferred by the 1998 Act.

In preparing his Plan, the Commissioner has taken account of the views and priorities of communities, victims of crime, community safety and criminal justice partners. He has met with representatives of local authorities and voluntary and business groups across South Wales. He has also set out in his Plan his plans for consultation and engagement with the public during his term of office.

The Commissioner and Chief Constable are continuing to develop arrangements for effective engagement with key **stakeholders**, ensuring that where appropriate such stakeholders remain closely involved in decision making, accountability and the future direction of the service.

3.3 Decision Making and Accountability

The Commissioner will be held to account and scrutinised by the Police and Crime Panel, a body consisting of ten local councillors representing the seven local authorities in South Wales and two co-opted independent members. The Police and Crime Panel will meet on a quarterly basis with the remit to hold the Commissioner to account for:

- The implementation of the priorities contained within the Plan
- The relevance and content of the Plan

These meetings will be held in public and may therefore be subject to the requirements of the Local Government Act regarding confidential information.

¹⁵ Policing Protocol Order 2011, section 14

Meetings between the Commissioner and the Chief Constable are a key element of the governance framework, where the Commissioner holds the Chief Constable to account for performance against the Plan as outlined within the Force Delivery Plan, and ensures that the Chief Constable is effectively managing the budget allocated to him for the running of the Force.

These meetings are scheduled to occur on a monthly basis (in addition to other meetings) and reflect the commitment from both the Commissioner and the Chief Constable to the principles of openness, transparency and accountability in decision-making. Further details of this Board are set out in section 3.2 above.

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

Chief Officer Gold meetings are held on a monthly basis and are attended by all Chief Officers. At this meeting the Chief Constable holds his Chief Officers to account, and allows Chief Officers to agree the strategic direction of the Force in line with its Mission, Vision and Values; to monitor and facilitate performance against the Plan and the Force Delivery Plan; and to monitor/expedite business with the Commissioner.

At Silver level, Chief Officers meet regularly with their respective senior managers holding them to account for the management of the business within their portfolio as outlined in their local delivery plans supporting the Force Delivery Plan.

Each department and Basic Command Unit also holds their own management or Bronze meetings to discuss overall performance against their respective delivery plans.

4. REVIEW OF EFFECTIVENESS

In conjunction with the Chief Constable, the Commissioner has established an independent Joint Audit Committee which provides assurance to enhance public trust and confidence in the governance of the Commissioner and the Chief Constable. It is made up of 5 members who meet on a regular basis to approve and monitor the annual audit programme, consider this Governance Statement, monitor governance and internal control, review the annual statement of accounts, and consider reports from other agencies that provide assurance on governance arrangements. This will provide a report to both corporation soles on the effectiveness of the internal control environment. Its inaugural meeting was held on 28th March 2013. The responsibilities of the Joint Audit Committee include:

- approval of the terms of reference within which internal audit operates
- approval of the internal audit strategy, which sets out:
 - Internal audit objectives and outcomes
 - How the head of the internal audit function (whether internal or external) will form and evidence his opinion on the control environment to support this Statement
 - How Internal Audit's work will identify and address significant local and national issues and risks
 - How the internal audit service will be provided and
 - The resources and skills required to deliver the strategy.

The review of the effectiveness of the system of internal governance and its operation is also informed by the work of the internal auditors (Deloitte), the Wales Audit Office, other review agencies and executive managers within Office of the Commissioner and the Force who have responsibility for the development and maintenance of the internal control environment.

This Governance Statement will, if appropriate, include an action plan to rectify any significant areas of weakness in corporate governance, and will be signed by the Commissioner, the Chief Financial Officer and the Chief of Staff (as the Chief Executive Officer for the purposes of the Act).

The internal audit work for the year is risk based and focuses on significant financial and operational risks. During 2012/13 Deloitte carried out a total of 24 audits, covering core financial systems, business and operational systems and governance processes. For the period ended 31 March 2013, Deloitte deemed the level of assurance in relation to the adequacy and effectiveness of South Wales Police's arrangements for governance, risk management and control to be adequate¹⁶.

South Wales Police is inspected periodically by Her Majesty's Inspectorate of Constabulary (HMIC). The HMIC is independent of the Commissioner, the Force and the Government, with a remit to assess the work of police forces in different areas of business, including neighbourhood policing, serious and organised crime, anti-social behaviour and tackling major threats such as terrorism. The Inspectorate also produces thematic reports. Their reports support the monitoring and development of many Force priorities and during 2012/13 these included:

- 'Police and Crime Commissioner Transition' arrangements making an interim assessment of whether prudent preparations were being made for the transition to the Commissioner and if transition planning was having a detrimental effect on 'business as usual';
- 'Children and Young People Who Sexually Offend' Thematic Inspection, reviewing Youth Offending Team (YOT) arrangements;
- 'PER Forms', reviewing Person Escort Record Forms;
- 'Olympic Capability Assessment', informing planning for the Olympic Games;
- 'Integrity Review', revisiting police relationships to inform a progress report;
- 'Street to Strategic' reviewing the tackling of serious crime;
- 'Private Sector/Partnership Review', measuring the provision of services and contracts between the Force and G4S;
- 'Stop the Drift', focusing on the delivery of the criminal justice system through visits to the hubs and Bridewell Suite in Cardiff Bay;
- 'NABIS (National Ballistics Intelligence Service)', making an interim assessment of policy/guidance, processes and management systems within this area of business and undertaking an assessment of how the Force records all firearms and ammunition coming into their possession including the volume of entries;
- 'Offenders with learning disabilities' which involved a joint inspection between HMIC, HMI Probation and HMI CPS conducted within Cardiff Bay Police Station and including a case study analysis and interviews of custody staff;
- 'Review of South Wales Police Custody Joint Inspection Action Plan' revisiting the Force following the 'Unannounced visit to Custody' inspection conducted by HMIC in 2010 to identify actions taken following recognised areas of improvement;
- 'Stop/Search' reviewing arrangements in relation to the use of Stop and Search policing powers.

¹⁶ This confirms that there is basically a sound system of internal control in place although some non-compliance with the controls may put some of the system objectives at risk. The only category higher than this is 'substantial' in which such controls are consistently applied.

The HMIC has also produced a suite of Value for Money indicators to challenge areas of exceptional spend in comparison with the most similar forces and the results of the benchmarks are incorporated within the Value for Money 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 SIGNIFICANT GOVERNANCE ISSUES

- Changes arising as a result of the Stage 2 transfer of staff (and other assets) between the Commissioner and the Chief Constable as required by the 2011 Act and the direction from the Home Secretary. Such Stage 2 Transfer is to be completed by 31st March 2014. This may necessitate further changes in the governance frameworks of the two corporations sole.
- The Force's Change 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 and within the public and private sectors generally.
- Management of Police Information¹⁷/Police National Database¹⁸ - 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 by replacing HR, Duty Management and the Financial and Payroll systems.

The areas identified above have been incorporated in the internal audit plan for 2013/14 and are being addressed through the governance arrangements previously outlined and via appropriate project boards, plans and strategies.

Signed by the Police and Crime Commissioner for South Wales:

Signed by the Chief of Staff (Chief Executive Officer):

Signed by the Chief Financial Officer:

Dated: _____

¹⁷ The Guidance for the Management of Police Information was produced by the National Policing Improvement Agency on behalf of the Association of Chief Police Officers, and it is updated according to legislative and policy changes

¹⁸ The Police National Database is the project to develop a single view of data held in police intelligence, custody, crime, child and domestic abuse systems utilised by the police service across the UK

Independent auditor's report to the Police and Crime Commissioner for South Wales

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

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

for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

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

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

The South Wales Police 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 2012-13 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 set out on page 27, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for South Wales' Group accounting statements and South Wales Police Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for South Wales as at 31 March 2013 and of his income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Police and Crime Commissioner for South Wales Police Group as at 31 March 2013 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 2012-13.

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

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

- give a true and fair view of the financial transactions of South Wales Police Pension Fund during the year ended 31 March 2013 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 2012-13.

Opinion on other matters

In my opinion, the information contained in the Explanatory 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 the Police and Crime Commissioner for South Wales 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, CF11 9LJ

Date

September 2013

Statement of Responsibilities for the Accounts

Responsibilities of the Police and Crime Commissioner

Is required to:

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

I certify the approval of this statement of accounts.

The Police and Crime Commissioner for South Wales

September 2013

Responsibilities of the Chief Financial Officer

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

In preparing this Statement of Accounts, the chief financial officer has:

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

The chief financial officer has also:

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

I certify that the Statement of Accounts, presents a true and fair view of the financial position of the Police and Crime Commissioner for South Wales at the accounting date and its income and expenditure for the year ended 31 March, 2013.

Chief Financial Officer

Date of signing (by responsible financial officer)

Dated

28 June 2013

Chief Financial Officer

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

Dated

September 2013

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net (Increase) /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

	Note	General Fund Balance	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 2012		(7,305)	(33,443)	0	(40,748)	2,377,053	2,336,305
Movement in reserves during 2012/13							
(Surplus) or deficit on provision of services		102,486	0	0	102,486	0	102,486
Other Comprehensive Income and Expenditure		0	0	0	0	215,266	215,266
Total Comprehensive Income and Expenditure		102,486	0	0	102,486	215,266	317,752
Adjustments between accounting basis & funding basis under regulations	7	(106,025)	0	(65)	(106,090)	106,090	0
Net (Increase)/ Decrease before Transfers to Earmarked Reserves		(3,539)	0	(65)	(3,604)	321,356	317,752
Transfers (to)/ from Earmarked Reserves	8	2,623	(198)	65	2,490	(2,490)	0
(Increase)/ Decrease movement in Year		(916)	(198)	0	(1,114)	318,866	317,752
Balance at 31 March 2013 carried forward		(8,221)	(33,641)	0	(41,862)	2,695,919	2,654,057
	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. Local Government Bodies raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/2013	Note	Group			Police and Crime Commissioner			Chief Constable
		Gross	Gross	Net	Gross	Gross	Net	Gross
		Expenditure	Income	Expenditure	Expenditure	Income	Expenditure	Expenditure
		£000	£000	£000	£000	£000	£000	£000
Gross expenditure, gross income and net expenditure of continuing operations								
Police Services	5.1	303,191	(33,535)	269,656	6,233	(33,535)	(27,302)	296,958
Corporate and democratic core		738	0	738	738	0	738	0
Commissioned Services (including Community Safety Fund Expenditure)	5.1	528	0	528	528	0	528	0
Non distributed costs:	5.2						0	
- Retirements Benefits Past Service Cost		30	0	30	0	0	0	30
- Other Non Distributed Costs incl Termination Benefits - Voluntary Early retirement		0	0	0	0	0	0	0
Cost of Services		304,487	(33,535)	270,952	7,499	(33,535)	(26,036)	296,988
Other operating expenditure:	9							
- Levies to national police services		1,064	0	1,064	0	0	0	1,064
- Gain/losses on disposal of non current assets		864	0	864	864	0	864	0
Financing and investment income and expenditure	10	127,029	(44,842)	82,187	0	(34,046)	(34,046)	116,233
Intra Group Transfer/ Funding		0	0	0	414,285	0	414,285	(414,285)
		433,444	(78,377)	355,067	422,648	(67,581)	355,067	0
Taxation and non-specific grant income	11	0	(252,581)	(252,581)	0	(252,581)	(252,581)	0
(Surplus) or Deficit on Provision of Services		433,444	(330,958)	102,486	422,648	(320,162)	102,486	0
Surplus or deficit on revaluation of Property, Plant and Equipment assets				(55)			(55)	0
Actuarial (gains) / losses on pension assets / liabilities				215,321			2	215,319
Intra Group Transfer/ Funding				0			215,319	(215,319)
Other Comprehensive Income and Expenditure				215,266			215,266	0
Total Comprehensive Income and Expenditure				317,752			317,752	0

2011/2012		Group			Police and Crime Commissioner			Chief Constable
	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000
Gross expenditure, gross income and net expenditure of continuing operations								
Police Services	5.1	305,491	(30,578)	274,913	3,929	(30,578)	(26,649)	301,562
Corporate and democratic core		985	0	985	985	0	985	0
Commissioned Services (including Community Safety Fund Expenditure)	5.1	372	0	372	372	0	372	0
Non distributed costs:	5.2						0	
- Retirements Benefits Past Service Cost		450	0	450	1	0	1	449
- Other Non Distributed Costs incl Termination Benefits - Voluntary Early retirement		953	0	953	953	0	953	0
Cost of Services		308,251	(30,578)	277,673	6,240	(30,578)	(24,338)	302,011
Other operating expenditure:	9							
- Levies to national police services		852	0	852	0	0	0	852
- Gain/losses on disposal of non current assets		147	0	147	147	0	147	0
Financing and investment income and expenditure	10	135,915	(49,940)	85,975	0	(38,549)	(38,549)	124,524
Intra Group Transfer/ Funding		0	0	0	427,387	0	427,387	(427,387)
		445,165	(80,518)	364,647	433,774	(69,127)	364,647	0
Taxation and non-specific grant income	11	0	(259,755)	(259,755)	0	(259,755)	(259,755)	0
(Surplus) or Deficit on Provision of Services		445,165	(340,273)	104,892	433,774	(328,882)	104,892	0
Surplus or deficit on revaluation of Property, Plant and Equipment assets				(2,222)			(2,222)	0
Actuarial (gains) / losses on pension assets / liabilities				85,194			68	85,126
Intra Group Transfer/ Funding				0			85,126	(85,126)
Other Comprehensive Income and Expenditure				82,972			82,972	0
Total Comprehensive Income and Expenditure				187,864			187,864	0

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the recognised assets and liabilities. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that it may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that it 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'.

31 March 2013		Group	Police and Crime Commissioner	Chief Constable
	Note	£000	£000	£000
Property, Plant & Equipment	12	80,662	80,662	0
Investment Property	13	0	0	0
Intangible Assets	12/14	1,926	1,926	0
Assets held for sale (> 1yr)	19	0	0	0
Long Term Investments	15	1,315	1,315	0
Long Term Debtors - intergroup transfer	15	excluded on consolidation for group	0	2,754,150
Long Term Assets		83,903	83,903	2,754,150
Short Term Investments	15	25,967	25,967	0
Assets held for sale (<1yr)	19	992	992	0
Inventories	16	745	0	745
Short Term Debtors	17	25,516	25,516	0
Debtors - Intergroup working capital		0	(20,120)	20,120
Cash and Cash Equivalents	18	9,176	9,176	0
Current Assets		62,396	41,531	20,865
Cash and Cash Equivalents - Bank Overdraft	18	0	0	0
Short Term Borrowing	15	(2,178)	(2,178)	0
Short Term Creditors	20	(20,905)	(40)	(20,865)
Current Liabilities		(23,083)	(2,218)	(20,865)
Long Term Creditors - inter group transfer	15	excluded on consolidation for group	(2,754,150)	0
Provisions	21	(3,618)	(3,618)	0
Long Term Borrowing	15	(19,245)	(19,245)	0
Other Long Term Liabilities:				
• Local Government Pension Schemes	38.1	(133,520)	(260)	(133,260)
• Police Pension Schemes	38.2	(2,620,890)	0	(2,620,890)
Long Term Liabilities		(2,777,273)	(2,777,273)	(2,754,150)
Net Assets		(2,654,057)	(2,654,057)	0
Usable Reserves	8	(41,862)	(41,862)	0
Unusable Reserves	23	2,695,919	2,695,919	0
Total Reserves		2,654,057	2,654,057	0

31 March 2012		Group	Police and Crime Commissioner	Chief Constable
	Note	£000	£000	£000
Property, Plant & Equipment	12	81,869	81,869	0
Investment Property	13	0	0	0
Intangible Assets	12/14	1,598	1,598	0
Assets held for sale (> 1yr)	19	0	0	0
Long Term Investments	15	1,902	1,902	0
		excluded on consolidation for group		
Long Term Debtors - intergroup transfer	15		0	2,436,515
Long Term Assets		85,369	85,369	2,436,515
Short Term Investments	15	30,686	30,686	0
Assets held for sale (<1yr)	19	909	909	0
Inventories	16	798	0	798
Short Term Debtors	17	27,419	27,419	0
Debtors - Intergroup working capital		0	(20,835)	20,835
Cash and Cash Equivalents	18	2,289	2,289	0
Current Assets		62,101	40,468	21,633
Cash and Cash Equivalents - Bank Overdraft	18	0	0	0
Short Term Borrowing	15	(2,074)	(2,074)	0
Short Term Creditors	20	(21,637)	(4)	(21,633)
Current Liabilities		(23,711)	(2,078)	(21,633)
		excluded on consolidation for group		
Long Term Creditors - inter group transfer	15		(2,436,515)	0
Provisions	21	(3,502)	(3,502)	0
Long Term Borrowing	15	(19,752)	(19,752)	0
Other Long Term Liabilities:				
• Local Government Pension Schemes	38.1	(127,230)	(295)	(126,935)
• Police Pension Schemes	38.2	(2,309,580)	0	(2,309,580)
Long Term Liabilities		(2,460,064)	(2,460,064)	(2,436,515)
Net Assets		(2,336,305)	(2,336,305)	0
Usable Reserves	8	(40,748)	(40,748)	0
Unusable Reserves	23	2,377,053	2,377,053	0
Total Reserves		2,336,305	2,336,305	0

Cash Flow Statement

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

	Note	2012/2013 £000	2011/2012 £000
Net (surplus) or deficit on the provision of services		102,486	104,892
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(117,214)	(96,387)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,862	2,038
Net cash flows from Operating Activities	24	(11,866)	10,543
Returns on Investments and Servicing of Finance		384	370
Investing Activities	25	4,192	1,012
Financing Activities	26	403	(658)
Net (increase) or decrease in cash and cash equivalents		(6,887)	11,267
Cash and cash equivalents at the beginning of the reporting period		2,289	13,556
Cash and cash equivalents at the end of the reporting period	18	9,176	2,289

Police Pension Fund Account

Police Scheme's	2012/2013 £000	2011/2012 £000
Contributions receivable		
from employer:		
• Normal	(25,934)	(27,153)
• Early retirements (incl. capital equivalent charge for ill health retirements)	(638)	(2,043)
• Other (reimbursement of unabated pensions of '30+' police officers)	(2)	(3)
from members	(12,934)	(12,194)
Transfers in		
Individual transfers in from other schemes	(656)	(230)
Other (recovery of pension overpayments)	0	0
Benefits payable		
Pensions	59,774	55,285
Commutations and lump sum retirement benefits'	13,379	24,083
Lump sum death benefits	225	373
Payments to and on account of leavers		
Refunds of contributions	0	7
Individual transfers out to other schemes	1,032	326
Sub-Total before transfer from the Police Fund	34,246	38,451
Additional funding payable by Police Fund	(34,246)	(38,451)
Net Amount payable/ receivable for the year	0	0
Net Asset Statement		
Net current assets and liabilities		
Current Assets		
Prepayments - pension benefits relating to April paid in March	4,479	4,251
Bank balance	1,653	2,061
Current Liabilities		
Creditor - benefits payable to retiring officers end of March paid April	(966)	(2,010)
Creditor - net balances owed to Police Fund	(5,166)	(4,302)
Net	0	0

Notes to the Police 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 fund's financial statements do not take account of other liabilities to pay pensions and other benefits after the year end, which are however accounted for on the balance sheet as future retirement benefits.

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 **2012/13** - 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.

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

Accruals of income and expenditure

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

Revenue from the provision of services is recognised when South Wales Police/ the Commissioner 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 South Wales Police/ the Commissioner.

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 was elected. The Commissioner replaced the former Police Authority on 22 November 2012 and is abolished by the same statute. He and not the former authority is now 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 Commissioner will be responsible for ensuring that he does this effectively and is accountable to the public. These accounts are prepared on a full year and going concern basis for 2012/13, having retained the full year budget for 2012/13 and with all assets, liabilities, income and expenditure transferred and

accounted for accordingly. Approval of the 2013/14 budget in February 2013 and now the 2012/13 accounts are approved under the new governance arrangements.

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

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. This includes instant and callable account bank deposits. The Code does not include strict criteria for the composition of cash equivalents and South Wales Police/ the Commissioner has some discretion in this policy. Further advice suggests that fixed term deposits are not highly liquid and not readily convertible to cash and, in certain market conditions, there could be a risk of change in value. On this basis all fixed term deposit investments are accounted for as investments.

Contingent liabilities

A contingent liability arises where an event has taken place that gives South Wales Police/ the Commissioner a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of South Wales Police/ the Commissioner. 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

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by South Wales Police/ the Commissioner 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 South Wales Police/ the Commissioner 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 South Wales Police/ the Commissioner to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are

required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Police Officers' pensions are unfunded by statute. However, the funding arrangements changed on 1st April 2006, from 'Pay As You Go' (i.e. based on payments to current pensioners) a direct charge to the Revenue Account, to an annual employers' pension contribution based on percentage of salary, with the balance payable to pensioners met from a grant provided by the Home Office. All other employees are eligible to join the Local Government Pension Scheme. South Wales Police/ the Commissioner is a participating member of the Rhondda Cynon Taff County Borough Council Pension Fund. South Wales Police/ the Commissioner 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 South Wales Police/ the Commissioner.

Events after the reporting period

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

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

Exceptional items and prior period adjustments

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

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

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

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

Financial instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when South Wales Police/ the Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings the amount presented in

the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets - Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when South Wales Police/ the Commissioner 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 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 South Wales Police/ the Commissioner has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Government grants and other contributions

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

- South Wales Police/ the Commissioner will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Certain low value grants below de minimus are recognised in the year of receipt. Balances are assessed at each year-end and for certain low value de minimus 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 South Wales Police/ the Commissioner 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 South Wales Police/ the Commissioner.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by South Wales Police/ the Commissioner can be determined by reference to an active market. In practice, no intangible asset held by South Wales Police/ the Commissioner 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.

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

Overheads

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

Property, plant and equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

1. Separate valuations for Land and Buildings and any components
2. Inclusion of an estimate of the remaining useful life of the building and any components
3. The value methodology is determined by the classification of the asset:
 - 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. A rolling or interim valuation has been undertaken in 2012/13, so as to revalue land and buildings over the next valuation cycle. The valuations were provided by a change in valuer – Bruton Knowles, a firm of property consultants.
- Vehicles, plant and equipment: annual reviews, resulting from respective asset management functions facilitated by internal departments- including Fleet Management and Information Systems for computer and other technology systems.

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

Impairment

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

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

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

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.

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

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

The following bases are used:

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

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

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

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

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

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

Provisions

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

Reserves

South Wales Police/ the Commissioner sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

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

Revenue expenditure funded from capital under statute

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

Value added tax

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

Note 2 Accounting Standards Issued, Not Adopted

For 2012/13 the following accounting policy changes that need to be reported relate to:

- amendments to IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities, December 2011) – no significant impact likely.
- amendments to IAS 12 Income Taxes (deferred tax: recovery of underlying assets, December 2010) – no significant impact likely.
- IFRS 13 Fair Value Measurement (May 2011). However, the CIPFA/LASAAC Code Board is reviewing the adoption of this standard in the Code and has decided to defer its adoption to the 2014/15 Code. The appointed valuer has been advised of this development (March 2013).
- amendments to IAS 19 Employee Benefits (June 2011).

Pension Assets and Liabilities – LGPS – likely impact – The disclosures in Note 38 for 2012/13 shall need to be restated for comparability purposes in presenting the 2013/14 disclosures and possibly where material additional sensitivity figures disclosed of the impact of key assumptions.

The revised standard impacts on the expected return on assets, and so with regard to the Police Scheme, the impact is anticipated to be **NIL** comparable to the 2012/13 disclosure. No supplementary advice, is available from the Police Actuary.

The following is supplementary advice provided by the LGPS Actuary to disclosures in Note 38.

In particular, the revised standard implements a change to the expected return on asset component of pension cost. The change effectively means that the **expected return on assets** is calculated at the discount rate, instead of, as currently, at an expected rate of return based on actual plan assets held. For most employers this is likely to lead to higher charges to the Surplus or Deficit on the Provision of Services going forward. There will also be additional disclosure requirements including sensitivity figures.

IAS 8 statement IAS 8 requires a statement to be made with regards to the impact of IAS 19R and a suitable statement is set out below.

"A revised IAS 19 will come into force for accounting periods beginning on or after 1 January 2013. If this revised IAS 19 were adopted for the accounting period ending 31 March 2013 then this will increase the expenses recognised for funded benefits from **£12.56M to £15.44M**. There is no effect on the Balance Sheet."

Note 3 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts include:

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

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

The Statement of Accounts contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2013 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												
<u>Pensions Liability - LGPS (Information from Actuary)</u>														
	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £29.62M , (last year £25.82M). However, the assumptions interact in complex ways. During 2012/13, the actuaries advised that the net pensions liability had decreased by £0.33M as a result of estimates being corrected as a result of experience and increased by £15.40M (last year £21.27M) attributable to updating of the assumptions.												
<u>Pensions Liability - Police (Information from Actuary)</u>														
	<p>The principal financial assumptions are the real rates of return in excess of pension increases and earnings growth. (this has fallen from +0.2 to -0.43%)</p> <p>(this has fallen from +2.3 to 1.76%)</p> <p>A key demographic assumption is pensioner mortality. (this has marginally lengthened)</p> <p>* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.</p> <p>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.</p> <p>The assumed nominal rate of return is less important although it does affect the past service liability in respect of Guaranteed Minimum Pensions (GMPs).</p>	<table><tr><th><u>Change in assumption*</u></th><th><u>Approximate effect on total liability</u></th></tr><tr><td>Rate of return</td><td></td></tr><tr><td>(i) in excess of earnings -½% a year</td><td>+ 2½%</td></tr><tr><td>(ii) in excess of pensions -½% a year</td><td>+ 7½%</td></tr><tr><td><u>Pensioner mortality</u></td><td></td></tr><tr><td>(iii) pensioners living (on average) 2 years longer:</td><td>+ 4 %</td></tr></table>	<u>Change in assumption*</u>	<u>Approximate effect on total liability</u>	Rate of return		(i) in excess of earnings -½% a year	+ 2½%	(ii) in excess of pensions -½% a year	+ 7½%	<u>Pensioner mortality</u>		(iii) pensioners living (on average) 2 years longer:	+ 4 %
<u>Change in assumption*</u>	<u>Approximate effect on total liability</u>													
Rate of return														
(i) in excess of earnings -½% a year	+ 2½%													
(ii) in excess of pensions -½% a year	+ 7½%													
<u>Pensioner mortality</u>														
(iii) pensioners living (on average) 2 years longer:	+ 4 %													
<u>Arrears of Income</u>														
	At 31 March 2013, the balance for sundry debtors was £1.927m. A review of significant balances suggested that an impairment of doubtful debts of 3% (£64k) 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 £64k to set aside as an allowance.												

Further information on Pension Deficits, Assets and Liabilities and actuarial assumptions are provided in note 38.

Note 5 Material Items of Income and Expense

5.1 Service Expenditure Code of Practice

Comprehensive Income and Expenditure Statement	2012/2013			2011/2012		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Gross expenditure, gross income and net expenditure of continuing operations						
Police Services						
Local Policing	127,733	(12,349)	115,384	125,945	(9,776)	116,169
Dealing with the Public	24,416	0	24,416	28,129	0	28,129
Criminal Justice Arrangements	30,773	(2,351)	28,422	30,802	(2,261)	28,541
Road Policing	15,102	(3,815)	11,287	15,904	(3,272)	12,632
Specialist Operations	23,128	(2,301)	20,827	23,019	(2,131)	20,888
Intelligence	7,525	(1,074)	6,451	8,931	(1,636)	7,295
Investigation	52,235	(2,734)	49,501	51,967	(2,720)	49,247
Investigative Support	9,792	(480)	9,312	8,564	(274)	8,290
National Policing	12,487	(8,431)	4,056	12,230	(8,508)	3,722
	303,191	(33,535)	269,656	305,491	(30,578)	274,913

In previous years, the above was based on CIPFA's Police Objective Analysis. However, for 2012-13, CIPFA have only required information based on estimates rather than actual out-turn figures. Therefore, for 2012-13, the methodology changed and the analysis was prepared using actual out-turn information held for each service line. The 2011-12 figures have been restated on this basis to aid comparability.

Last years analysis is restated to exclude activities now accounted for under Commissioning Services, currently the Community Safety Fund. This is now accounted for separately to Police Services and forms part of the Commissioners Account. The effect is to exclude £528k from the 2012/13 figures and the comparative for 2011/12 is reduced by £372k. There is no change to the Group Cost of Services and Deficit. From April 2013 funding will be made available to Police and Crime Commissioners to replace numerous funding streams for drugs, crime and community safety. These are currently paid by the Home Office to various organisations and will end in March 2013.

5.2 Non Distributed Costs

	2012/2013			2011/2012		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Pensions/ Retirements Benefit:	30	0	30	450	0	450
Termination Benefits - VER	0	0	0	953	0	953
Discretionary Compensation Payments						
	30	0	30	1,403	0	1,403

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, applicable for 2011/12, 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 **XX September 2013**. There are no adjusting or 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 in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

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

General Fund Balance

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

Capital Receipts Reserve

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

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

2012/2013	General Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total 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	(5,585)	-	(5,585)	5,585	0
Revaluation losses on Property Plant and Equipment	(6,215)	-	(6,215)	6,215	0
Amortisation of intangible assets	(931)	-	(931)	931	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	(864)	-	(864)	864	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	2,074	-	2,074	(2,074)	0
Capital expenditure charged against the General Fund and HRA balances	8,648	-	8,648	(8,648)	0
Adjustments primarily involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(65)	(65)	65	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	0	-	0	0	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 38)	(172,900)	-	(172,900)	172,900	0
Employer's pensions contributions and direct payments to pensioners payable in the year	70,621	-	70,621	(70,621)	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	(873)	-	(873)	873	0
Total Adjustments	(106,025)	(65)	(106,090)	106,090	0

2011/2012	General Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total 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 38)	(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 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 2012/13.

	Balance at 31 March 2011 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2012 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2013 £000
General Fund:							
Earmarked Revenue Reserves							
Devolved Budget Carry Forwards	(238)	238	(193)	(193)	193	(136)	(136)
Other Specific Reserves:							
Legacy Investigations	(469)	0	0	(469)	0	0	(469)
Chief Constables Contingency	(500)	0	0	(500)	500	0	0
Major Crime Fund	(200)	0	0	(200)	0	0	(200)
Financial Investigators	(687)	0	(33)	(720)	0	0	(720)
Ill Health Retirements	(984)	0	0	(984)	984	0	0
Bank Holiday Reserve	(557)	182	0	(375)	375	0	0
Estate Development	(250)	0	0	(250)	250	0	0
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	(231)	0	(769)	(1,000)	1,000	0	0
Road Safety	(1,205)	8	0	(1,197)	429	(124)	(892)
Vehicle Management System	(554)	242	0	(312)	312	0	0
Invest to Save Initiatives	(141)	3	0	(138)	0	0	(138)
Police Authority Tribunals/ Appeals	(50)	0	0	(50)	0	0	(50)
Project Darwin - Control Rooms	(146)	3	0	(143)	143	0	0
Resource Management System transition	0	0	(300)	(300)	0	0	(300)
Bridewell Development	0	0	(1,640)	(1,640)	1,640	0	0
Office of the Police & Crime Commissioner					0	(182)	(182)
Disaster Recovery					0	(175)	(175)
Estates Strategy					0	(200)	(200)
Project Reform	(6,493)	0	(49)	(6,542)	5,555	0	(987)
Other Specific Reserves	(1,115)	630	(370)	(855)	389	(211)	(677)
Police Authorities of Wales Joint Committee	(102)	28	(31)	(105)	62	0	(43)
	(14,344)	1,334	(3,385)	(16,395)	11,832	(1,028)	(5,591)
Earmarked Reserve- Possible Impaired Investments Icelandic							
Repayments (principal)	(4,996)	1,586	0	(3,410)	916	0	(2,494)
Recognition of Financial Instruments		872	0	872	0	(110)	762
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.							
Total Earmarked Revenue Reserves	(19,340)	407		(18,933)	11,610		(7,323)
Earmarked Capital Reserves							
resources allocated to part finance capital programme expenditure							
Bridewell Custody Development	(11,607)	205	(3,108)	(14,510)	2,434	0	(12,076)
	0			0	0	(14,242)	(14,242)
	(11,607)	205	(3,108)	(14,510)	2,434	(14,242)	(26,318)
Total Earmarked Reserves	(30,947)	(2,496)		(33,443)	(198)		(33,641)
General Fund	(5,719)	872	(2,458)	(7,305)	0	(916)	(8,221)
Total Usable Reserves	(36,666)	4,869	(8,951)	(40,748)	15,182	(16,296)	(41,862)
(Increase)/ Decrease movement in Year		(4,082)			(1,114)		

Note 9 Other operating expenditure

	2012/13 £000	2011/12 £000
Gain/losses on disposal of non current assets	864	147
Levies to national police services	1064	852
Total	1,928	999

Note 10 Financing and investment income and expenditure

	2012/13 £000	2011/12 £000
Interest payable on debt	889	955
Capital Financing Grant	(81)	(88)
Impairment of financial instruments	(110)	(386)
Pensions interest costs	126,140	134,960
Expected return on pension assets	(9,900)	(10,430)
Pensions top up Grant receivable (Home Office)	(34,246)	(38,451)
Investment Interest income	(505)	(585)
Total	82,187	85,975

Note 11 Taxation and non-specific grant income

	2012/13 £000	2011/12 £000
Capital government grants and contributions	(3,246)	(2,408)
Council tax income	(79,062)	(74,842)
Non domestic rates (Welsh Government)	(38,241)	(32,947)
Revenue Support Grant (Welsh Government)	(39,342)	(48,911)
Non ringfenced government grants (Home Office)	(92,690)	(100,647)
Total	(252,581)	(259,755)

Note 12 Property, Plant and Equipment & Intangible Assets
including copy of Note 19 - Assets held for sale
2012/13

Movements on Balances in 2011/12	Property, Plant & Equipment				Note 12	Note 14	Note 19
	Other Land & Buildings	Vehicles, Plant & Equipment	PP&E Under Constructi on	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 2012	71,241	45,971	0	117,212	8,903	909	127,024
Adjustments between cost/value & depn/impairment	0	0	0	0	0	0	0
Adjusted 1 April 2012 balance	71,241	45,971	0	117,212	8,903	909	127,024
Additions	2,430	6,227	2,875	11,532	1,277	0	12,809
Donations	0	0	0	0	0	0	0
Revaluation Increases/(decreases) to RR	0	0	0	0	0	55	55
Revaluation Increases/(decreases) to SDPS Incl Non enhancing spend	(2,430)	(1,799)	0	(4,229)	(18)	0	(4,247)
Revaluation Increases/(decreases) to SDPS VALUER revaluations	(2,977)	0	0	(2,977)	0	(173)	(3,150)
Derecognition-Disposals	0	(4,796)	0	(4,796)	0	(28)	(4,824)
Derecognitions-Other	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	(229)	0	0	(229)	0	229	0
Reclassifications	0	0	0	0	0	0	0
At 31 March 2013	68,035	45,603	2,875	116,513	10,162	992	127,667
Depreciation and Impairment							
At 1 April 2012	0	(35,343)	0	(35,343)	(7,305)	0	(42,648)
Adjustments between cost/value & depn/impairment	0	0	0	0	0	0	0
Adjusted 1 April 2012 balance	0	(35,343)	0	(35,343)	(7,305)	0	(42,648)
Depreciation Charge	(1,182)	(4,403)	0	(5,585)	(931)	0	(6,516)
Depreciation written out to RR	0	0	0	0	0	0	0
Depreciation written out to SDPS	1,182	0	0	1,182	0	0	1,182
Impairment losses/(reversals) to RR	0	0	0	0	0	0	0
Impairment losses/(reversals) to SDPS	0	0	0	0	0	0	0
Derecognition-Disposals	0	3,895	0	3,895	0	0	3,895
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 2013	0	(35,851)	0	(35,851)	(8,236)	0	(44,087)
Net Book Value							
At 31 March 2013	68,035	9,752	2,875	80,662	1,926	992	83,580
At 31 March 2012	71,241	10,628	0	81,869	1,598	909	84,376

Assets under construction refer to the ongoing construction associated with property schemes including new builds for two bridewells or new custody facilities in Bridgend and Merthyr, which are due for completion in 2014.

2011/12

					Note 12	Note 14	Note 19
Property, Plant & Equipment							
Movements on Balances in 2012/13	Other Land & Buildings	Vehicles, Plant & Equipment	PP&E Under Constructi on	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	0	0	0	0	0	0	0
Depreciation written out to SDPS	1,245	0	0	1,245	0	0	1,245
Impairment losses/(reversals) to RR	0	0	0	0	0	0	0
Impairment losses/(reversals) to SDPS	0	0	0	0	0	0	0
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

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.

Number of Fixed Assets

	2012/13	2011/12
Police Headquarters, Bridgend	1	1
Divisional Headquarters	4	4
Other Police Stations and Offices	60	61
Radio Masts	4	4
Houses for Police Officers	4	5
	73	75
Vehicles	769	767

Depreciation

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

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

Capital Commitments

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

Commitments	2012/13 £000	2011/12 £000
Property Schemes	19,535	167
Vehicles	16	467
Computer Systems	719	1,608
Communication Systems	0	0
Other	6	96
	20,276	2,338

These would not include other planned or new capital schemes, arising as budgeted by the capital programme. A commitment of £18.9M is recognised within Property Schemes for Bridewell Custody Developments.

Note 13 Investment Properties

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

Note 14 Intangible Assets

Details are included with Note 12.

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

Note 15 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Investments				
Loans and receivables	1,315	1,902	25,967	30,686
Debtors				
Loans and receivables	0	0		
Financial assets carried at contract amounts			25,516	27,419
Borrowings				
Financial liabilities at amortised cost	(19,245)	(19,752)	(2,178)	(2,074)
Creditors				
Financial liabilities at amortised cost	0	0		
Financial liabilities carried at contract amount			(20,905)	(21,637)

Income, Expense, Gains and Losses

	2012/13 £000		2011/12 £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	889	0	955	0
Impairment losses	(110)	0	(386)	0
Fee expense	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	779	0	569	0
Interest income	0	(505)	0	(585)
Fee income	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(505)	0	(585)

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 2013 of **1.73% to 11.75%** for loans from the PWLB and **0.25% to 1.65%** 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 2013		31 March 2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Short Term Borrowing	(2,178)	(2,178)	(2,074)	(2,074)
Long Term Borrowing	(19,245)	(22,776)	(19,752)	(23,054)
	<u>(21,423)</u>	<u>(24,954)</u>	<u>(21,826)</u>	<u>(25,128)</u>

The fair value of the liabilities is higher than the carrying amount because South Wales Police / the Commissioner's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2013) arising from a commitment to pay interest to lenders higher than current market rates.

	31 March 2013		31 March 2012	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Long term				
Loans and receivables	1,315	1,315	1,902	1,902
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 former Police 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 2013	Estimated Impairment Discounted (principal+interest)
			£		£	£	£
Heritable	08-Sep-08	22-Oct-08	1,500,000	5.54%	(1,158,750)	329,643	173,449
Heritable	03-Jul-08	03-Nov-08	1,200,000	6.04%	(927,000)	280,125	154,204
Heritable	16-Jan-08	14-Jan-09	500,000	5.39%	(386,250)	133,418	79,493
Heritable	18-Feb-08	16-Feb-09	800,000	5.47%	(618,000)	214,107	128,241
Landsbanki	15-Sep-08	20-Oct-08	500,000	5.35%	(236,033)	263,231	53,553
Landsbanki	12-Sep-08	31-Oct-08	500,000	5.48%	(236,033)	264,344	54,202
Landsbanki	03-Oct-08	28-Nov-08	500,000	6.15%	(236,033)	265,384	60,443
Landsbanki	04-Jun-08	01-Dec-08	1,000,000	5.99%	(472,067)	550,872	130,561
Landsbanki	15-Feb-08	13-Feb-09	500,000	5.49%	(236,033)	288,041	69,058
TOTAL			7,000,000		(4,506,200)	2,589,165	903,204

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, now Commissioner, will be determined by the administrators / receivers. To date principal repayments of **£4.506M**, approximately **64%** has been received.

For the 2012/13 accounts, LAAP bulletin Update no. 7 issued in May 2013 provided updated information, advice and recommendations. Estimated recoveries for Heritable are unchanged at **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 South Wales Police/ the Commissioner 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 7 issued in May 2013) to reflect an appropriate impairment in the Accounts.

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.

Revised estimated payment schedules are as follows:

Heritable Bank

Date	Repayment	Date	Repayment
Received to March 2013	77.20%		
July 2013	2.00%	January 2014	8.80%
		Total	88.00%

Landsbanki

Date	Repayment	Date	Repayment
Approximately Received to March 2013	49.65%		
December 2013	7.50%	December 2017	7.50%
December 2014	7.50%	December 2018	7.50%
December 2015	7.50%	December 2019	5.35%
December 2016	7.50%		
		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 South Wales Police/ the Commissioner until monies are recovered. Adjustments to the assumptions are 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**. For the 2012/13 accounts LAAP bulletin update no. 7 recommends revised calculations, which results in a reduced impairment to **£0.903M**. It is pleasing to note the continued reduction to this calculated figure.

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 former Police Authority had 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 Balance Sheet's 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 required this balance to be charged to the General Fund. This account was 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	Supplies & Services			Supplies & Services		
	Transport 2012/13 £000	2012/13 £000	Total 2012/13 £000	Transport 2011/12 £000	2011/12 £000	Total 2011/12 £000
Balance outstanding at start of year	148	650	798	140	636	776
Purchases	2,592	1,320	3,912	2,810	1,045	3,855
Recognised as an expense in the year	(2,621)	(1,344)	(3,965)	(2,802)	(1,031)	(3,833)
Balance outstanding at year-end	119	626	745	148	650	798

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 2013 £000	31 March 2012 £000
Central government bodies	15,694	18,855
Other local authorities and police authorities	3,071	2,188
NHS bodies	10	15
Public corporations and trading funds	0	1
Other entities and individuals:		
Other Sundry Debtors	785	840
Prepayments	5,879	5,380
Payroll Temporary Advance Payments	77	140
Total	25,516	27,419
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 2013 £000	31 March 2012 £000
Cash held by the Police and Crime Commissioner/ Chief Constable	49	49
Bank current accounts	127	1,740
Short-term deposits with callable bank accounts	9,000	500
Total Cash and Cash Equivalents	9,176	2,289

Note 19 Assets Held for Sale

	Current 2012/13 £000	2011/12 £000
Balance outstanding at start of year	909	272
Assets newly classified as held for sale:		
.. Property, Plant and Equipment	229	932
Revaluation losses	(173)	(149)
Revaluation gains	55	29
Assets sold	(28)	(175)
Balance outstanding at year-end	992	909

Note 20 Creditors

	31 March 2013 £000	31 March 2012 £000
Central government bodies	5,050	5,532
Other local authorities	3,310	3,503
NHS bodies	0	0
Public corporations and trading funds	95	103
Other entities and individuals (incl Other Funds)	12,450	12,499
Total	20,905	21,637

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 2013, with movements passing through the Comprehensive Income and Expenditure Statement:

	Outstanding Legal Claims	Insurance claims re: MMI	Other Provisions	Total
	£000	£000	£000	£000
Balance at 1 April 2012	(3,025)	(387)	(90)	(3,502)
Additional provisions made	(580)	(232)	(6)	(818)
Amounts used	702	0	0	702
Unused amounts reversed	0	0	0	0
Balance at 31 March 2013	(2,903)	(619)	(96)	(3,618)

Outstanding Legal and Insurance Claims

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

South Wales Police/ the Commissioner maintains provision to meet the costs of likely policy excesses and self insured risks for existing cases/ claims. South Wales Police/ the Commissioner provides an allocation from its revenue budget and prior year provisions to assist in meeting these costs. Increased provision is allocated for legal/ liability claims of £0.580M. Payments having been made of £0.702M.

Additional provision is required, in part, with regard to former Municipal Mutual Insurance (MMI) managed claims, previously recognised as contingent liabilities, an estimated £1.548M over the long term. Although further information and details are awaited to better assess possible liabilities, it has been recognised that an initial levy of 15% (£0.232M) is likely to be requested in the short term. In recognising this potential payment, the provision has been increased to 40% (£0.619M). Further reference in Note 39.

Other Provisions

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

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

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

Note 22 Usable Reserves

Movements in South Wales Police/ the Commissioner's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

Note 23 Unusable Reserves

	31 March 2013 £000	31 March 2012 £000
Revaluation Reserve	(9,708)	(10,091)
Capital Adjustment Account	(52,474)	(52,484)
Financial Instruments Adjustment Account	0	0
Pensions Deficit Reserve - Local Government	133,520	127,230
Pensions Deficit Reserve - Police	2,620,890	2,309,580
Accumulated Absences Account	3,691	2,818
Total Unusable Reserves	2,695,919	2,377,053

Revaluation Reserve

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

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

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

	2012/13 £000	2011/12 £000
Balance at 1 April	(10,091)	(8,032)
Upward revaluation of assets	(55)	(2,222)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(10,146)	(10,254)
Amount written off to the Capital Adjustment Account	438	163
Balance at 31 March	(9,708)	(10,091)

Capital Adjustment Account

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

Note 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)

	2012/13 £000	2011/12 £000
Balance at 1 April	(52,484)	(57,239)
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	5,585	5,721
Revaluation losses on Property, Plant and Equipment	6,215	3,911
Amortisation of intangible assets	931	1,195
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	929	555
	13,660	11,382
Adjusting amounts written out of the Revaluation Reserve	(438)	(163)
Net written out amount of the cost of non-current assets consumed in the year	13,222	11,219
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(65)	(408)
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	(3,246)	(2,408)
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	(2,074)	(1,931)
Transfer to / (from) Earmarked Reserves	(2,425)	(1)
Capital expenditure charged against the General Fund and HRA balances	(5,402)	(1,716)
	(13,212)	(6,464)
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	(52,474)	(52,484)

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. This was cleared in 2011/12.

	2012/13 £000	2011/12 £000
Balance at 1 April	0	1,258
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	(1,258)
Balance at 31 March	0	0

Pensions Reserve

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

	2012/13 £000	2011/12 £000
Balance at 1 April	2,436,810	2,247,410
Actuarial gains or losses on pensions assets and liabilities	215,321	85,274
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	172,900	181,470
Employer's pensions contributions and direct payments to pensioners payable in the year	(70,621)	(77,344)
Balance at 31 March	2,754,410	2,436,810

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.

	2012/13 £000	2011/12 £000
Balance at 1 April	2,818	1,710
Settlement or cancellation of accrual made at the end of the preceding year	(2,818)	(1,710)
Amounts accrued at the end of the current year	3,691	2,818
Balance at 31 March	3,691	2,818

Note 24 - 26 Notes to the Cash Flow Statement

Note 24 Cash Flow Statement – Operating Activities

	2012/13 £000	2011/12 £000
The cash flows for operating activities include the following items:		
Net (surplus) or deficit on the provision of services	102,486	104,892
Adjustments to net surplus or deficit on the provision of services for non-cash movements		
Depreciation & Impairment of Fixed Assets	(11,800)	(9,632)
Amortisation of intangible Fixed Assets	(931)	(1,195)
Pension Fund adjustments	(102,279)	(104,206)
Other non cash Financial Instrument adjustments	0	386
Contributions to Provisions	(116)	(1,272)
Gain or loss on the disposal of fixed assets	(864)	(147)
Increase/(Decrease) in Stock	(53)	22
Increase/(Decrease) in Debtors	(1,903)	18,712
(Increase)/Decrease in Creditors	732	945
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Capital grants	3,246	2,408
Returns on Investments and Servicing of Finance	(384)	(370)
Net cash flows from Operating Activities	(11,866)	10,543

Note 25 Cash Flow Statement – Investing Activities

	2012/13 £000	2011/12 £000
Purchase of property, plant and equipment, investment property and intangible assets	12,809	7,129
Purchase of short-term and long-term investments	27,282	32,588
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(65)	(408)
Capital grants	(3,246)	(2,408)
Proceeds from short-term and long-term investments	(32,588)	(35,889)
Net cash flows from investing activities	4,192	1,012

Note 26 Cash Flow Statement – Financing Activities

	2012/13 £000	2011/12 £000
Cash receipts of short- and long-term borrowing	(1,671)	(2,589)
Repayments of short- and long-term borrowing	2,074	1,931
Net cash flows from financing activities	403	(658)

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 Service Reporting Code of Practice. South Wales Police/ the Commissioner has responsibility for a single service. Resource allocation decisions are taken by the Command Team and the Commissioner on the basis of the same budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

Subjective Analysis - Income and Expenditure

	2012/13	2011/12
	£000	£000
Fees, charges & other service income	(9,856)	(10,081)
Government grants	(23,679)	(20,497)
Total Income	(33,535)	(30,578)
Employee expenses	190,050	193,875
Other operating expenses	114,437	114,376
Support Service Recharges	0	0
Total operating expenses	304,487	308,251
Net Cost of Services	270,952	277,673

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

	2012/13	2011/12
	£000	£000
Cost of Services in Service Analysis	270,952	277,673
Net Cost of Services in Comprehensive Income and Expenditure Statement	270,952	277,673

Note 27 Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis 2012/13	Service Analysis £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total 0 £000s
Fees, charges & other service income	(9,856)	(9,856)	0	(9,856)
Interest and investment income	0	0	(615)	(615)
Income from council tax	0	0	(79,062)	(79,062)
Government grants and contributions	(23,679)	(23,679)	(207,846)	(231,525)
Total Income	(33,535)	(33,535)	(287,523)	(321,058)
Employee expenses	190,050	190,050	0	190,050
Other service expenses	101,706	101,706	0	101,706
Depreciation, amortisation and impairment	12,731	12,731	0	12,731
Interest Payments - on debt	0	0	889	889
Interest Payments - pension retirement Benefits	0	0	116,240	116,240
Precepts & Levies	0	0	1,064	1,064
Gain or Loss on Disposal of Fixed Assets	0	0	864	864
Total operating expenses	304,487	304,487	119,057	423,544
Surplus or deficit on the provision of services	270,952	270,952	(168,466)	102,486

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)
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)
Employee expenses	193,875	193,875	0	193,875
Other service expenses	103,549	103,549	0	103,549
Depreciation, amortisation and impairment	10,827	10,827	0	10,827
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
Gain or Loss on Disposal of Fixed Assets	0	0	147	147
Total operating expenses	308,251	308,251	126,484	434,735
Surplus or deficit on the provision of services	277,673	277,673	(172,781)	104,892

Note 28 Members' Allowances

South Wales Police paid the following total to members of the former Police Authority covering the period April to November 2012:

	2012/13 £000	2011/12 £000
Allowances and Expenses	120	208

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 2005. Definition includes annual salaries and expense allowances as remuneration being chargeable to United Kingdom income tax, but excluding pension contributions. The table includes those relevant police officers and senior employees reported in more detail below.

Group

Number of Police Officers and Police Staff (Employees):		
Remuneration band	2012/13	2011/12
£60,000 - £64,999	37	40
£65,000 - £69,999	5	7
£70,000 - £74,999	5	7
£75,000 - £79,999	12	15
£80,000 - £84,999	5	3
£85,000 - £89,999	5	6
£90,000 - £94,999	2	0
£95,000 - £99,999	0	0
£100,000 - £104,999	1	3
£105,000 - £109,999	3	2
£110,000 - £114,999	0	0
£115,000 - £119,999	1	1
£120,000 - £124,999	0	1
£125,000 - £129,999	0	0
£130,000 - £134,999	1	1
£135,000 - £139,999	0	1
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	1	1
	78	88

The reduction of reportable employees is as result of continued use of normal and in previous years Voluntary Early Retirements.

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

Number of Staff (Employees):		
Remuneration band	2012/13	2011/12
£80,000 - £84,999	1	0
£135,000 - £139,999	0	1
	1	1
Further details in the below remuneration note		

Note 29 Officers'/ Employee Remuneration (Continued)

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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £000
£0 – £20,000	1	7	0	17	1	24	11	232
£20,001 – £40,000	0	1	0	3	0	4	0	99
£40,001 – £60,000	0	0	0	1	0	1	0	56
Total	1	8	0	21	1	29	11	387

Remuneration Report for senior relevant police officers and senior employees

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

Single entity – for the Office of the Police and Crime Commissioner 2012/13

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)	Pension contributions (Employers)	Total Remuneration including pension contributions 2012/13
		£	£	£	£	£	£	£
Police and Crime Commissioner	Note 1	30,458	0	0	0	0	2,193	32,651
Deputy Police and Crime Commissioner	Note 2	3,719	0	0	0	0	409	4,128
Assistant Police and Crime Commissioner	Note 3	0	0	0	0	0	0	0
Chief of Staff	Note 4	11,391	0	0	0	0	1,253	12,644
Chief Financial Officer	Note 5	0	0	0	0	0	0	0
Chief Executive (interim)	Note 6	71,825	0	0	0	0	7,901	79,726

Effective from November 2012. No comparative information for 2011/12.

Note 1 Commenced 22nd November 2012 annualised salary is £85,000

Note 2 Commenced 11th March 2013 annualised salary is £65,886

Note 3 Appointment pending - annualised salary is £65,886

Note 4 Appointment 4th February 2013 - annualised salary is £67,337

Note 5 Appointment pending - The former Treasurer to the Police Authority retired 31st May 2011. Role responsibilities were passed on an interim basis to the Director of Finance.

Note 6 Appointed interim Chief Executive 1st January 2012, the equivalent annualised salary is £86,190 ceased 31st January 2013

Single entity – for the Chief Constable 2012/13

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 2012/13
		£	£	£	£	£	£	£	£
Chief Constable P.Vaughan		154,370	0	0	0	1,457	4,082	35,863	195,772

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 2012/13
		£	£	£	£	£	£	£	£
Deputy Chief Constable		128,202	0	0	0	1,969	0	29,586	159,757
ACC Territorial Policing		109,192	0	0	0	6,372	2,271	25,182	143,017
ACC Specialist Crime		104,106	0	0	0	4,263	0	25,234	133,603
Assistant Chief Constable (seconded)	Note 1	10,613	0	0	0	0	3,999	2,479	17,091
Director of Legal Services	Note 2	97,687	0	0	0	6,559	0	10,746	114,991
Director of Finance	Note 3	100,557	0	0	0	6,343	0	11,061	117,961
ACC Specialist Ops	Note 4	105,225	0	0	0	1,948	5,747	24,592	137,512
Director Of Human Resources	Note 5	100,557	0	0	0	4,284	0	11,061	115,902
ACC Specialist OPS	Note 6	15,942	0	0	0	0	0	3,693	19,635

Note 1 Additional ACC seconded to Prison Service - retired 5th May 2012

Note 2 Provides services for both South Wales Police and Gwent Police and a share of their costs are recharged

Note 3 The Director of Finance or Chief Financial Officer was shared between the Commissioner and Chief Constable

Note 4 ACC retired 25th July 2012, a temporary ACC was appointed from 18th June 2012 to 31st March 2013

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

Note 6 Acting as ACC Specialist Ops whilst temporary ACC (note 4) attended the Strategic Command Course ACC 1/1/13 - 31/3/13

**** Includes Compensatory Grant

Note 29 Officers'/ Employee Remuneration (Continued) - 2011/12 to the former Police Authority

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. Annualised salary was £100,557. The total remuneration for 2011/12 being £136,231 (excluding pension contributions).

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 30 External Audit Costs

South Wales Police/ the Commissioner has incurred the following costs, covering both the Commissioner and the Chief Constable, in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by external auditors:

	2012/13 £000	2011/12 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	98	83
Credit Notes received relating to Performance Audits for previous years	0	(18)
Total	98	65

Note 31 Grant and Other Income

South Wales Police/ the Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13:

		2012/13 £000	2011/12 £000
Credited to Services	Funding Body		
All Wales Schools Programme	Welsh Govt/ Other		
Counter Terrorism/Cardiff Airport	Local Govt Bodies	(956)	(1,030)
Community Support Officers & Neighbourhood Policing Grant	Home Office	0	(113)
Communications Data Stakeholder Enablement Grant	Home Office	(8,913)	(6,512)
Dedicated Security Posts	Home Office	(287)	0
Drugs Intervention Programme	Home Office	(1,467)	(1,573)
Mobile Data Capital Development	Home Office	(353)	(372)
Police Incentivisation Fund	Home Office	(443)	(746)
Regional Asset Recovery	Home Office	(404)	(497)
Counter Terrorism Intelligence Unit	Home Office	(994)	(1,066)
Regional Intelligence Unit	Home Office	(4,201)	(4,071)
Regional Task Force / Tarian	Home Office	(514)	(502)
	Welsh Govt	(642)	(642)
	Home Office/ Welsh Govt/ Other Local		
Speed Reduction Camera Partnership	Govt Bodies	(1,912)	(1,828)
Olympics	Home Office	(1,348)	(224)
Prevent/ Channel Project (Community Engagement)	Home Office	(279)	(266)
Criminal Records Bureau	Home Office	(360)	(320)
Operation Cambria Guard	Home Office	0	(322)
Youth Crime & Substance Misuse Prevention Grant	Home Office	(174)	0
Other Miscellaneous Grants (less than £150,000)	Various	(432)	(413)
		(23,679)	(20,497)
Corporate Grants			
Capital Financing Grant - Pre 1990 loan debt	Home Office	(81)	(88)
Pensions Top up Grant	Home Office	(34,246)	(38,451)
		(34,327)	(38,539)
Total		(58,006)	(59,036)

Note 31 Grant and Other Income (continued)

	2012/13	2011/12
	£000	£000
Other Income		
Seconded Officers	(797)	(1,352)
Special Duty Charges	(687)	(465)
Special Services to Welsh Government	(573)	(566)
Vehicle Recovery Scheme	(1,394)	(1,609)
Rents	(118)	(115)
Mutual Aid to other Police Forces	(460)	(73)
Recovery of Costs from other Police Forces	(2,533)	(2,125)
Police Cost recovered	(713)	(719)
Training Course fees	(718)	(1,052)
Partnership Contributions	(770)	(803)
Sale of Vehicles	(258)	(267)
Illegal Immigrants Income	(141)	(130)
Sale of Accident Reports	(152)	(137)
Other (headings less than £150,000)	(542)	(668)
	(9,856)	(10,081)

Financing from Council Taxpayers

In accordance with the Local Government Finance Act 1992, as amended by the Police Act 1996, the former South Wales Police Authority at its meeting in February 2012 resolved to issue the following precepts on the Council Tax Collection Funds of the following Local Authorities:

	Taxbase (no of Band D properties)	2012/13 £000	2011/12 £000
Precepts:			
Cardiff County Council	136,311.00	23,371	21,994
City and County of Swansea	87,363.00	14,876	14,096
Bridgend County Borough Council	49,444.62	8,419	7,978
Merthyr Tydfil CBC	17,320.48	2,962	2,795
Neath Port Talbot CBC	45,838.27	7,754	7,396
Rhondda Cynon Taff CBC	72,472.87	12,330	11,693
The Vale of Glamorgan Council	55,100.00	9,350	8,890
	463,850.24	79,062	74,842
Resultant Council tax payable by tax payers in each Authority area:			
Band A		£112.94	£107.57
Band B		£131.77	£125.49
Band C		£150.59	£143.42
Band D		£169.42	£161.35
Band E		£207.07	£197.21
Band F		£244.71	£233.06
Band G		£282.36	£268.92
Band H		£338.83	£322.70
Band I		£395.31	£376.48

Note 32 Related Parties

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

Central government has significant influence over the general operations of South Wales Police / the Commissioner as it is responsible for providing the statutory framework within which South Wales Police/ the Commissioner operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that South Wales Police/ the Commissioner has with other parties. Grants received from government departments are set out in Note 31, most of which have strict terms and conditions.

- Members of the former Authority had direct control over the financial and operating policies of South Wales Police. The total of members' allowances paid is shown in Note 28. There are no material Member interests to disclose.
- The Commissioner has a statutory responsibility to declare any interests and these are published on the website, under money matters and interests.
- There are also no material interests or relationships of the Chief Officers or their direct families, which could influence or control the decision making, policies or financial transactions of South Wales Police/ the Commissioner. A robust process is also in place to approve and register the business interests of both police staff and officers.

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

	2012/13	2011/12
	£000	£000
Opening Capital Financing Requirement	31,427	28,838
Capital investment		
Property, Plant and Equipment	11,532	6,235
Intangible Assets	1,277	894
Sources of finance		
Capital receipts	(65)	(408)
Government grants and other contributions	(3,246)	(2,408)
Sums set aside from revenue:		
Direct revenue contributions	(7,827)	(1,724)
Closing Capital Financing Requirement	33,098	31,427
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,671	2,589
Increase/(decrease) in Capital Financing Requirement	1,671	2,589

Note 34 Leases

Operating Leases

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

	2012/13	2011/12
	£000	£000
Not later than one year	1,088	1,160
Later than one year and not later than five years	985	1,495
Later than five years	224	276
	2,297	2,931

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

	2012/13	2011/12
	£000	£000
Minimum lease payments (annual cost)	1,366	1,291
	1,366	1,291

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 or body 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. South Wales Police/ the Commissioner has not capitalised any borrowing costs during the year.

Note 37 Termination Benefits

The following outlines totals of termination benefits, including compensation for VER retirements and enhanced pension benefits.

	2012/13	2011/12
	£000	£000
VER costs - compensation payment (charged to CIEA note 5.2)	0	913
VER costs - unfunded pension (Adjustment to General Fund Balance)	0	464
Included in Employers Pension Contributions (Note 7)		
Further details of the accounting arrangements are included in the Accounting Policies		
	-	1,377

In relation to 2011/12, the former 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 were 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 included 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.

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

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

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

This is a funded defined benefit final salary scheme, meaning that South Wales Police/ the Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. Following the full actuarial valuation of that Scheme, **as at March 2010**, further interim work has been undertaken by the Fund's Actuaries to derive suitable approximate cost estimates to participating bodies

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

Local Government Pension Scheme and Unfunded Discretionary Benefits	Pension Scheme	Discretionary Benefits Arrangements	Total	Pension Scheme	Discretionary Benefits Arrangements	Total
	2012/13	2012/13	2012/13	2011/12	2011/12	2011/12
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• current service cost	9,140	0	9,140	7,930	0	7,930
• past service costs	30	0	30	450	0	450
Financing and Investment Income and Expenditure						
• interest cost	13,290	70	13,360	12,850	70	12,920
• expected return on scheme assets	(9,900)	0	(9,900)	(10,430)	0	(10,430)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	12,560	70	12,630	10,800	70	10,870
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	14,090	0	14,090	(6,720)	0	(6,720)
Experience Gains and (Losses) arising on the scheme Liabilities	(23,990)	0	(23,990)	(3,710)	0	(3,710)
Changes in assumptions underlying the present value of the pension liabilities	8,920	(100)	8,820	(18,740)	(120)	(18,860)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(980)	(100)	(1,080)	(29,170)	(120)	(29,290)
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						
	(12,560)	(70)	(12,630)	(10,800)	(70)	(10,870)
Actual amount charged against the General Fund Balance for pensions in the year:						
• employers' contributions payable to scheme	7,425	0	7,425	7,711	0	7,711
• retirement benefits payable to pensioners	0	0	0	0	0	0

Contributions for the accounting period ending 31 March 2014

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2014 are estimated to be **£7.66M**.

Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

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	Funded Pension Scheme	Unfunded Discretionary Benefits	Total
	2012/13	2012/13	2012/13	2011/12	2011/12	2011/12
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(273,910)	(1,510)	(275,420)	(237,240)	(1,410)	(238,650)
Current service cost	(9,140)	0	(9,140)	(7,930)	0	(7,930)
Interest cost	(13,290)	(70)	(13,360)	(12,850)	(70)	(12,920)
Contributions by scheme participants	(3,070)	0	(3,070)	(3,060)	0	(3,060)
Actuarial gains and (losses)	(15,070)	(100)	(15,170)	(22,450)	(120)	(22,570)
Benefits paid	6,340	90	6,430	10,070	90	10,160
Past service costs	(30)	0	(30)	(450)	0	(450)
Entity combinations (Business Combination)	0	0	0	0	0	0
Closing balance at 31 March	(308,170)	(1,590)	(309,760)	(273,910)	(1,510)	(275,420)

Reconciliation of fair value of the scheme (plan) assets:		
Local Government Pension Scheme		
	2012/13	2011/12
	£000	£000
Opening balance at 1 April	148,190	142,820
Expected rate of return	9,900	10,430
Actuarial gains and (losses)	14,090	(6,720)
Employer contributions	7,330	8,670
Contributions by scheme participants	3,070	3,060
Benefits paid	(6,340)	(10,070)
Closing balance at 31 March	176,240	148,190

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 gain of **£14.090m** (2011/12:£6.720m loss).

Scheme History					
	2012/13	2011/12	2010/11	2009/10	2008/09
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(308,170)	(273,910)	(237,240)	(252,680)	(178,390)
Discretionary Benefits	(1,590)	(1,510)	(1,410)	(2,110)	(1,960)
Fair value of assets in the Local Government Pension Scheme	176,240	148,190	142,820	130,250	89,210
Total	(133,520)	(127,230)	(95,830)	(124,540)	(91,140)
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(131,930)	(125,720)	(94,420)	(122,430)	(89,180)
Discretionary Benefits	(1,590)	(1,510)	(1,410)	(2,110)	(1,960)
Total	(133,520)	(127,230)	(95,830)	(124,540)	(91,140)

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of **£133.520M** has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police/ the Commissioner remains healthy:

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by **Aon Hewitt Limited** an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at **31 March 2010**.

The principal assumptions used by the actuary have been:

Local Government				
	Pension Scheme	Discretionary Benefits	Pension Scheme	Discretionary Benefits
	2012/13	2012/13	2011/12	2011/12
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.8%	-	8.1%	-
Government Bonds	2.8%	-	3.1%	-
Corporate Bonds	3.8%	-	3.7%	-
Property	7.3%	-	7.6%	-
Other	7.8%	-	8.1%	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.3	-	23.2	-
• Women	24.7	-	24.5	-
Longevity at 65 for future pensioners:				
• Men	25.2	-	25.1	-
• Women	26.6	-	26.5	-
Main Assumptions:				
Rate of inflation RPI	3.7%	3.4%	3.6%	3.4%
Rate of inflation CPI	2.8%	2.4%	2.6%	2.4%
Rate of increase in salaries	4.7%	-	5.1%	-
Rate of increase in pensions	2.8%	2.4%	2.6%	2.4%
Rate for discounting scheme liabilities	4.6%	4.6%	4.8%	4.6%
Take-up of option to convert annual pension into retirement lump sum				
- pre 1 April 2010 pension entitlements	50%	-	50%	-
- post 31 March 2010 pension entitlements	75%	-	75%	-

History of Experience Gains and Losses

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

	2012/13	2011/12	2010/11	2009/10	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	8.0%	-4.5%	-2.1%	22.2%	-34.8%
Experience gains and losses on liabilities	0.1%	-0.4%	2.6%	13.4%	-13.0%

Expected return on Assets

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

	31 March 2013	31 March 2012
	%	%
Equity investments	68.7%	65.6%
Property	5.9%	6.8%
Government Bonds	10.6%	10.5%
Corporate Bonds	11.4%	13.3%
Cash and other assets	3.4%	3.8%
	100.0%	100.0%

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

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

- The Police Pension Scheme, administered by **Capita plc**

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

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

Transactions Relating to Post-employment Benefits

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

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

Police Pension and Unfunded Injury Benefit Scheme	Pension Scheme	Discretionary Benefits Arrangements	Total	Pension Scheme	Discretionary Benefits Arrangements	Total
	2012/13 £000	2012/13 £000	2012/13 £000	2011/12 £000	2011/12 £000	2011/12 £000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• current service cost	46,330	1,160	47,490	47,670	890	48,560
• past service costs	0	0	0	0	0	0
Financing and Investment Income and Expenditure						
• interest cost	107,890	4,890	112,780	117,150	4,890	122,040
• 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	154,220	6,050	160,270	164,820	5,780	170,600
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	165,300	200	165,500	6,840	(260)	6,580
Changes in assumptions underlying the present value of the pension liabilities	(369,680)	(10,710)	(380,390)	(53,900)	(10,220)	(64,120)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(204,380)	(10,510)	(214,890)	(47,060)	(10,480)	(57,540)
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						
	(154,220)	(6,050)	(160,270)	(164,820)	(5,780)	(170,600)
Actual amount charged against the General Fund Balance for pensions in the year:						
• employers' contributions payable to scheme	26,570	2,380	28,950	28,852	2,330	31,182
• retirement benefits payable to pensioners (grant funded)			0			0

Contributions for the accounting period ending 31 March 2014

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2014 are estimated to be **£28.92M**.

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

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	Funded Pension Scheme	Unfunded Discretionary Benefits	Total
	2012/13 £000	2012/13 £000	2012/13 £000	2011/12 £000	2011/12 £000	2011/12 £000
Opening balance at 1 April	(2,209,160)	(100,420)	(2,309,580)	(2,065,090)	(86,490)	(2,151,580)
Opening/ restatement actuarial adjustment- injury	0	0	0	0	0	0
Current service cost	(46,330)	(1,160)	(47,490)	(47,670)	(890)	(48,560)
Interest cost	(107,890)	(4,890)	(112,780)	(117,150)	(4,890)	(122,040)
Contributions by scheme participants	(12,930)	0	(12,930)	(12,190)	0	(12,190)
Actuarial gains and (losses)	(204,380)	(10,510)	(214,890)	(47,060)	(10,480)	(57,540)
Benefits paid	74,400	2,380	76,780	80,000	2,330	82,330
Past service costs	0	0	0	0	0	0
Closing balance at 31 March	(2,506,290)	(114,600)	(2,620,890)	(2,209,160)	(100,420)	(2,309,580)

Reconciliation of fair value of the scheme (plan) assets: Police Pension Scheme		
	2012/13 £000	2011/12 £000
Opening balance at 1 April	0	0
Expected rate of return	0	0
Actuarial gains and (losses)- 'balance'	34,898	38,614
Employer contributions	28,952	31,526
Contributions by scheme participants	12,930	12,190
Benefits paid	(76,780)	(82,330)
Closing balance at 31 March	0	0

Scheme History					
	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000 (restated)	2008/09 £000 (restated)
Present value of liabilities:					
Police Pension Scheme	(2,506,290)	(2,209,160)	(2,065,090)	(2,316,710)	(1,527,740)
Discretionary Benefits	(114,600)	(100,420)	(86,490)	(42,320)	(32,930)
Discretionary Benefits- restatement	0	0	0	(57,720)	(33,060)
Fair value of assets in the Police Pension Scheme	0	0	0	0	0
Total	(2,620,890)	(2,309,580)	(2,151,580)	(2,416,750)	(1,593,730)
Surplus/(deficit) in the scheme:					
Police Pension Scheme	(2,506,290)	(2,209,160)	(2,065,090)	(2,316,710)	(1,527,740)
Discretionary Benefits	(114,600)	(100,420)	(86,490)	(100,040)	(65,990)
Total	(2,620,890)	(2,309,580)	(2,151,580)	(2,416,750)	(1,593,730)

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of **£2,620.890M** has a substantial impact on the net worth of South Wales Police/ the Commissioner as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of South Wales Police / the Commissioner remains healthy:

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Police Pension Scheme and Discretionary Benefits liabilities have been assessed by **the Government Actuary's Department (GAD)** an agency of the UK Government, using payroll and pension data provided by or on behalf of South Wales Police/ the Commissioner.

The principal assumptions used by the actuary have been:

Police	Pension Scheme	Discretionary Benefits	Pension Scheme	Discretionary Benefits
	2012/13	2012/13	2011/12	2011/12
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	23.4	23.3	23.3	23.3
• Women	25.8	25.7	25.7	25.7
Longevity at 65 for future pensioners:				
• Men	25.7	25.6	25.6	25.6
• Women	27.9	27.8	27.8	27.8
Main Assumptions:				
Rate of inflation RPI	3.65%		3.60%	
Rate of inflation CPI	2.50%		2.50%	
Rate of increase in salaries	4.75%	-	4.75%	-
Rate of increase in pensions	2.5%		2.5%	
Rate for discounting scheme liabilities	4.3%		4.9%	
Assumed rate of return in excess of pensions	1.76%		2.30%	
Assumed rate of return in excess of earnings	-0.43%		0.2%	
Take-up of option to convert annual pension into retirement lump sum	actuarially neutral		actuarially neutral	

History of Experience Gains and Losses

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

	2012/13	2011/12	2010/11	2009/10	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets		-	-	-	-
Experience gains and losses on liabilities					
old scheme	-6.8%	-0.3%	-5.8%	-0.6%	-3.0%
new scheme	5.5%	-2.0%	6.0%	-2.0%	-10.7%

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. Over the last 20 years informed opinion suggested that the Company would achieve a solvent run-off in surplus. The scheme of arrangement was however triggered in November 2012. An assessment of the liability to South Wales Police/ the Commissioner at 31st March 2013 is **£1.548M**, unchanged in recent years. During 2011/12 provision was partly made equating to 25% of this amount. An initial levy of 15% is due in the short term, approximately £0.232M, which is further provided for to £0.619M and equating to an estimated 40% funded position. This reduces the contingent liability to **£0.929M**.

39.2 Section A19 Retirements

South Wales Police/ the Commissioner, along with a number of other forces, currently have ongoing cases at an employment tribunal regarding the use of Police Pension Regulation A19. The outcome of the tribunal is uncertain and any possible future costs that South Wales Police/ the Commissioner could be liable for cannot be determined at this stage.

Note 40 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

The maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all deposits, but there was no evidence at the 31 March 2013 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.

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

	31 March 2013 £000	31 March 2012 £000
Less than three months	1,836	1,120
Three to six months	14	153
Six months to one year	7	9
More than one year	70	25
	1,927	1,307
The experience of default is illustrated by the balances of impairment of doubtful debts:		
Balances at 31 March (£000)	64	25
%	3.3%	1.9%

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

	31 March 2013 £000	31 March 2012 £000
Less than one year	2,178	2,074
Between one and two years	2,021	2,178
Between two and five years	5,238	6,214
Between five and ten years	6,686	9,300
More than ten years	5,300	2,060
	21,423	21,826

Market Risk

Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise. South Wales Police/ the Commissioner does not normally borrow at variable rates.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.

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

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

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

The treasury management team has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2013, 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

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

Foreign Exchange Risk

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

Note 41 Police Authorities of Wales – Collaboration

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

PAW in effect ceased from April 2012, with transitional issues ongoing to November 2012. Its constituent police authorities were abolished in November 2012. The collaborative services and their funding continue under revised Commissioner and Force Governance arrangements.

In consultation with the Wales Audit Office, there is no requirement for 2012-13 accounts to be prepared as section 12 of the Public Audit (Wales) Act requires accounts to be produced for bodies in existence at 31 March 2013 and/or upon a Welsh Government direction. WG has confirmed that there will be no direction for PAW accounts.

There are no requirements for PAW disclosures but the underlying transactions of the continuing units need to be disclosed. See note on collaboration services Note 42.

Note 42 Collaboration

Police forces in Wales have a long, successful history of collaborating to develop specialist areas of policing. This included those under the remit of the former Police Authorities of Wales Joint Committee.

Future collaboration will be driven by the need to satisfy the Strategic Policing Requirement and by the outcomes of the Regional Strategic Assessment of threats, risks and harm to the southern region of Wales.

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

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

A summary of the Expenditure and Income Statement for 2012/13 and the prior year for the main activities of the continuing units are as follows:

CTIU / TARIAN (former PAW activities)

2012/13	Police Authority Wales £k	Counter Terrorism Intelligence Unit £k	Regional Intelligence Unit £k	Regional Asset Recovery Team £k	Regional Task Force £k	Witness Protection £k	Wales Central Team £k	TOTAL £k
Service Classification	CDC	National Policing	Intelligence	Investigation	Investigation	Investigation	re-allocated	
Pay Expenditure	47	3,525	656	776	2,441	15	71	7,531
Non Pay Expenditure	21	1,096	181	276	805	6	1	2,386
Gross Expenditure	68	4,621	837	1,052	3,246	21	72	9,917
Specific Grant Income	0	(4,545)	(514)	(1,045)	(642)	0	0	(6,746)
Income	0	(76)	(6)	(7)	(0)	0	0	(90)
Total Income & Grants	0	(4,621)	(520)	(1,052)	(642)	0	0	(6,836)
South Wales Police	(17)	0	(145)	0	(1,410)	(7)	0	(1,580)
Dyfed Powys Police	(17)	0	(45)	0	(561)	(7)	0	(630)
Gwent Police	(17)	0	(64)	0	(663)	(7)	0	(752)
North Wales Police	(17)	0	0	0	0	0	0	(17)
Force Contributions	(68)	0	(254)	0	(2,634)	(21)	0	(2,977)
(Surplus) or Deficit	(0)	0	62	0	(30)	0	72	104

Other

2012/13	Scientific Investigation Unit £k	Joint Firearms £k	Firearms Training £k	TOTAL £k
Service Classification	Investigative Support	Specialist Operations	Support to Specialist Operations	
Pay Expenditure	5,764	3,908	1,239	10,911
Non Pay Expenditure	896	426	618	1,939
Gross Expenditure	6,660	4,334	1,857	12,851
Specific Grant Income	0	0	0	0
Income	0	0	(38)	(38)
Total Income & Grants	0	0	(38)	(38)
South Wales Police	(4,288)	(2,051)	(1,026)	(7,365)
Dyfed Powys Police	0	(1,039)	(468)	(1,506)
Gwent Police	(2,372)	(1,244)	(325)	(3,941)
North Wales Police	0	0	0	0
Force Contributions	(6,660)	(4,334)	(1,819)	(12,813)
(Surplus) or Deficit	0	0	0	0

1. The Joint Firearms Unit for 3 southern forces are for a part year being fully operational from November 2012. The training element was phased in from April 2012.
2. The Joint Scientific Investigation Unit for South Wales and Gwent was operational from April 2012. The costs for 2011-12 included elements of ballistics and armoury, along with developing the collaborative business case.
3. The Police Authorities of Wales Joint Committee are for a part year to November 2012, following the abolition of its constituent Police Authorities.
4. Any capital items/ fixed assets are accounted for as procured and financed from use of grants and force revenue contributions. No assets are recognised in this note and which otherwise would be accounted for through unusable capital reserves. There are no charges for depreciation. Assets are so recognised on Force/ Commissioner Balance Sheets, CIES and MIRS statements.

CTIU / TARIAN (former PAW activities)

2011/12	Police Authority Wales £k	Counter Terrorism Intelligence Unit £k	Regional Intelligence Unit £k	Regional Asset Recovery Team £k	Regional Task Force £k	Witness Protection £k	Wales Central Team £k	TOTAL £k
Service Classification	CDC	National Policing	Intelligence	Investigati on	Investigati on	Investigati on	re-allocated	
Pay Expenditure	46	3,148	475	838	2,528	0	133	7,168
Non Pay Expenditure	26	1,170	190	213	668	0	3	2,269
Gross Expenditure	72	4,318	665	1,051	3,196	0	136	9,437
Specific Grant Income	0	(4,281)	(502)	(1,045)	(642)	0	(17)	(6,487)
Income	0	(37)	(0)	(6)	(1)	0	0	(44)
Total Income & Grants	0	(4,318)	(502)	(1,051)	(643)	0	(17)	(6,531)
South Wales Police	(17)	0	(94)	0	(1,390)	0	(36)	(1,537)
Dyfed Powys Police	(17)	0	(28)	0	(541)	0	0	(586)
Gwent Police	(17)	0	(43)	0	(644)	0	0	(704)
North Wales Police	(17)	0	0	0	0	0	0	(17)
Force Contributions	(68)	0	(165)	0	(2,575)	0	(36)	(2,844)
(Surplus) or Deficit	3	0	(2)	0	(22)	0	83	62

Other

2011/12	Scientific Investigation Unit £k	Joint Firearms £k	Firearms Training £k	TOTAL £k
Service Classification	Investigative Support	Specialist Operations	Support to Specialist Operations	
Pay Expenditure	215	0	0	215
Non Pay Expenditure	11	0	0	11
Gross Expenditure	226	0	0	226
Specific Grant Income	0	0	0	0
Income	(0)	0	0	(0)
Total Income & Grants	(0)	0	0	(0)
South Wales Police	(148)	0	0	(148)
Dyfed Powys Police	(44)	0	0	(44)
Gwent Police	(68)	0	0	(68)
North Wales Police	0	0	0	0
Force Contributions	(260)	0	0	(260)
(Surplus) or Deficit	(34)	0	0	(34)

Summary of Reserves

Collaboration Reserves	As at 31st March 2013	As at 31st March 2012
South Wales Police	62	105
Dyfed Powys Police	6	34
Gwent Police	13	46
North Wales Police	58	58
Total	139	243

Note 43 Impact of Police Reform Transition

Statement of Accounts

These are the first statutory accounts prepared under the new governance arrangements. Each corporation sole is required to produce their own single entity Statement of Accounts with the Commissioner producing a Statement of Accounts for the Group.

The transfer of assets, staff and liabilities from South Wales Police Authority to the Commissioner occurred at midnight on the 21st November 2012 by way of a statutory transfer, known as the Stage 1 transfer.

To achieve uniformity of accounting policies, the cash flows of the South Wales Police Authority were brought into the financial statements of the Police and Crime Commissioner (and the Chief Constable) from 1st April 2012, rather than from the date of transfer/inception in November 2012.

A Scheme of Governance is in operation between the Commissioner and Chief Constable, which determines their respective responsibilities during Stage 1, as well as local arrangements in respect of the Commissioners assets and staff.

All police staff remain employed by the Commissioner during Stage 1 as the Police Authority's successor. During Stage 1 the Commissioner has assigned authority and responsibility to staff under the direction and control of the Chief Constable to carry out specific activities via delegated authority in the same way as he would delegate functions to his CEO and CFO. Under delegated authority, the Commissioner remains accountable for the outcome of the delegated work.

The Commissioner therefore initially owns and funds all assets regardless of whether they are used by the Commissioner, force or both entities. The Commissioner is the recipient of all funding, including government grant and precept and other sources of income, relating to policing and crime reduction and all funding for the force must come via the Commissioner. How this money is allocated is a matter for the Commissioner in consultation with the Chief Constable, or in accordance with any grant terms. The Act prohibits the Chief Constable from borrowing money.

The PRSA allows for a Stage 2 transfer, whereby the Commissioner can transfer assets, staff and liabilities to the Chief Constable. Ministers have confirmed that this Stage 2 transfer should occur by April 2014.

During Stage 2 the Commissioner will give consent to the Chief Constable to undertake certain functions without the need to seek his approval. Transactions entered into following consent by the Commissioner to the Chief Constable will be in the Chief Constables own name as a separate legal entity.

There are certain technical accounting and other matters (including pensions, capital and taxation), and government regulatory changes, which may require further consideration together with proposed Stage 2 transition reforms.

Explanation of Main Statements - including intra group transfer of funding

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

Comprehensive Income and Expenditure Statement

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

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

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

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

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

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

Movement in Reserves Statement

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

Cash Flow

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

Balance Sheet

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

Intra Group Transfers between the Police and Crime Commissioner and the Chief Constable single entities and Consolidated for the Group

Comprehensive Income and Expenditure Statement

	2012/2013 Chief Constable	Commissioner	Group	2011/2012 Chief Constable	Commissioner	Group
	Gross Expenditure £000	Net Expenditure £000	Net Expenditure £000	Gross Expenditure £000	Net Expenditure £000	Net Expenditure £000
Gross expenditure, gross income and net expenditure of continuing operations						
Police Services	296,958	(27,302)	269,656	301,562	(26,649)	274,913
Corporate and democratic core	0	738	738	0	985	985
Commissioned Services (incl Community Safety Fund Expenditure)	0	528	528	0	372	372
Non distributed costs:						
- Retirements Benefits Past Service Cost	30	0	30	449	1	450
- Other Non Distributed Costs incl Termination Benefits - Voluntary Early retirement	0	0	0	0	953	953
Cost of Services	296,988	(26,036)	270,952	302,011	(24,338)	277,673
Other operating expenditure:						
- Levies to national police services	1,064	0	1,064	852	0	852
- Gain/losses on disposal of non current assets	0	864	864	0	147	147
Financing and investment income and expenditure	116,233	(34,046)	82,187	124,524	(38,549)	85,975
Intra Group Transfer/ Funding	(414,285)	414,285	0	(427,387)	427,387	0
	0	355,067	355,067	0	364,647	364,647
Taxation and non-specific grant income	0	(252,581)	(252,581)	0	(259,755)	(259,755)
(Surplus) or Deficit on Provision of Services	0	102,486	102,486	0	104,892	104,892
Surplus or deficit on revaluation of Property, Plant and Equipment assets	0	(55)	(55)	0	(2,222)	(2,222)
Actuarial (gains) / losses on pension assets / liabilities	215,319	2	215,321	85,126	68	85,194
Intra Group Transfer/ Funding	(215,319)	215,319	0	(85,126)	85,126	0
Other Comprehensive Income and Expenditure	0	215,266	215,266	0	82,972	82,972
Total Comprehensive Income and Expenditure	0	317,752	317,752	0	187,864	187,864

Intra Group Transfers between the Police and Crime Commissioner and the Chief Constable single entities and Consolidated for the Group

Balance Sheet

	31 March 2013			31 March 2012		
	Chief Constable	Commissioner	Group	Chief Constable	Commissioner	Group
	£000	£000	£000	£000	£000	£000
Property, Plant & Equipment		80,662	80,662		81,869	81,869
Investment Property		0	0		0	0
Intangible Assets		1,926	1,926		1,598	1,598
Assets held for sale (> 1yr)		0	0		0	0
Long Term Investments		1,315	1,315		1,902	1,902
			excl. on consolidation for group			excl. on consolidation for group
Long Term Debtors - intergroup transfer	2,754,150			2,436,515		
Long Term Assets	2,754,150	83,903	83,903	2,436,515	85,369	85,369
Short Term Investments		25,967	25,967		30,686	30,686
Assets held for sale (<1yr)		992	992		909	909
Inventories	745		745	798		798
Short Term Debtors		25,516	25,516		27,419	27,419
Debtors - Intergroup working capital	20,120	(20,120)	0	20,835	(20,835)	0
Cash and Cash Equivalents		9,176	9,176		2,289	2,289
Current Assets	20,865	41,531	62,396	21,633	40,468	62,101
Cash and Cash Equivalents - Bank Overdraft						
Short Term Borrowing		(2,178)	(2,178)		(2,074)	(2,074)
Short Term Creditors	(20,865)	(40)	(20,905)	(21,633)	(4)	(21,637)
Current Liabilities	(20,865)	(2,218)	(23,083)	(21,633)	(2,078)	(23,711)
			excl. on consolidation for group			excl. on consolidation for group
Long Term Creditors - inter group transfer		(2,754,150)			(2,436,515)	
Provisions		(3,618)	(3,618)		(3,502)	(3,502)
Long Term Borrowing		(19,245)	(19,245)		(19,752)	(19,752)
Other Long Term Liabilities:						
• Local Government Pension Schemes	(133,260)	(260)	(133,520)	(126,935)	(295)	(127,230)
• Police Pension Schemes	(2,620,890)	0	(2,620,890)	(2,309,580)	0	(2,309,580)
Long Term Liabilities	(2,754,150)	(2,777,273)	(2,777,273)	(2,436,515)	(2,460,064)	(2,460,064)
Net Assets	0	(2,654,057)	(2,654,057)	0	(2,336,305)	(2,336,305)
Usable Reserves	0	(41,862)	(41,862)	0	(40,748)	(40,748)
Unusable Reserves	0	2,695,919	2,695,919	0	2,377,053	2,377,053
Total Reserves	0	2,654,057	2,654,057	0	2,336,305	2,336,305

Glossary of Terms

AMORTISATION

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

ACCRUAL

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

AGENCY SERVICES

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

ACTUARIAL GAINS AND LOSSES

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

ASSET

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

AUDIT

An independent examination of an organisation's activities.

BALANCE SHEET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING ACCOUNT / CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL RECEIPT

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

CAPITAL RECEIPTS RESERVE

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

CASH FLOW STATEMENT

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

CURRENT SERVICE COST (PENSIONS)

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

CREDITOR

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

DEBTOR

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

DEPRECIATION

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

EARMARKED CAPITAL RESERVES

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

FAIR VALUE

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

IMPAIRMENT

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

LEASING

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

LIABILITY

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

PAST SERVICE COST (PENSIONS)

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

POLICE FUND BALANCE

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

POLICE GRANT

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

POLICE CAPITAL GRANT

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

PRECEPT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RESERVE

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

REVENUE ACCOUNT/ INCOME AND EXPENDITURE ACCOUNT

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

REVENUE SUPPORT GRANT

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

NATIONAL NON DOMESTIC RATE (NNDR)

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

STOCKS

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

TEMPORARY BORROWING/INVESTMENT

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