



THE POLICE AND CRIME COMMISSIONER  
FOR SOUTH WALES (GROUP ACCOUNTS)

# Statement of Accounts

**FOR THE YEAR ENDED 31 MARCH 2018**





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## Introduction

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

The financial year 2017/18 was the seventh consecutive year of the government imposed austerity programme arising from the Comprehensive Spending Review 2010 (CSR), which sought to address the national budget deficit due to the international banking crises.

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

## Statutory Framework for the Statement of Accounts

The establishment of the two Corporation Soles requires each body to produce their own Statement of Accounts with the Commissioner producing a Statement of Accounts for the Group and Police Pension Fund. Notwithstanding their formal 'Corporations Sole' status, the relationship between the Commissioner and the Chief Constable is based on working together for the benefit of the people of South Wales under the joint banner of 'South Wales Police'.

The Accounts and Audit (Wales) Regulations 2018, require Local Government Bodies to prepare a Statement of Accounts in accordance with proper practices. The Code of Practice on Local Authority Accounting in the UK (the Code) is identified as representing proper practices.

The Code applies to Local Government Bodies set out in the Public Audit (Wales) Act 2014 who are required to prepare accounts for audit by the Wales Audit Office. Section 12 of this Act was amended by the Police Reform Social Responsibility Act to replace reference to Police Authorities with Commissioners and Chief Constables.

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

## Format of the Statement of Accounts

The Statement of Accounts comprises the following:

### ■ Statement of Responsibilities

Sets out the responsibilities of the Commissioner, Chief Constable and Chief Finance Officers during the production and approval of the Statement of Accounts.

### ■ Comprehensive Income and Expenditure Statement

This sets out the cost in the year of providing policing services in accordance with International Accounting Standards (IAS) rather than the amount funded from Government Grants and Council Tax.

### ■ Movement in Reserves Statement

Analyses movements in reserves (and together with note 7) provides a reconciliation between funding and the cost of policing services shown in the Comprehensive Income and Expenditure Statement (CIES).

### ■ Balance Sheet

The balance sheet sets out the assets, liabilities and reserves held as at 31 March 2018.

### ■ Cash Flow Statement

This sets out the changes in cash and cash equivalents during the financial year.

### ■ Expenditure Funding Analysis

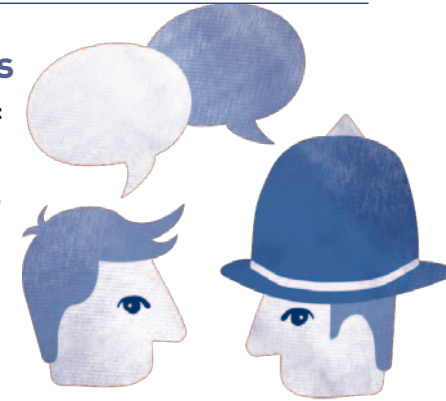
Shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) in comparison with those resources consumed or earned. It also shows how this expenditure is allocated for decision making purposes between the various services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### ■ Police Pension Fund Account

This sets out the income and expenditure associated with Police Officer Pensions, such as monthly pension payments and retirement lump sums.

### ■ Notes to the Accounts

These provide more detailed information on items of income, expenditure, assets, liabilities and reserves that is not practical to show in the main accounting statements detailed above.



## Summary Financial Position

The following summary provides an overview of the financial position and performance of South Wales Police for the year ending 31 March 2018.

### Revenue Expenditure and Funding

A net revenue budget for 2017/18 of £262.9m was approved in January 2017, to fund existing expenditure commitments. In addition a further £2.1m of capital expenditure (funded by Government Grant) brought the total budget requirement to £265.0m. The table below provides a breakdown of how this amount was spent and funded during the year.

Description	2017/18 %	2017/18 £m	2016/17 £m
Police Officer and Police Staff costs	59%	197.5	191.5
Pension Retirement Benefits - current service cost	22%	73.8	52.5
Non Pay costs (Premises, Transport, Supplies and Services, Agency and Contracted Services)	15%	51.1	49.1
Other service costs (Depreciation, Non enhancing capital expenditure)	4%	15.1	11.5
<b>Gross Expenditure of Services</b>	<b>100%</b>	<b>337.5</b>	<b>304.7</b>
Less Grants and Income		(41.8)	(37.6)
<b>Net cost of Police Services</b>		<b>295.7</b>	<b>267.1</b>
Accounting Adjustments (Pensions, Depreciation, Movements on General Fund)		(30.7)	(6.4)
<b>Budget Requirement</b>		<b>265.0</b>	<b>260.7</b>
Capital Government Grants	1%	(2.1)	(1.8)
Council Tax Income	34%	(105.5)	(99.3)
Non-Domestic rate Income (Welsh Government)	17%	(22.3)	(20.5)
Revenue Support Grant (Welsh Government)	11%	(51.1)	(51.7)
Police Grant (Home Office)	37%	(84.0)	(87.5)
<b>TOTAL FUNDING</b>	<b>100%</b>	<b>(265.0)</b>	<b>(260.7)</b>

## Capital Finance & Borrowing

Capital expenditure for the period was £14.7m. This was financed by reserves, specific grant, borrowing, capital receipts and revenue contributions and is summarised in the table below.

Description	2017/18 %	2017/18 £m	2016/17 £m
Property	40.1%	5.9	11.3
Vehicles	19.8%	2.9	2.4
Computer, Communications and Equipment	40.1%	5.9	5.3
<b>TOTAL</b>	<b>100%</b>	<b>14.7</b>	<b>19.0</b>

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

There are ongoing capital works which will be concluded in the forthcoming financial year and the funding for these is held in Capital Reserves.



## Balance Sheet

The table below is a summary of the Police and Crime Commissioner Group's Balance Sheet as at 31 March 2018. It summarises the Group's assets, liabilities and reserves.

Description	2017/18 £m	2016/17 £m
Tangible Assets (Property, Vehicles, Computer Systems and Equipment)	143.0	135.7
Intangible Assets (Computer Software)	2.6	2.2
Stocks	1.4	1.1
Debtors (Money Owed to SWP)	39.1	36.7
Creditors (Money Owed by SWP)	(26.1)	(21.7)
Temporary Investments and Deposits	0.0	10.7
Cash and Cash Equivalent	20.5	6.4
Provisions	(5.3)	(6.2)
Long Term Borrowing	(16.5)	(15.2)
Other Long term Liabilities	(3,421.6)	(3,416.7)
Less Unusable Reserves	3,294.7	3,297.8
<b>Total Assets less Liabilities</b>	<b>31.8</b>	<b>30.8</b>
<b>Financed by:</b>		
Usable Reserves	(31.8)	(30.8)
<b>TOTAL</b>	<b>(31.8)</b>	<b>(30.8)</b>

## The Police Fund

The current balance on the Police Fund is maintained at the target level of 3% of Gross Revenue Expenditure and is currently £9.7m. Funding of £22.1m is retained in earmarked reserves for specific revenue and capital purposes. Note 8 in the Statement of Accounts provides more information on this.

## Pensions Liability

The Government Actuary's Department calculate the potential liability of the Police schemes based on Actuarial review, using Pension and Payroll data. This estimated liability increased over the year from £3,279.4m to £3,280.0m, an increase of 0.03%, this was mainly attributed to changes in actuarial assumptions. The Pension Scheme for Police Officers is an unfunded scheme.

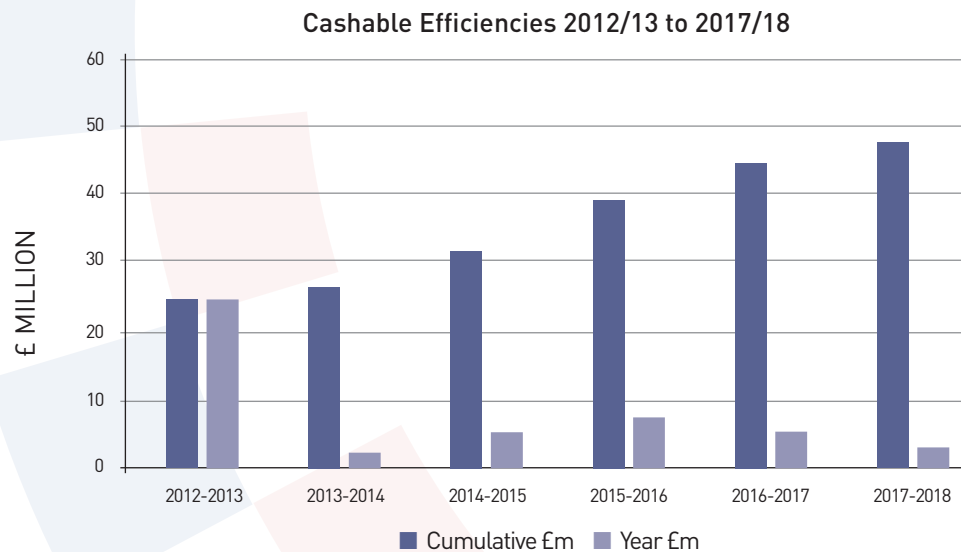
In the case of Police Staff, South Wales Police is an admitted body to the Rhondda Cynon Taf County Borough Council Local Government Pension Scheme. The Actuary's assessment of South Wales Police's share of the estimated deficit in this scheme increased over the year from £137.3m to £141.6m as at 31 March 2018, an increase of 3.6%, this was mainly due to changes in the actuarial assumptions.

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



## Efficiency & Effectiveness

Central funding has not kept pace with rising costs and changing demands. The rigorous measures implemented to deal with the financial challenges arising from CSR 2010, as outlined in the Commissioner's Value for Money Plan, along with continued prudent financial management have enabled the delivery of the required £47.8m of savings resulting from the CSR 2010 cuts in police grants. This achievement is a positive endorsement of the Medium Term Finance Strategy. This is illustrated in the following table:

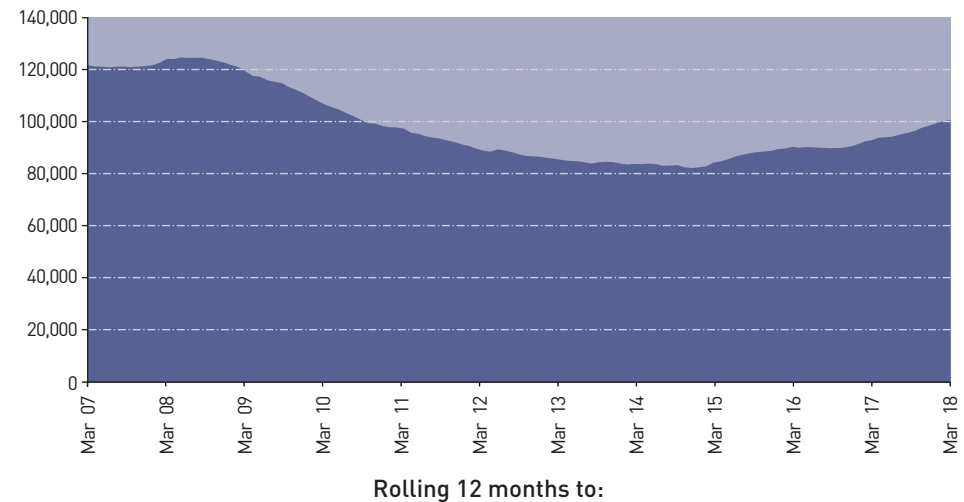


However the austerity programme is set to continue and further revenue savings of £10.9m are forecasted to be required in the period to 2021/22. South Wales Police has developed a comprehensive medium term strategy to deliver the savings which protects front line services.

## Operational Performance:

### Recorded crime

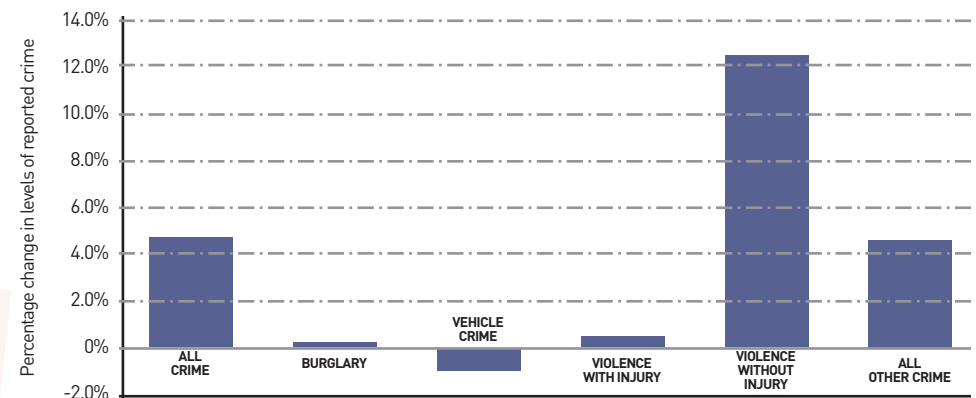
13% Fall in Recorded Crime: 2007 to 2018



At the end of 2017/18 there was a 4.7% increase in recorded crime compared to the previous year.

## Forcewide Performance

Percentage Change in Crime - Financial year 2017/18 v 2016/17



## Making Every Contact Count

89.6% of 999 calls were answered within 10 seconds, which is 0.4% below the national target. Overall 99.2% of 999 calls were answered, 1.2% above the national target.

58.0% of non-emergency calls were answered within 40 seconds and 89.0% were answered.

## Equality, Diversity and Human Rights

Overall, the whole experience victim satisfaction has remained relatively stable and now stands at 87.7% as at the end of 2017/18, compared to 86.7% in 2016/17.

The whole experience victim satisfaction of Black and Minority Ethnic victims has increased to 84.3% at the end of 2017/18 compared to 82.6% in 2016/17.

South Wales Police recorded 1,766 hate crimes in 2017/18 compared to 1,839 in 2016/17.

## Quality of Service

During 2017-18, 93.0% of crimes reported to South Wales Police were recorded within 24 hours.

South Wales Police recorded a positive outcome rate of 22.4% for overall crime in 2017/18, compared to 25.5% in 2016/17.

7,522 burglaries were reported in 2017/18. This is consistent with the level reported in 2016/17.

## Police Effectiveness Efficiency and Legitimacy Programme (PEEL)

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services' (HMICFRS) fourth PEEL (police effectiveness, efficiency and legitimacy) assessment of how South Wales Police keep people safe and reduce crime, can be summarised as follows:

### Statement of pillar judgments

- The extent to which the force is effective at keeping people safe and reducing crime is **good**.
- The extent to which the force is efficient at keeping people safe and reducing crime is **good**.

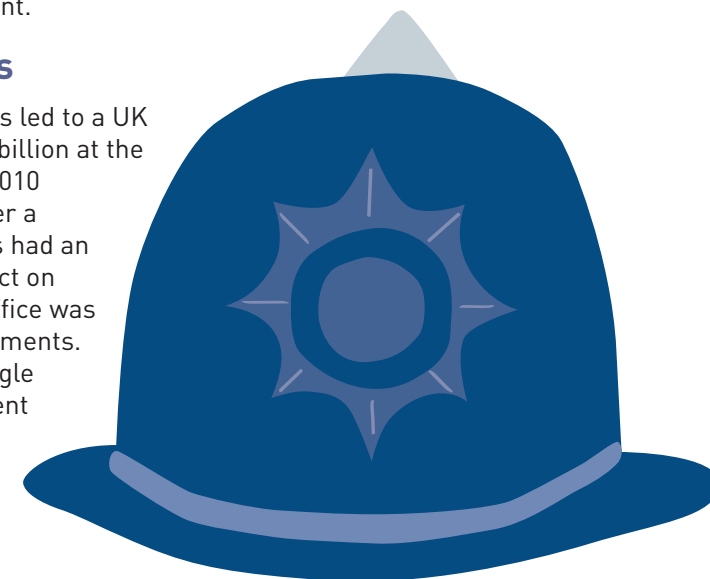
- The extent to which the force is legitimate at keeping people safe and reducing crime is **good**.

### HMI's observations

- I am pleased with the performance of South Wales Police in keeping people safe and reducing crime;
- The force has a comprehensive understanding of vulnerability and responds well to victims, demonstrating a consistent approach to safeguarding. The force investigates crimes involving vulnerable victims well, working effectively with other public sector organisations;
- The force has made concerted efforts to improve the accuracy of its crime recording and has a commitment to victim-focused ethical recording, free from performance pressures;
- The force continues to build on its understanding of current and future demand, and has a comprehensive picture of the operational skills of its officers and staff. It has sound investment plans aimed at improving the provision of its services;
- The force has a good ethical culture whereby leaders promote awareness of the importance of treating people with fairness and respect. However, it needs to improve aspects of its complaints procedure and ensure it refers relevant cases to the Independent Office of Police Conduct; and
- Overall South Wales Police has consolidated its standard of good performance since last year's assessment.

## Future Developments

The worldwide economic crisis led to a UK annual budget deficit of £149 billion at the start of 2010 and the CSR of 2010 resulted in a promise to deliver a balanced budget by 2015. This had an unprecedented negative impact on policing because the Home Office was one of the unprotected departments. The result was the largest single reduction in central government funding for policing in a generation.





The latest position as announced by the Chancellor on the 22nd of November 2017 was that the national annual budget deficit after 8 consecutive years of austerity will still be approximately £50 billion. The current indications from the independent Office of Budget Responsibility are that the national structural budget deficit is unlikely to be met in this Parliament or indeed before 2025. The police settlement for 2018/19 provides the same amount of central grant in cash terms as 2017/18. Because of this the 2018/19 settlement effectively reduces the spending ability of forces further still over the next two years through a combination of real-term grant cuts, reallocations, National Insurance costs changes, introduction of the Apprenticeship Levy, pay inflation and contract price inflation.

South Wales Police has taken a pragmatic approach to the Government's austerity programme and has made real change in improving services and reducing costs. South Wales Police has already delivered cash savings of almost £48m to date and further savings are now incrementally harder.

The 2018/19 Medium Term Financial Strategy (MTFS) covers the period 2018/19 to 2021/2022. The MTFS has identified the budget required and the funding available meaning a further £3.4m of savings need to be delivered in the 2018/19 financial year, taking total cash savings achieved and required to over £51m. Looking further ahead, the combination of inflation, additional unavoidable cost pressures and essential investment in services increases the funding gap by a further £26m. By 2021/22 the cumulative forecasted funding gap before savings and precept is £116m, and further savings of £7.5m from 2019/20 to 2021/22 have been targeted.

The Commissioner and the Chief Constable have agreed the Mission (Keeping South Wales Safe) and the Vision (being the best at understanding and responding to the needs of our communities). The Commissioner has established an effective governance process to secure continuous improvements in service delivery and sound financial management. The Commissioner and the Chief Constable are independently assessed on the delivery of value for money by both HMICFRS and the Wales Audit Office. Both bodies have provided positive assurances on financial management and value for money including the improvements in operational delivery.

The MTFS is consistent with the Mission and Vision, supporting following key priorities in the Commissioner's Police and Crime Reduction Plan and the Chief Constable's Operational Delivery Plan.

In particular the MTFS seeks to:

- Maintain collaborative momentum to secure further savings for South Wales Police and its partners;
- Secure a sustainable infrastructure particularly estates, transport and a technology platform to secure long term productivity gains. Detailed strategies including Asset Management Plans will ensure effective provision, use and deployment of resources;
- Ensure (as a minimum) that there is sufficient investment funding to provide a safe secure property base which is compliant with Health & Safety and other legislative requirements to maintain operational effectiveness;
- Maintain the purchasing power of base budgets particularly on fixed or unavoidable costs (e.g. overtime, allowances, utilities, licences, contracts) in order to ensure that financial plans are realistic and deliverable;
- Aim for the budget to actual outturn accuracy to be more than 99.5%; and
- Ensure that borrowing levels remain affordable and sustainable over the term of the Medium Term Financial Strategy.

The Annual Budget provides the resources needed in the 2018/19 financial year to meet the priorities set out in the Police and Crime Reduction Plan, including:

- Working with partners to reduce crime, disorder and antisocial behaviour while coping with a wide variety of demands that go beyond what is normally thought of as 'policing';
- Maintaining and continually refreshing the level of neighbourhood policing and engagement with the communities of South Wales;
- Protecting vulnerable people and reducing the likelihood of repeat offending in respect of such offences as hate crime, violence against women and girls, child sexual exploitation, domestic abuse and online crime;
- Working with partners to improve the local Criminal Justice System, particularly in respect of managing offenders and reducing reoffending by young people (under the age of 18) and those in the 18 to 25 age group;
- Making a contribution to the Strategic Policing Requirement and protecting the public in South Wales, while responding realistically to the identified threats from organised crime and terrorism and policing an ever-increasing number of significant events;

- Meeting the challenge of changing standards for the training of police officers, proposed by the College of Policing while also seeking to develop our staff at every level to meet the challenges they face; and
- Recruiting people so that the workforce as a whole reflects the communities that we police; and
- Ensuring a sustainable infrastructure to facilitate efficient and effective policing process.

It is evident that, to remain within the imposed funding constraints, South Wales Police will have to cope with continued reductions in real terms funding from the government throughout the medium term planning horizon. This means prioritising efforts on delivering a continuous improvement culture with leadership that delivers the right people, skills, tools, at the right place and time, by 2022.

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**DARREN GARWOOD-PASK**

Chief Finance Officer

Dated: 29th May 2018

**Footnote regarding signing:**

In accordance with the Accounts and Audit (Wales) Regulations ... (1) The responsible financial officer ... must, ...sign and date the statement of accounts, ....(3)The responsible financial officer must re-certify the presentation of the statement of accounts before the relevant body approves it.

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**DARREN GARWOOD-PASK**

Chief Finance Officer

Dated: 30th July 2018

## The independent auditor's report of the Auditor General for Wales to the Police and Crime Commissioner for South Wales.

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of:

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

For the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for South Wales financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

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

The Police and Crime Commissioner for South Wales Police Group's financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

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 2017-18 based on International Financial Reporting Standards (IFRSs).

**In my opinion the financial statements:**

- give a true and fair view of the financial position of the Police and Crime Commissioner for South Wales; the South Wales Police Pension Fund; and the Police and Crime Commissioner for South Wales Police Group as at 31 March 2018 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Police and Crime Commissioner, the Pension Fund and the Group in accordance with the

ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

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

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

#### Other information

The responsible financial officer is responsible for the other information in the Narrative Report and accounts. The other information comprises the information included in the Narrative Report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

### Report on other requirements

#### Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18;

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of the Police and Crime Commissioner for South Wales, the South Wales Police Pension Fund and the Police and Crime Commissioner for South Wales Police Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

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

## Responsibilities

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for South Wales Police Group financial statements and South Wales Police Pension Fund's financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Police and Crime Commissioner for South Wales and the Police and Crime Commissioner for South Wales Police Group's ability to

continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

**ANTHONY J BARRETT**

For and on behalf of the Auditor General for Wales  
24 Cathedral Road, Cardiff. CF11 9LJ

Dated: 31st July 2018

The maintenance and integrity of Police and Crime Commissioner for South Wales's website is his responsibility; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



## Responsibilities of the Police and Crime Commissioner

### Is required to:

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

I certify the approval of this Statement of Accounts.

.....  
**Rt Hon ALUN MICHAEL JP FRSA**

The Police and Crime Commissioner  
for South Wales

Dated: 30th July 2018

## Responsibilities of the Chief Finance 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 Finance Officer has:

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

### The Chief Finance Officer has also:

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

I certify that the Statement of Accounts, presents a true and fair view of the financial position of the Police and Crime Commissioner for South Wales at the accounting date and his income and expenditure for the year ended 31 March 2018.

.....  
**DARREN  
GARWOOD-PASK**

Chief Finance Officer

Dated: 29th May 2018

Date of signing (by responsible financial  
officer)

.....  
**DARREN  
GARWOOD-PASK**

Chief Finance Officer

Dated: 30th July 2018

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

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

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Local Government Bodies raise taxation to cover expenditure in accordance with the regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (MIRS).

	Note	Group 2017-18			Group 2016-17		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay & Pensions		166,772	0	<b>166,772</b>	149,386	0	<b>149,386</b>
Police Staff Pay		62,362	0	<b>62,362</b>	54,711	0	<b>54,711</b>
Devolved Budgets		9,257	(1,268)	<b>7,989</b>	6,151	(1,122)	<b>5,029</b>
Force/Contingency Budgets		21,483	(7,951)	<b>13,532</b>	18,597	(7,613)	<b>10,984</b>
Centralised Budgets		11,591	0	<b>11,591</b>	11,835	0	<b>11,835</b>
Externally Funded Budgets		19,609	(18,278)	<b>1,331</b>	17,602	(15,995)	<b>1,607</b>
Collaborative Budgets		19,119	(9,710)	<b>9,409</b>	18,614	(8,181)	<b>10,433</b>
Central Budgets		14,211	0	<b>14,211</b>	17,072	(70)	<b>17,002</b>
<b>Police Services</b>		<b>324,404</b>	<b>(37,207)</b>	<b>287,197</b>	<b>293,968</b>	<b>(32,981)</b>	<b>260,987</b>
Corporate and Democratic Core		2,126	0	<b>2,126</b>	1,525	(29)	<b>1,496</b>
Commissioned Services (including Community Safety Fund Expenditure)		8,665	(4,666)	<b>3,999</b>	8,685	(4,580)	<b>4,105</b>
<b>Non Distributed Costs:</b>							
- Retirement Benefits Past Service Cost		2,270	0	<b>2,270</b>	250	0	<b>250</b>
- Other Non Distributed Costs including Termination Benefits - voluntary retirement		50	0	<b>50</b>	260	0	<b>260</b>
<b>Cost of Services</b>		<b>337,515</b>	<b>(41,873)</b>	<b>295,642</b>	<b>304,688</b>	<b>(37,590)</b>	<b>267,098</b>

# FINANCIAL STATEMENTS

	Note	Group 2017-18			Group 2016-17		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Other operating Expenditure							
- Levies to national police services		3,155	0	3,155	1,871	0	1,871
- (Gain)/losses on disposal of non current assets		297	0	297	343	0	343
Financing and investment income and expenditure	9	90,616	(53,003)	37,613	99,552	(48,263)	51,289
Taxation and non-specific grant income	10	0	(264,926)	(264,926)	0	(260,690)	(260,690)
(Surplus)/deficit on Provision of Services		431,583	(359,802)	71,781	406,454	(346,543)	59,911
(Surplus) or deficit on revaluation of non current assets				(8,851)			1,839
Actuarial (gains)/losses on pension assets/liabilities				(68,930)			539,880
Other Accounting Adjustments due to restatements				0			0
Other Comprehensive Income and Expenditure				(77,781)			541,719
Total Comprehensive Income and Expenditure				(6,000)			601,630

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

	Note	Police and Crime Commissioner 2017-18			Police and Crime Commissioner 2016-17		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay & Pensions		0	0	0	0	0	0
Police Staff Pay		0	0	0	0	0	0
Devolved Budgets		0	(1,268)	(1,268)	0	(1,122)	(1,122)
Force/Contingency Budgets		0	(7,951)	(7,951)	0	(7,613)	(7,613)
Centralised Budgets		0	0	0	0	0	0
Externally Funded Budgets		0	(18,278)	(18,278)	0	(15,995)	(15,995)
Collaborative Budgets		0	(9,710)	(9,710)	0	(8,181)	(8,181)
Central Budgets		0	0	0	0	(70)	(70)
<b>Police Services</b>		<b>0</b>	<b>(37,207)</b>	<b>(37,207)</b>	<b>0</b>	<b>(32,981)</b>	<b>(32,981)</b>
Corporate and Democratic Core		2,126	0	2,126	1,525	(29)	1,496
Commissioned Services (including Community Safety Fund Expenditure)		8,665	(4,666)	3,999	8,685	(4,580)	4,105
<b>Non Distributed Costs:</b>							
- Other Non Distributed Costs including Termination Benefits - voluntary retirement		50	0	50	260	0	260
Impairment to fixed assets		3,510	0	3,510	3,561	0	3,561
<b>Cost of Services</b>		<b>14,351</b>	<b>(41,873)</b>	<b>(27,522)</b>	<b>14,031</b>	<b>(37,590)</b>	<b>(23,559)</b>
<b>Other operating Expenditure</b>							
- (Gain)/losses on disposal of non current assets		297	0	297	343	0	343
Financing and investment income and expenditure	9	645	(53,003)	(52,358)	711	(48,264)	(47,553)
Taxation and non-specific grant income	10	0	(264,926)	(264,926)	0	(260,690)	(260,690)
Commissioning Costs (intra-group transfer)		416,290	0	416,290	391,370	0	391,370
<b>(Surplus)/deficit on Provision of Services</b>		<b>431,583</b>	<b>(359,802)</b>	<b>71,781</b>	<b>406,455</b>	<b>(346,544)</b>	<b>59,911</b>
(Surplus) or deficit on revaluation of non current assets				(8,851)			1,839
Actuarial (gains)/losses on pension assets/liabilities				(99)			341
Other Accounting Adjustments due to restatements				0			0
Commissioning Costs (intra-group transfer)				(68,831)			539,539
<b>Other Comprehensive Income and Expenditure</b>				<b>(77,781)</b>			<b>541,719</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(6,000)</b>			<b>601,630</b>



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

	Note	Chief Constable 2017-18			Chief Constable 2016-17		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Police Officer Pay & Pensions		166,772	0	<b>166,772</b>	149,386	0	<b>149,386</b>
Police Staff Pay		62,362	0	<b>62,362</b>	54,711	0	<b>54,711</b>
Devolved Budgets		5,747	0	<b>5,747</b>	2,590	0	<b>2,590</b>
Force/Contingency Budgets		21,483	0	<b>21,483</b>	18,597	0	<b>18,597</b>
Centralised Budgets		11,591	0	<b>11,591</b>	11,835	0	<b>11,835</b>
Externally Funded Budgets		19,609	0	<b>19,609</b>	17,602	0	<b>17,602</b>
Collaborative Budgets		19,119	0	<b>19,119</b>	18,614	0	<b>18,614</b>
Central Budgets		14,211	0	<b>14,211</b>	17,072	0	<b>17,072</b>
<b>Police Services</b>		<b>320,894</b>	<b>0</b>	<b>320,894</b>	<b>290,407</b>	<b>0</b>	<b>290,407</b>
<b>Non Distributed Costs:</b>							
- Retirement Benefits Past Service Cost		2,270	0	<b>2,270</b>	250	0	<b>250</b>
<b>Cost of Services</b>		<b>323,164</b>	<b>0</b>	<b>323,164</b>	<b>290,657</b>	<b>0</b>	<b>290,657</b>
<b>Other operating Expenditure</b>							
- Levies to national police services		3,155	0	<b>3,155</b>	1,871	0	<b>1,871</b>
Financing and investment income and expenditure	6	89,971	0	<b>89,971</b>	98,842	0	<b>98,842</b>
Taxation and non-specific grant income		0	0	<b>0</b>	0	0	<b>0</b>
Commissioning Costs (intra-group transfer)		(416,290)	0	<b>(416,290)</b>	(391,370)	0	<b>(391,370)</b>
<b>[Surplus]/deficit on Provision of Services</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Actuarial (gains)/losses on pension assets/liabilities				(68,831)			539,539
Commissioning Costs (intra-group transfer)				68,831			(539,539)
Other Comprehensive Income and Expenditure				0			0
<b>Total Comprehensive Income and Expenditure</b>				<b>0</b>			<b>0</b>

The note reference in the above table of note 6 refers to the Chief Constable's accounts.

## Movement in Reserves Statement (MIRS)

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

	Note	Police Fund Balance £000	Earmarked Police Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2017</b>		<b>(9,495)</b>	<b>(21,281)</b>	<b>0</b>	<b>(30,776)</b>	<b>3,297,791</b>	<b>3,267,015</b>
<b>Movement in reserves during 2017-18</b>							
(Surplus)/deficit on provision of services		71,781	0	0	<b>71,781</b>	0	<b>71,781</b>
Other comprehensive income and expenditure		0	0	0	<b>0</b>	(77,781)	<b>(77,781)</b>
<b>Total comprehensive income and expenditure</b>		<b>71,781</b>	<b>0</b>	<b>0</b>	<b>71,781</b>	<b>(77,781)</b>	<b>(6,000)</b>
Adjustments between accounting basis & funding basis under regulations	7	(78,420)	0	240	<b>(78,180)</b>	78,180	<b>0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>		<b>(6,639)</b>	<b>0</b>	<b>240</b>	<b>(6,399)</b>	<b>399</b>	<b>(6,000)</b>
Transfers (to)/from Earmarked Reserves	8	4,603	(918)	(240)	<b>3,445</b>	(3,445)	<b>0</b>
All other movements in reserves - collaboration statement	33	1,862	0	0	<b>1,862</b>	0	<b>1,862</b>
<b>(Increase)/decrease movement in year</b>		<b>(174)</b>	<b>(918)</b>	<b>0</b>	<b>(1,092)</b>	<b>(3,046)</b>	<b>(4,138)</b>
<b>Balance at 31 March 2018 carried forward</b>		<b>(9,669)</b>	<b>(22,199)</b>	<b>0</b>	<b>(31,868)</b>	<b>3,294,745</b>	<b>3,262,877</b>

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	Note	Police Fund Balance £000	Earmarked Police Fund Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2016</b>		<b>(9,200)</b>	<b>(19,966)</b>	<b>0</b>	<b>(29,166)</b>	<b>2,695,389</b>	<b>2,666,223</b>
<b>Movement in reserves during 2016-17</b>							
(Surplus)/deficit on provision of services		59,911	0	0	<b>59,911</b>	0	<b>59,911</b>
Other comprehensive income and expenditure		0	0	0	<b>0</b>	541,720	<b>541,720</b>
<b>Total comprehensive income and expenditure</b>		<b>59,911</b>	<b>0</b>	<b>0</b>	<b>59,911</b>	<b>541,720</b>	<b>601,631</b>
Adjustments between accounting basis & funding basis under regulations	7	(68,584)	0	(514)	<b>(69,098)</b>	69,098	<b>0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>		<b>(8,673)</b>	<b>0</b>	<b>(514)</b>	<b>(9,187)</b>	<b>610,818</b>	<b>601,631</b>
Transfers (to)/from Earmarked Reserves	8	9,217	(1,315)	514	<b>8,416</b>	(8,416)	<b>0</b>
All other movements in reserves - collaboration statement	33	(839)	0	0	<b>(839)</b>	0	<b>(839)</b>
<b>(Increase)/decrease movement in year</b>		<b>(295)</b>	<b>(1,315)</b>	<b>0</b>	<b>(1,610)</b>	<b>602,402</b>	<b>600,792</b>
<b>Balance at 31 March 2017 carried forward</b>		<b>(9,495)</b>	<b>(21,281)</b>	<b>0</b>	<b>(30,776)</b>	<b>3,297,791</b>	<b>3,267,015</b>

**Unusable reserves** mainly include a Pensions Deficit Reserve or net liabilities for Police & Police Staff schemes, a Capital Adjustment Account (including how assets have been financed) and a Revaluation Reserve of unrealised asset revaluations. Further details are found in the Balance Sheet and Note 18.

## Balance Sheet

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

		31 March 2018			31 March 2017		
		Group £000	Police and Crime Commissioner £000	Chief Constable £000	Group £000	Police and Crime Commissioner £000	Chief Constable £000
Property, Plant & Equipment	11	143,019	143,019	0	135,656	135,656	0
Intangible Assets	11	2,636	2,636	0	2,230	2,230	0
Long Term Debtors - intra-group transfer		excluded on consolidation for group	0	3,419,122	excluded on consolidation for group	0	3,414,775
<b>Long term Assets</b>		<b>145,655</b>	<b>145,655</b>	<b>3,419,122</b>	<b>137,886</b>	<b>137,886</b>	<b>3,414,775</b>
Short Term Investments	12	0	0	0	10,682	10,682	0
Assets held for sale (less than 1yr)	15	269	269	0	179	179	0
Inventories		1,242	0	1,242	1,061	0	1,061
Short Term Debtors	13	39,123	39,123	0	36,648	36,648	0
Debtors - intra-group working capital		0	(19,972)	19,972	0	(16,342)	16,342
Cash and Cash Equivalents	14	20,470	20,470	0	6,352	6,352	0
<b>Current Assets</b>		<b>61,104</b>	<b>39,890</b>	<b>21,214</b>	<b>54,922</b>	<b>37,519</b>	<b>17,403</b>
Short Term Borrowing	12	(1,911)	(1,911)	0	(1,911)	(1,911)	0
Short Term Creditors	16	(24,233)	(3,019)	(21,214)	(19,863)	(2,460)	(17,403)
<b>Current Liabilities</b>		<b>(26,144)</b>	<b>(4,930)</b>	<b>(21,214)</b>	<b>(21,774)</b>	<b>(4,371)</b>	<b>(17,403)</b>



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		31 March 2018			31 March 2017		
		Group £000	Police and Crime Commissioner £000	Chief Constable £000	Group £000	Police and Crime Commissioner £000	Chief Constable £000
Long Term Creditors - intra-group transfer		excluded on consolidation for group	(3,419,122)	0	excluded on consolidation for group	(3,414,775)	0
Provisions	17	(5,327)	(5,327)	0	(6,216)	(6,216)	0
Long Term Borrowing	12	(16,595)	(16,595)	0	(15,163)	(15,163)	0
<b>Other Long Term Liabilities:</b>							
- Local Government Pension Schemes	30.1	(141,580)	(2,448)	(139,132)	(137,280)	(1,895)	(135,385)
- Police Pension Schemes	30.2	(3,279,990)	0	(3,279,990)	(3,279,390)	0	(3,279,390)
<b>Long Term Liabilities</b>		<b>(3,443,492)</b>	<b>(3,443,492)</b>	<b>(3,419,122)</b>	<b>(3,438,049)</b>	<b>(3,438,049)</b>	<b>(3,414,775)</b>
<b>Net Assets</b>		<b>(3,262,877)</b>	<b>(3,262,877)</b>	<b>0</b>	<b>(3,267,015)</b>	<b>(3,267,015)</b>	<b>0</b>
Usable Reserves	8	(31,868)	(31,868)	0	(30,776)	(30,776)	0
Unusable reserves	18	3,294,745	3,294,745	0	3,297,791	3,297,791	0
<b>Total Reserves</b>		<b>3,262,877</b>	<b>3,262,877</b>	<b>0</b>	<b>3,267,015</b>	<b>3,267,015</b>	<b>0</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of South Wales Police/ the Commissioner during the reporting period. The statement shows how the Commissioner 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	2017-18 £000	2016-17 £000
Net (surplus)/deficit on the provision of services		71,781	59,911
Adjustments to net (surplus)/deficit on the provisions of services for non-cash movements	19	(88,223)	(77,436)
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities		1,648	1,241
<b>Net cash flows from Operating Activities</b>	<b>19</b>	<b>(14,794)</b>	<b>(16,284)</b>
Returns on Investments and Servicing of Finance		489	530
Investing Activities	20	1,620	19,336
Financing Activities	21	(1,433)	1,943
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(14,118)</b>	<b>5,525</b>
Cash and cash equivalents at the beginning of the reporting period		6,352	11,877
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>14</b>	<b>20,470</b>	<b>6,352</b>

## Police Pension Fund Account

Police Scheme	2017-18 £000	2016-17 £000
<b>Contributions receivable</b>		
From employer:		
Normal	(25,051)	(24,904)
- Early retirements (incl. capital equivalent charge for ill health retirements)	(812)	(262)
From members	(13,960)	(14,021)
<b>Transfers in</b>		
Individual transfers in from other schemes	(388)	(1,303)
<b>Benefits payable</b>		
Pensions	72,178	69,290
Commutations and lump sum retirement benefits	20,738	18,965
Lump sum death benefits	201	0
<b>Sub-total before transfer from the Police Fund</b>	<b>52,906</b>	<b>47,765</b>
<b>Additional funding payable by Police Fund (by way of top up grant)</b>	<b>(52,906)</b>	<b>(47,765)</b>
<b>Funding Shortfall to be met by Police Fund</b>	<b>0</b>	<b>0</b>
<b><u>Net Asset Statement</u></b>		
<b>Current assets</b>		
Debtor - net balances owed from the Police Fund	0	680
Bank balance	111	769
<b>Current liabilities</b>		
Creditor - benefits payable to retiring officers end of March paid April	0	(680)
Creditor - net balances owed to Police Fund	(111)	(769)
<b>Net</b>	<b>0</b>	<b>0</b>

## Notes to the Police Pension Fund Accounts

1. The Home Office only funded employer's contributions at 21.3%, whilst the actual employer's contribution was at 24.2%, a cost against the Commissioner's budget of £3.002m during 2017/18.
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 the Home Office.
3. The fund's financial statements do not take account of future liabilities to pay pensions and other benefits after the year end. These are accounted for in the Group balance sheet as future retirement benefits.
4. Other than the notes above, the Police Pension Fund has followed the accounting policies as set out in note 1 below.

# Notes to the Accounts

1	Accounting Policies	25	15	Assets Held for Sale	48
2	Accounting Standards issued, not adopted	32	16	Creditors	48
3	Critical judgements in applying Accounting Policies	32	17	Provisions	49
4	Assumptions made about the future and other major sources of estimation uncertainty	33	18	Unusable Reserves	50
5	Events after the reporting period	33	19	Operating Activities	53
6	Expenditure and Funding Analysis	34	20	Investing Activities	54
7	Adjustments between Accounting Basis and Funding Basis under Regulations	36	21	Financing Activities	54
8	Transfers to/from Earmarked Reserves	38	22	Amounts Reported for Resource Allocation Decisions	54
9	Financing and investment income and expenditure	41	23	Members' allowances	55
10	Taxation and Non-Specific Grant Income	41	24	Officers'/'Employee Remuneration	55
11	Property, Plant and Equipment	42	25	External Audit Costs	60
12	Financial Instruments	45	26	Grant and Other Income	61
13	Debtors	47	27	Related Parties	64
14	Cash and Cash Equivalents	48	28	Capital Expenditure and Capital Financing	65
			29	Leases	66
			30	Defined benefit pension schemes	66
			31	Contingent liabilities/Contingent Assets	75
			32	Nature and extent of risks arising from financial instruments	75
			33	Collaboration	78



## NOTE 1: ACCOUNTING POLICIES

### General Principles

The general principles and practices adopted in compiling these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). Reference is made to the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 - based on International Financial Reporting Standards (the Code).

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:

- Income from the provision of services is recognised when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service potential associated with the transaction will be received;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income 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; and
- Where actual amounts were not available, it may have been necessary to use appropriate estimated values.

### The Police & Crime Commissioner's Team

Transactions of the Police and Crime Commissioner include operating costs of his Team and certain other corporate costs, which are accounted for as Corporate and Democratic Core expenditure under the 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 and 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 the Commissioner has some discretion in this policy. Further advice suggests that fixed term deposits are not highly liquid and not readily convertible to cash and, in certain market conditions, there could be a risk of change in value. On this basis all fixed term deposit investments are accounted for as investments.

## Contingent liabilities

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

## Contingent assets

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

## Employee benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service. An accrual is made for the cost of holiday entitlements or any form of leave, (e.g. annual leave and flexi-leave) 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 to terminate an employee's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when there is a demonstrable commitment to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

### Post Employment Benefits

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

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

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

## Events after the reporting period

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

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

## Exceptional items and prior period adjustments

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

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

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

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

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

## Financial instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Commissioner or Chief Constable becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### Financial Assets – Deposits, Loans and Receivables

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

For most of the deposits, loans and receivables the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

## Foreign currency translation

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

## Government grants and other contributions

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

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

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

## Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets can be determined by reference to an active market. In practice, no intangible asset meets this criterion, and they are therefore carried at amortised cost.

## Inventories and long-term contracts

Inventories (stocks) are valued at the lower of cost or net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## Joint arrangements

### Accounting for the consolidation of joint arrangements

Where the Commissioner/Chief Constable has entered into collaborative arrangements with other Commissioners and Chief Constables an assessment has been made against IFRS 11 Joint Arrangement to determine the appropriate accounting treatment. IFRS11 requires all such arrangements to be classed as either Joint Ventures or Joint Operations. All of the Commissioner's/Chief Constable's such arrangements are classed as Joint Operations where the Commissioner/Chief Constable is entitled to their fair share of the Joint Operations' Assets and Liabilities.

## Leases

Costs are charged to the Comprehensive Income and Expenditure Statement over the life of the lease.

## Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous 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, after initial recognition in the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement.

## Property, plant and equipment

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

### Recognition

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

The full value of capital expenditure is included in the additions line but the carrying value going forward reflects the value of the asset. Assets individually (or collectively valued over £5,000) are capitalised, where their estimated life is of material benefit beyond one year.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- 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:

- Separate valuations for land and buildings and any components.
- Inclusion of an estimate of the remaining useful life of the building and any components.

The value methodology is determined by the classification of the asset:

- Assets Under Construction – Depreciated Historic Cost;
- Other land and buildings – Current value based on 'Market Value' (MV), existing use (EUV) or Depreciated Replacement Cost (DRC);
- Where there is no market based evidence of current value, because of the specialist nature of the asset and the asset is rarely sold, this is estimated using a depreciated replacement cost approach;
- Vehicles, plant, furniture and equipment – DRC if EUV cannot be determined;
- Surplus Assets – Fair Value based on existing use (EUV);
- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell, and depreciation on those assets should cease; and

- Investment property - Fair Value in its highest and best use, (i.e. market value).
- Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. External valuations are contracted out to - GVA Grimley Limited, trading as GVA. <http://www.gva.co.uk/>. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- 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: Valuations are provided on rolling programme basis with each BCU being revalued every 5 years. New Builds and any Assets Held for Sale are included also; and
- 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.

### 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); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

### Depreciation

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

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

- Land where it can be demonstrated that the asset has an unlimited useful life;
- Investment properties;
- Assets under construction until available for use;



- Assets classified as held for sale (i.e. surplus or derecognised); and
- 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 and residual values. 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 and buildings**

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

Potential components shall have regard to estimated remaining asset lives and in principal be limited to the host structure, roof, services (mechanical and electrical). This is considered appropriate in meeting the requirements. A de-minimus 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.

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

#### **Vehicles**

On a straight line basis over the period estimated to benefit from their use – between 2 and 10 years.

#### **Computer Hardware**

On a straight line basis over the period estimated to benefit from their use – between 3 and 7 years.

#### **Intangible – Computer Software Licences**

Amortised on a straight line basis over the estimated life, between 3 and 7 years. The useful economic lives detailed are a guideline and are subject to the individual asset in question.

### **Provisions**

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

### **Reserves**

The Commissioner's Reserve Strategy seeks to set aside specific amounts as reserves for future policy purposes, to maintain critical Force infrastructure, or as contingencies to avoid adverse impact on policing plans in the event of a critical incident or incidents. Reserves are created by appropriating amounts out of the Police Fund Balance in the Movement in Reserves Statement, and are held for either revenue or capital purposes. Further information on future planned reserve levels is set out separately in the Commissioner's Reserves Strategy.

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 Police Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Details of the level and planned usage of specific reserves are set out in the Notes to the Accounts.

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. Sound financial principles would therefore advocate a provision of at least 1% for major incidents, 1% for day to day operating cashflow risk and 1% for other unknown events. As a result, 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.

### 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

Under the Code the Commissioner and Chief Constable are required to report information setting out the impact of an accounting change required by a new accounting standard which has been issued but not yet adopted by the code. A number of minor amendments to IFRS have been made but these are not expected to have an impact on the accounts.

## NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Commissioner and Chief Constable have had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts include:

- That there is a high degree of uncertainty about future levels of funding. The Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets might be further impaired as a result of a need to close facilities and reduce levels of service provision;
- Depreciation is charged on operational buildings but is written out to the Comprehensive Income and Expenditure Statement annually. In the Commissioner's judgement, this provides a more accurate picture of asset values in between the 5 year cycle of valuations. This is supported by valuation advice obtained annually from the valuer to ascertain whether there would be a material change in asset values listed by South Wales Police. This provides a view that the asset valuations would not have been significantly affected by a marginal market based increase in property values;
- Numerous provisions are recorded in the Group balance sheet and annual changes in the level of provisions are charged to the Group Comprehensive Income and Expenditure Statement. Judgement takes place in determining the level of provision using factors such as the progress of legal claims against the Force and any supporting data that would allow a reasonable estimate to be calculated. The availability of further supporting information such as Ombudsman decisions is also considered;
- Contingent Liabilities may need to be included in the notes to the accounts where the above data/information in relation to provisions is either not available or not deemed as sufficiently reliable for a reasonable provision to be calculated. Judgement is therefore needed in determining whether a contingent liability should be declared or a provision made.

## 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties		Effect if Actual Results Differ from Assumptions	
Pensions Liability - Police (Information from Actuary)				
	Sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions:			
Change in assumption*			Impact on Defined Benefit Obligation	
			%	£ million
Rate of discounting scheme liabilities	½% a year	-9.5%	-310	
Rate of increase in salaries	+½% a year	1.0%	40	
Rate of increase in pensions / deferred revaluation	+½% a year	7.5%	241	
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed		2.5%	79	
* Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in the assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent. The weighted average duration of the defined benefit obligation is around 19 years for all schemes combined.				
Pensions Liability - LGPS (Information from Actuary)				
	The results shown in the report are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2017 is set out below. In each case, only the assumption mentioned is altered all other assumptions remain the same. For inflation, for example, we have assumed this will not change the salary inflation figure and will affect pension increases only. We have not included sensitivity of unfunded benefits on materiality grounds.			
Change in assumption*			Impact on Defined Benefit Obligation	
			%	£ million
Adjustment to discount rate	-0.1% p.a	2.2	10	
Adjustment to salary increase rate	+0.1% p.a	0.6	3	
Adjustment to pension increase rate	+0.1% p.a	1.7	8	
Adjustment to mortality age rating assumption **	+1	-3.0	-13.6	
**A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.				

The provisions include estimates based on the experience of the claims history, whilst contingent liabilities cannot be quantified sufficiently to enable a realistic estimate of the amounts involved.

## NOTE 5: EVENTS AFTER THE REPORTING PERIOD

The draft Statement of Accounts was authorised for issue by the Chief Financial Officer on 29 May 2018. There are no adjusting or non-adjusting events.

## NOTE 6A: EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, precept and business rates) by the Commissioner in comparison with those resources consumed or earned by the Commissioner in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the expenditure types. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2017-18				2016-17		
Net Expenditure Chargeable to the Police Fund £000	Adjustments between Funding Basis and Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the Police Fund £000	Adjustments between Funding Basis and Accounting Basis £000	Net Expenditure in the CIES £000
136,841	(29,931)	166,772	Police Officer Pay & Pensions	134,786	(14,600)	149,386
56,014	(6,348)	62,362	Police Staff Pay	51,072	(3,639)	54,711
8,000	11	7,989	Devolved Budgets	6,988	1,959	5,029
13,599	67	13,532	Force/Contingency Budgets	13,389	2,405	10,984
11,591	0	11,591	Centralised Budgets	11,835	0	11,835
1,526	196	1,331	Externally Funded Budgets	1,804	197	1,607
10,757	1,348	9,409	Collaborative Budgets	11,402	969	10,433
10,133	(4,078)	14,211	Central Budgets	12,429	(4,573)	17,002
5	5	0	Office of the Police and Crime Commissioner	50	50	0
<b>248,467</b>	<b>(38,730)</b>	<b>287,197</b>	<b>Net Cost of services</b>	<b>243,755</b>	<b>(17,232)</b>	<b>260,987</b>
(255,106)	(39,690)	(215,416)	Other Income and Expenditure	(252,428)	(51,352)	(201,076)
<b>(6,639)</b>	<b>(78,420)</b>	<b>71,781</b>	<b>Net (Increase)/Decrease in Reserves before reserve transfers</b>	<b>(8,673)</b>	<b>(68,584)</b>	<b>59,911</b>
4,603			Transfers (to)/from Earmarked Reserves	9,217		
1,862			Collaboration adjustment	(839)		
<b>(174)</b>			<b>(Surplus)/Deficit for the year</b>	<b>(295)</b>		
(9,495)			Police Fund Balance at 1 April	(9,200)		
(174)			(Surplus)/Deficit for the year	(295)		
<b>(9,669)</b>			<b>Police Fund Balance at 31 March</b>	<b>(9,495)</b>		

## NOTE 6B: NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2017-18				Adjustments to Police Fund to arrive at Comprehensive Income and Expenditure Statement amounts	2016-17			
Adjustments for Capital Purposes £000	Pension Adjustments £000	Other Differences £000	Total £000		Adjustments for Capital Purposes £000	Pension Adjustments £000	Other Differences £000	Total £000
0	(27,957)	(1,974)	<b>(29,931)</b>	Police Officer Pay & Pensions	0	(13,921)	(679)	<b>(14,600)</b>
0	(6,480)	132	<b>(6,348)</b>	Police Staff Pay	0	(3,470)	(169)	<b>(3,639)</b>
11	0	0	<b>11</b>	Devolved Budgets	1,959	0	0	<b>1,959</b>
67	0	0	<b>67</b>	Force/Contingency Budgets	2,405	0	0	<b>2,405</b>
0	0	0	<b>0</b>	Centralised Budgets	0	0	0	<b>0</b>
196	0	0	<b>196</b>	Externally Funded Budgets	197	0	0	<b>197</b>
1,348	0	0	<b>1,348</b>	Collaborative Budgets	969	0	0	<b>969</b>
(4,634)	0	556	<b>(4,078)</b>	Central Budgets	(4,573)	0	0	<b>(4,573)</b>
5	0	0	<b>5</b>	Office of the Police and Crime Commissioner	50	0	0	<b>50</b>
<b>(3,007)</b>	<b>(34,437)</b>	<b>(1,286)</b>	<b>(38,730)</b>	<b>Net Cost of services</b>	<b>1,007</b>	<b>(17,391)</b>	<b>(848)</b>	<b>(17,232)</b>
(297)	(39,393)	0	<b>(39,690)</b>	Other Income and Expenditure	(343)	(51,009)	0	<b>(51,352)</b>
<b>(3,304)</b>	<b>(73,830)</b>	<b>(1,286)</b>	<b>(78,420)</b>	<b>Difference between Police Fund (Surplus)/deficit and Comprehensive Income and Expenditure Statements (Surplus)/Deficit on Provision of Services</b>	<b>664</b>	<b>(68,400)</b>	<b>(848)</b>	<b>(68,584)</b>

**Adjustments for Capital Purposes**

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. The statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

**Adjustments for Pensions**

These are the net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

## 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:

### Police Fund Balance

The Police 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 Police Fund balance, which is not necessarily in accordance with proper accounting practice. The Police Fund balance therefore summarises the resources that South Wales Police/ the Commissioner is statutorily empowered to spend on 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.

2017-18	Police Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(10,477)	0	<b>(10,477)</b>	10,477
Revaluation losses on Property, Plant and Equipment	(3,510)	0	<b>(3,510)</b>	3,510
Amortisation of intangible assets	(1,146)	0	<b>(1,146)</b>	1,146
Amounts of non-current assets written off on disposal/sale as part of gain/loss on disposal to Comprehensive Income & Expenditure Statement	(297)	0	<b>(297)</b>	297
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	1,911	0	<b>1,911</b>	(1,911)
Capital expenditure charged against the Police Fund	10,773	0	<b>10,773</b>	(10,773)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure		240	<b>240</b>	(240)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(166,100)	0	<b>(166,100)</b>	166,100
Employer's pension contributions and direct payments to pensioners payable in the year	92,270	0	<b>92,270</b>	(92,270)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,844)	0	<b>(1,844)</b>	1,844
<b>Total Adjustments</b>	<b>(78,420)</b>	<b>240</b>	<b>(78,180)</b>	<b>78,180</b>



2016-17	Police Fund Balance £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(6,160)	0	(6,160)	6,160
Revaluation losses on Property, Plant and Equipment	(4,324)	0	(4,324)	4,324
Amortisation of intangible assets	(1,050)	0	(1,050)	1,050
Amounts of non-current assets written off on disposal/sale as part of gain/loss on disposal to Comprehensive Income & Expenditure Statement	(343)	0	(343)	343
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	1,959	0	1,959	(1,959)
Capital expenditure charged against the Police Fund	10,582	0	10,582	(10,582)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(514)	(514)	514
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(151,640)	0	(151,640)	151,640
Employer's pension contributions and direct payments to pensioners payable in the year	83,240	0	83,240	(83,240)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from	(848)	0	(848)	848
<b>Total Adjustments</b>	<b>(68,584)</b>	<b>(514)</b>	<b>(69,098)</b>	<b>69,098</b>

## NOTE 8: TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the Police Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Police Fund expenditure in 2018-19.

Earmarked Revenue Reserves	Balance at 31 March 2016 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2017 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2018 £000
Devolved budget carry forwards	(179)	179	(120)	(120)	120	(118)	(118)
Legacy Investigations	(371)	371	0	0	0	0	0
Major Crime Fund	(200)	0	(1)	(201)	0	0	(201)
Health and Wellbeing Reserve	0	0	(1,852)	(1,852)	37	0	(1,815)
Change Management	(872)	872	0	0	0	0	0
Bank Holiday Reserve	0	0	(203)	(203)	203	0	0
Database	(25)	25	0	0	0	0	0
Road Safety/ANPR	(491)	0	0	(491)	491	0	0
Body Armour Replacement	(500)	500	0	0	0	0	0
Commissioner - Community Safety Fund/Devolved c/f	(1,558)	1,017	(344)	(885)	48	(248)	(1,085)
Other including Partnership Fund	0	0	(837)	(837)	753	(220)	(304)
Other specific reserves under £150,000	(720)	372	(280)	(628)	318	(327)	(637)
Public Service Centre Transition	(40)	40	0	0	0	0	0
Invest to Save Initiatives - transfer to Tri Service Centre	(184)	184	0	0	0	0	0
Fusion/FIRMS	0	447	(447)	0	0	0	0
SWP Firearms reserve	0	0	(46)	(46)	46	0	0
SWP JSIU reserve	0	0	(217)	(217)	62	(375)	(530)
SWP ROCU/RTF reserve	0	0	(87)	(87)	13	(845)	(919)
Operational Policing	0	0	(250)	(250)	0	0	(250)
UEFA Champions league	0	0	(1,200)	(1,200)	1,200	0	0
Forcewide WIFI	0	1,000	(1,000)	0	0	0	0
Regional Incentivisation	0	0	(710)	(710)	334	(83)	(459)
Welsh Translation costs	0	0	(120)	(120)	120	0	0
Force Tasking - Op Red Volcano	0	0	(67)	(67)	67	0	0
National Enabling Programme (Microsoft)	0	0	0	0	0	(420)	(420)

## NOTE 8

	Balance at 31 March 2016 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2017 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2018 £000
<b>Earmarked Revenue Reserves</b>							
Extending Taser Issue	0	0	0	0	0	(410)	(410)
Triage Mental Health within PSC	0	0	0	0	0	(350)	(350)
Capital Financing	0	0	0	0	0	(265)	(265)
PSC Overtime	0	0	0	0	0	(250)	(250)
E- recruitment	0	0	0	0	0	(223)	(223)
Training- Health & Safety	0	0	0	0	0	(200)	(200)
Specialist Crime - Various	0	0	(77)	(77)	77	0	0
	(5,140)	5,007	(7,858)	(7,991)	3,889	(4,334)	(8,436)
Impaired investments - Icelandic	(82)	0	0	(82)	82	0	0
<b>Total Earmarked Revenue Reserves</b>	<b>(5,222)</b>	<b>(2,851)</b>		<b>(8,073)</b>	<b>(363)</b>		<b>(8,436)</b>
Capital Reserves	(14,744)	7,902	(6,366)	(13,208)	3,685	(4,240)	(13,763)
<b>Total Earmarked Reserves</b>	<b>(19,966)</b>	<b>(1,315)</b>		<b>(21,281)</b>	<b>(918)</b>		<b>(22,199)</b>
Police Fund	(9,200)		(295)	(9,495)		(174)	(9,669)
<b>Total Reserves</b>	<b>(29,166)</b>	<b>(1,315)</b>	<b>(295)</b>	<b>(30,776)</b>	<b>(918)</b>	<b>(174)</b>	<b>(31,868)</b>
Movement during the year - increase/(decrease)		(1,610)			(1,092)		

## Additional information and planned future spend profile over the next two financial years for earmarked revenue reserves

	Balance at 31 March 2018 £000	Comments	Spend Profile	
			2018-19 £000	2019-20 £000
Police Fund Earmarked Revenue Reserves:				
Devolved Budget carry Forwards	(118)	Approved devolved budget carry forward in line with Budget Management Framework	118	0
Major Crime Fund	(201)	Reserve held to contribute to potential unfunded major investigations	201	0
Health & Wellbeing Reserve	(1,815)	To support Health and Wellbeing strategy to transform organisational capability.	181	544
Joint Scientific Support Unit	(530)	Remote transmission finger print technology	531	0
ROCU	(919)	Regional collaborative functions funding	913	0
Regional Incentivisation	(459)	3 Force Reserve ARIS receipts	276	182
Police and Crime Commissioner's Team	(1,389)	Partnership, 18-25 programme, and risk on Violence against Women and Girls funding initiatives	674	370
Operational Policing	(250)	CT Contingency	250	0
National Enabling Programme (Microsoft)	(420)	National Enabling programme transition costs	420	0
Extending Taser Issue	(410)	Operational requirement to improve officer safety	410	0
Triage Mental Health within PSC	(350)	To address growing demand	350	0
Capital Financing	(265)	In line with Capital Programme funding	265	0
PSC Overtime	(250)	Significant reduction on previous year transition to new working arrangements	250	0
E- recruitment	(223)	Software and technology to deliver collaborative E- Recruitment	223	0
Training- Health & Safety	(200)	Health & Safety training requirements (IOSH)	200	0
Other Specific reserves under £150,000	(637)	Various minor reserves relating to delayed expenditure plans in 2015-16	637	0
Total Earmarked Revenue Reserves	(8,436)	Total Spend Profile	5,899	1,096

The Medium Term Financial Strategy 2018-2022 sets out a future capital programme of £91m of which £37m will be internally funded from £13.8m capital reserves and further borrowing.

**NOTE 9: FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	2017-18 £000	2016-17 £000
Interest payable on debt	586	663
Pension interest costs	90,030	98,890
Pensions top up grant receivable (Home office)	(52,906)	(48,131)
Investment interest income	(97)	(133)
<b>Total</b>	<b>37,613</b>	<b>51,289</b>

	2017-18 £000	2016-17 £000
Interest payable on debt	586	663
Pension interest costs	59	48
Pensions top up grant receivable (Home office)	(52,906)	(48,131)
Investment interest income	(97)	(133)
<b>Total</b>	<b>(52,358)</b>	<b>(47,553)</b>

**NOTE 10: TAXATION AND NON-SPECIFIC GRANT INCOME**

	2017-18 £000	2016-17 £000
Capital government grants and contributions	(2,137)	(1,771)
Council tax income	(105,383)	(99,279)
Non domestic rates (Welsh Government)	(22,290)	(20,521)
Revenue Support Grant (Welsh Government)	(51,050)	(51,656)
Non ring fenced government grants (Home Office)	(84,066)	(87,463)
<b>Total</b>	<b>(264,926)</b>	<b>(260,690)</b>

## NOTE 11 PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

Property, Plant and Equipment								
Movements on balances in 2017-18	Other land & buildings £000	Vehicles £000	Information Systems & Equipment £000	Assets Under Construction £000	Total PP&E £000	Intangible Assets £000	Assets held for sale £000	Total Fixed Assets £000
<b>Cost or Valuation</b>								
At 1 April 2017	122,969	12,143	23,366	943	<b>159,421</b>	7,846	179	<b>167,446</b>
Additions - capital	4,037	2,892	3,751	1,871	<b>12,551</b>	2,128	0	<b>14,679</b>
Revaluation (decreases) increases to Revaluation Reserve	6,640	0	0	0	<b>6,640</b>	0	0	<b>6,640</b>
Revaluation decreases or impairments to Surplus/Deficit on Provision of Services including non-enhancing spend	(7,576)	(782)	(261)	0	<b>(8,619)</b>	(576)	30	<b>(9,165)</b>
Derecognition - disposals	0	(1,816)	(369)	0	<b>(2,185)</b>	0	(210)	<b>(2,395)</b>
Reclassified to/from Held for Sale	(270)	0	0	0	<b>(270)</b>	0	270	<b>0</b>
Reclassifications	2,814	0	0	(2,814)	<b>0</b>	0	0	<b>0</b>
Impairment reversals to SDPS	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Other movements in cost or valuation	0	0	0	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2018</b>	<b>128,614</b>	<b>12,437</b>	<b>26,487</b>	<b>0</b>	<b>167,538</b>	<b>9,398</b>	<b>269</b>	<b>177,205</b>
<b>Depreciation and Impairment</b>								
At 1 April 2017	(1,497)	(6,163)	(16,105)	0	<b>(23,765)</b>	(5,616)	0	<b>(29,381)</b>
Depreciation charge	(2,740)	(1,170)	(2,132)	0	<b>(6,042)</b>	(1,146)	0	<b>(7,188)</b>
Depreciation written out to SDPS	1,219	0	0	0	<b>1,219</b>	0	0	<b>1,219</b>
Depreciation written out to Revaluation Reserve	2,212	0	0	0	<b>2,212</b>	0	0	<b>2,212</b>
Derecognition - disposals	0	1,489	368	0	<b>1,857</b>	0	0	<b>1,857</b>
Other movements in depreciation and impairment	0	0	0	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2018</b>	<b>(806)</b>	<b>(5,844)</b>	<b>(17,869)</b>	<b>0</b>	<b>(24,519)</b>	<b>(6,762)</b>	<b>0</b>	<b>(31,281)</b>
<b>Net Book Value</b>								
<b>At 31 March 2018</b>	<b>127,808</b>	<b>6,593</b>	<b>8,618</b>	<b>0</b>	<b>143,019</b>	<b>2,636</b>	<b>269</b>	<b>145,924</b>
<b>At 31 March 2017</b>	<b>121,472</b>	<b>5,980</b>	<b>7,261</b>	<b>943</b>	<b>135,656</b>	<b>2,230</b>	<b>179</b>	<b>138,065</b>

Assets under construction refer to the ongoing construction associated with property schemes.



Property, Plant and Equipment								
	Other land & buildings £000	Vehicles £000	Information Systems & Equipment £000	Assets Under Construction £000	Total PP&E £000	Intangible Assets £000	Assets held for sale £000	Total Fixed Assets £000
<b>Movements on balances in 2016-17</b>								
<b>Cost or Valuation</b>								
At 1 April 2016	110,717	12,284	26,816	7,920	<b>157,737</b>	6,977	187	<b>164,901</b>
Additions - capital	1,996	2,365	4,093	9,018	<b>17,472</b>	1,542	0	<b>19,014</b>
Additions - revenue	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Revaluation decreases to Revaluation Reserve	(1,838)	0	0	0	<b>(1,838)</b>	0	0	<b>(1,838)</b>
Revaluation decreases or impairments to Surplus/Deficit on Provision of Services including non-enhancing spend	(3,424)	(640)	(253)	0	<b>(4,317)</b>	(673)	0	<b>(4,990)</b>
Derecognition - disposals	0	(1,866)	(1,887)	0	<b>(3,753)</b>	0	(485)	<b>(4,238)</b>
Reclassified to/from Held for Sale	(477)	0	0	0	<b>(477)</b>	0	477	<b>0</b>
Reclassifications	15,995	0	0	(15,995)	<b>0</b>	0	0	<b>0</b>
Impairment reversals to SDPS	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Other movements in cost or valuation	0	0	(5,403)	0	<b>(5,403)</b>	0	0	<b>(5,403)</b>
<b>At 31 March 2017</b>	<b>122,969</b>	<b>12,143</b>	<b>23,366</b>	<b>943</b>	<b>159,421</b>	<b>7,846</b>	<b>179</b>	<b>167,446</b>
<b>Depreciation and Impairment</b>								
At 1 April 2016	0	(6,471)	(20,581)	0	<b>(27,052)</b>	(4,566)	0	<b>(31,618)</b>
Depreciation charge	(2,294)	(1,187)	(2,748)	0	<b>(6,229)</b>	(1,050)	0	<b>(7,279)</b>
Depreciation written out to SDPS	132	0	0	0	<b>132</b>	0	0	<b>132</b>
Depreciation written out to Revaluation Reserve	665	0	0	0	<b>665</b>	0	0	<b>665</b>
Derecognition - disposals	0	1,498	1,881	0	<b>3,379</b>	0	0	<b>3,379</b>
Other movements in depreciation and impairment	0	(3)	5,343	0	<b>5,340</b>	0	0	<b>5,340</b>
<b>At 31 March 2017</b>	<b>(1,497)</b>	<b>(6,163)</b>	<b>(16,105)</b>	<b>0</b>	<b>(23,765)</b>	<b>(5,616)</b>	<b>0</b>	<b>(29,381)</b>
<b>Net Book Value</b>								
<b>At 31 March 2017</b>	<b>121,472</b>	<b>5,980</b>	<b>7,261</b>	<b>943</b>	<b>135,656</b>	<b>2,230</b>	<b>179</b>	<b>138,065</b>
<b>At 31 March 2016</b>	<b>110,717</b>	<b>5,813</b>	<b>6,235</b>	<b>7,920</b>	<b>130,685</b>	<b>2,411</b>	<b>187</b>	<b>133,283</b>

## Number of Fixed Assets

	2017-18 £000	2016-17 £000
Police Headquarters, Bridgend	1	1
Divisional Headquarters	4	4
Other Police Stations and Offices	56	60
Radio Masts	4	4
House for Police Officers	1	1
	66	70
Vehicles	837	825

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation. Further details are also included in the accounting policies:

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

## Capital Commitments

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

Commitments	2017-18 £000	2016-17 £000
Property Schemes	1,791	3,105
Vehicles	1,729	1,036
Computer systems	3,308	1,013
Communication systems	34	279
Other	157	220
<b>Total</b>	<b>7,019</b>	<b>5,653</b>

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

## Investment Properties

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

## Intangible Assets

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

## NOTE 12: FINANCIAL INSTRUMENTS

### Categories of financial instruments

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

	Long term		Current	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
<b>Investments</b>				
Deposits, loans and receivables	0	0	0	10,682
<b>Debtors</b>				
Financial assets carried at contract amounts	0	0	39,123	36,648
<b>Borrowings</b>				
Financial liabilities at amortised cost	(16,595)	(15,163)	(1,911)	(1,911)
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(24,233)	(19,862)

### Income, expense, gains and losses

	2017-18		2016-17	
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000
Interest expense	586	0	663	0
<b>Total expense in Surplus/deficit on the Provision of Services</b>	<b>586</b>	<b>0</b>	<b>663</b>	<b>0</b>
Interest income	0	(97)	0	(133)
<b>Total Income in Surplus/deficit on the Provision of Services</b>	<b>0</b>	<b>(97)</b>	<b>0</b>	<b>(133)</b>

## Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2018 of 1.70% to 2.76% for loans from the PWLB and 0.42% to 0.97% for other deposits;
- loans receivable and payable, are based on new lending rates for equivalent deposits, or 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; and
- 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 2018		31 March 2017	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Short term borrowing	(1,911)	(1,911)	(1,911)	(1,911)
Long term borrowing	(16,595)	(17,779)	(15,163)	(17,022)
<b>Total</b>	<b>(18,506)</b>	<b>(19,690)</b>	<b>(17,074)</b>	<b>(18,933)</b>

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 2018) arising from a commitment to pay interest to lenders higher than current market rates.

## Valuation of Financial Instruments carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values:

- Level 1** where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.
- Level 2** where market prices are not available, (e.g. where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data).
- Level 3** where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, neither of which the Fund currently invests in.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable:

	31 March 2018			31 March 2017		
	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000
<b>Financial Assets:</b>						
Loans and Receivables	0	18,518	0	0	20,455	0
<b>Financial Liabilities:</b>						
Liabilities at amortised costs	0	(19,690)	0	0	(18,933)	0
<b>Total net assets</b>	<b>0</b>	<b>(1,172)</b>	<b>0</b>	<b>0</b>	<b>1,522</b>	<b>0</b>

## Impairment of Financial Assets with Icelandic Banks

Having taken advice from our financial advisors, the remaining investment of £81,600 has been written off as irrecoverable.

The balance on the reserve of £81,600 has been utilised so there is no loss in the year to South Wales Police.

## NOTE 13: DEBTORS

Amounts owed by third parties at the balance sheet date are as follows:

	31 March 2018 £000	31 March 2017 £000
Central government bodies	28,861	19,745
Other local authorities and police authorities	6,688	8,268
NHS bodies	67	126
<b>Other entities and individuals:</b>		
Other sundry debtors	1,205	1,349
Prepayments	2,302	7,160
Payroll temporary advance payments	0	0
<b>Total</b>	<b>39,123</b>	<b>36,648</b>

Each line is presented net of impairment.

## NOTE 14: CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2018 £000	31 March 2017 £000
Cash held by the Police and Crime Commissioner	67	72
Bank current accounts	1,885	(3,503)
Short-term deposits and callable bank accounts	18,518	9,783
<b>Total Cash and Cash Equivalents</b>	<b>20,470</b>	<b>6,352</b>

## NOTE 15: ASSETS HELD FOR SALE

	Current 2018 £000	Current 2017 £000
<b>Balance outstanding at start of year</b>	<b>179</b>	<b>187</b>
<b>Assets newly classified/(declassified) as held for sale:</b>		
Property, plant and equipment	270	477
Revaluation gains	30	0
Assets sold	(210)	(485)
<b>Balance outstanding at year end</b>	<b>269</b>	<b>179</b>

## NOTE 16: CREDITORS

Amounts owed to third parties at the balance sheet date are as follows:

	31 March 2018 £000	31 March 2017 £000
Central government bodies	7,347	6,105
Other local authorities	3,457	2,242
Other entities and individuals (incl. other funds)	13,429	11,516
<b>Total</b>	<b>24,233</b>	<b>19,863</b>

## NOTE 17: 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 31 March 2018 with movements passing through the Comprehensive Income and Expenditure Statement:

	Outstanding Legal Claims £000	Insurance Claims re: MMI £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2017</b>	<b>(4,212)</b>	<b>(1,173)</b>	<b>(831)</b>	<b>(6,216)</b>
Additional provisions made	425	0	(694)	(269)
Amounts used	1,072	0	86	1,158
<b>Balance at 31 March 2018</b>	<b>(2,715)</b>	<b>(1,173)</b>	<b>(1,439)</b>	<b>(5,327)</b>

### Outstanding Legal and Insurance Claims

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

South Wales Police/the Commissioner maintains a provision to meet the costs of likely policy excesses and self insured risks for existing cases/claims. South Wales Police/the Commissioner provides an allocation from its revenue budget and prior year provisions to assist in meeting these costs. Current assessment shows a reduction of £0.9M.

The previously recognised estimated liability of former Municipal Mutual Insurance (MMI) managed claims of £1.2M is retained being net of a 25% paid levy to date.

### Other Provisions

The group provisions which are individually insignificant, include:

- 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;
- backdated claims relating to the continued deduction of Employment Support Allowance from police injury benefits. A provision of £0.2M remains at the year end with £0.03M paid in relation to these claims in 2017/18;
- time off in lieu (TOIL) for Police Officers who leave the Force but have accrued an amount 'owed' to them to be normally taken as time off duty. The amount owed crystalizes when they leave generating a cash payment to them; and.
- The non-consolidated pay award of 1%, which amounts to £0.7M.



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

Insured risks	'Self insured' risks
Employers Liability (combined with Public Liability) above £1,936,000 in total and above £100,000 for individual claims	Employers Liability (combined with Public Liability) below £1,936,000 in total and below £100,000 for individual claims
Public Liability (combined with Employers Liability) above £1,936,000 in total and above £150,000 for individual claims	Public Liability (combined with Employers Liability) below £1,936,000 in total and below £150,000 for individual claims
Employees' Personal Accident	
Buildings - All Risks above £500 except in properties and radio masts where it is £10,000	Buildings - All Risks below £500 except in respect of unoccupied properties and radio masts where it is £10,000
Vehicles - Third party only	Vehicles - Accident damage unless recovered from third party
All Risks - equipment, computers and money - above £250	All risks below £250
Fidelity Guarantee above £100,000	Fidelity claims below £100,000

## NOTE 18: UNUSABLE RESERVES

	31 March 2018 £000	31 March 2017 £000
Revaluation Reserve	(17,145)	(8,327)
Capital Adjustment Account	(113,650)	(112,678)
Pensions Deficit Reserve - Local Government	141,580	137,280
Pensions Deficit Reserve - Police	3,279,990	3,279,390
Accumulated Absences Account	3,970	2,126
<b>Total Unusable Reserves</b>	<b>3,294,745</b>	<b>3,297,791</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by South Wales Police/ the Commissioner arising from increases in the value of its property, plant and equipment and Intangible Assets.

The balance is reduced when assets with accumulated gains are:

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

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

	2017-18 £000	2016-17 £000
<b>Balance at 1 April</b>	<b>(8,327)</b>	<b>(10,369)</b>
(Upward)/downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(8,852)	1,839
<b>Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on the Provision of Services</b>	<b>(17,179)</b>	<b>(8,530)</b>
Amount written off to the Capital Adjustment Account	34	203
<b>Balance at 31 March</b>	<b>(17,145)</b>	<b>(8,327)</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account 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.

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 current 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.

	2017-18 £000	2016-17 £000
<b>Balance at 1 April</b>	<b>(112,678)</b>	<b>(103,910)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	6,042	6,160
Revaluation losses on property, plant and equipment	7,946	4,324
Amortisation of intangible assets	1,146	1,050
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	537	858
	<b>15,671</b>	<b>12,392</b>
Adjusting amounts written out of the Revaluation Reserve	(34)	(203)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>15,637</b>	<b>12,189</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(240)	(514)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(733)	(1,771)

	2017-18 £000	2016-17 £000
Statutory provision for the financing of capital investment charged against the Police Fund	(1,911)	(1,959)
Transfer to/(from) Earmarked Reserves	(3,685)	(7,902)
Capital expenditure charged against the Police Fund	(10,040)	(8,811)
	<b>(16,609)</b>	<b>(20,957)</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
<b>Balance at 31 March</b>	<b>(113,650)</b>	<b>(112,678)</b>

## Pensions Reserve

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

	2017-18 £000	2016-17 £000
<b>Balance at 1 April</b>	<b>3,416,670</b>	<b>2,808,390</b>
Actuarial (gains)/losses on pension assets and liabilities	(68,930)	539,880
Reversal of items relating to retirement benefits debited or credited to Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	166,100	151,640
Employer's pension contributions and direct payments to pensioners payable in the year	(92,270)	(83,240)
<b>Balance at 31 March</b>	<b>3,421,570</b>	<b>3,416,670</b>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Police 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 Police Fund Balance is neutralised by transfers to or from the account.

	2017-18 £000	2016-17 £000
<b>Balance at 1 April</b>	<b>2,126</b>	<b>1,278</b>
Settlement or cancellation of accrual made at the end of the preceding year	(2,126)	(1,278)
Amounts accrued at the end of the current year	3,970	2,126
<b>Balance at 31 March</b>	<b>3,970</b>	<b>2,126</b>

## NOTE 19: CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2017-18 £000	2016-17 £000
The cash flows for operating activities include the following items:		
<b>Net (surplus)/deficit on the Provision of Services</b>	<b>71,781</b>	<b>59,911</b>
Adjustments to net surplus/deficit on the provision of services for non-cash movements:		
Depreciation and impairment of fixed assets	(13,987)	(10,484)
Amortisation of intangible fixed assets	(1,146)	(1,050)
Pension Fund adjustments	(73,830)	(68,400)
Contributions (to)/from provisions	889	(991)
Gain or (loss) on the disposal of fixed assets	(297)	(335)
Collaboration restatement	1,862	(839)
Increase/(decrease) in Inventories	181	88
Increase/(decrease) in Debtors	2,475	8,371
(Increase)/decrease in Creditors	(4,370)	(3,796)
	<b>(88,223)</b>	<b>(77,436)</b>
Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities:		
Capital grants	2,137	1,771
Returns on investments and servicing of financing	(489)	(530)
<b>Net cash flows from Operating Activities</b>	<b>(14,794)</b>	<b>(16,284)</b>

**NOTE 20: CASH FLOW STATEMENT - INVESTING ACTIVITIES**

	2017-18 £000	2016-17 £000
Purchase of property, plant and equipment, investment property and intangible assets	14,679	19,014
Purchase of short term and long term investments	0	10,682
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(240)	(507)
Capital grants	(2,137)	(1,771)
Proceeds from short term and long term investments	(10,682)	(8,082)
<b>Net cash flows from investing activities</b>	<b>1,620</b>	<b>19,336</b>

**NOTE 21: CASH FLOW STATEMENT - FINANCING ACTIVITIES**

	2017-18 £000	2016-17 £000
Cash receipts of short term and long term borrowing	(3,344)	(16)
Repayments of short term and long term borrowing	1,911	1,959
<b>Net cash flows from financing activities</b>	<b>(1,433)</b>	<b>1,943</b>

**NOTE 22 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS****Subjective analysis - Income and Expenditure**

	2017-18 £000	2016-17 £000
Fee, charges & other service income	(15,284)	(18,227)
Government grants	(26,589)	(19,363)
<b>Total income</b>	<b>(41,873)</b>	<b>(37,590)</b>
Employee expenses	198,928	192,406
Other operating expenses	138,587	112,282
<b>Total operating expenses</b>	<b>337,515</b>	<b>304,688</b>
<b>Net Cost of Services</b>	<b>295,642</b>	<b>267,098</b>

## NOTE 23 MEMBERS' ALLOWANCES

In accordance with the Code, the following total allowances were paid to members of the Joint Audit Committee in 2017-18:

	2017-18 £000	2016-17 £000
Allowances and expenses	1	5

## NOTE 24 OFFICERS'/EMPLOYEES' REMUNERATION

### Remuneration Ratio

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

### The Police and Crime Commissioner's Team

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

	2017-18	2016-17
Band of the highest paid director (Chief of Staff) - total remuneration (excl. pension contribution)	£70,000-74,999	£70,000 - 74,999
Median Total Remuneration	£28,642	£27,863
<b>RATIO</b>	<b>2.6</b>	<b>2.6</b>

### Chief Constable

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

	2017-18	2016-17
Band of the highest paid director (Chief Constable) - total remuneration (excl. pension contributions)	£155,000-159,999	£160,000 - 164,999
Median Total Remuneration	£30,729	£31,806
<b>RATIO</b>	<b>5.0</b>	<b>5.2</b>

## Remuneration Bandings

During the year, the number of police officers and employees who received remuneration in excess of £60,000 are provided below. This is a specific requirement of the Accounts and Audit (Wales) Regulations 2014. The 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	2017-18	2016-17
£60,000-64,999	31	21
£65,000-69,999	12	10
£70,000-74,999	9	9
£75,000-79,999	8	7
£80,000-84,999	8	9
£85,000-89,999	5	4
£90,000-94,999	2	2
£95,000-99,999	0	0
£100,000-104,999	0	2
£105,000-109,999	2	0
£110,000-114,999	0	1
£115,000-119,999	1	0
£120,999-124,999	0	0
£125,000-129,999	1	1
£130,000-134,999	2	0
£135,000-139,999	0	0
£140,000-144,999	1	0
£145,000-149,999	0	0
£150,000-154,999	0	0
£155,000-159,999	0	0
£160,000-164,999	0	1
	<b>82</b>	<b>67</b>



## The Police and Crime Commissioner's Team

Further details in the below remuneration note:

Number of Staff (Employees) : Remuneration	2017-18	2016-17
£60,000-64,999	2	1
£65,000-69,999	1	0
£70,000-74,999	1	1
£75,000-79,999	0	0
£80,000-84,999	1	1
	<b>5</b>	<b>3</b>

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

## Exit Packages

The number 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 as set out in the Comprehensive Income and Expenditure Statement.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
			(Voluntary redundancies)					
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18 £000	2016-17 £000
£0 - £20,000	0	1	0	12	0	13	0	158
£20,001 - £40,000	0	0	0	1	0	1	0	28
£40,001 - £60,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>186</b>

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

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

The All Wales Deputy Chief Constable is employed by South Wales Police and their total remuneration costs are shown in the Remuneration Report of South Wales Police. Each of the four Welsh forces contribute to the total remuneration costs of the All Wales Deputy Chief Constable. In 2017-18, the actual cost met by South Wales Police was £42,013, with the remaining costs recharged to the other Welsh forces.

The Chief Financial Officer for the Police and Crime Commissioner for Gwent provided s.151 support since October 2017 to the Police and Crime Commissioner for South Wales. This has been accommodated by a s.22 agreement.

## The Police and Crime Commissioner's Team 2017-18

Post holder information (Post title)	Notes	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Compensation for loss of office £	Benefits in Kind (e.g. car allowance) £	Total Remuneration excluding pension contributions 2017-18 £	Pension contributions (employers) £	Total Remuneration including pension contributions 2017-18 £
Police and Crime Commissioner		85,000	0	0	0	0	<b>85,000</b>	13,090	<b>98,090</b>
Assistant Police and Crime Commissioner		55,253	0	0	0	0	<b>55,253</b>	8,509	<b>63,762</b>
Assistant Police and Crime Commissioner	Note 1	28,195	0	0	0	0	<b>28,195</b>	4,338	<b>32,533</b>
Assistant Police and Crime Commissioner		62,332	0	0	0	0	<b>62,332</b>	9,589	<b>71,921</b>
Chief of Staff	Note 2	36,125	0	0	0	0	<b>36,125</b>	5,559	<b>41,684</b>
Chief of Staff	Note 3	30,736	0	0	0	0	<b>30,736</b>	4,733	<b>35,469</b>
Chief Financial Officer	Note 4	68,937	0	0	0	0	<b>68,937</b>	10,469	<b>79,406</b>

**Note 1:** APCC from 1st April 2017 to 7th September 2017. Annualised Salary £64,320.

**Note 2:** Chief of Staff from 8th September 2017 to 31st March 2018. Annualised Salary £64,320.

**Note 3:** Chief of Staff from 1st April 2017 to 31st August 2017. Annualised Salary £73,324.

**Note 4:** Annualised salary £84,972. Salary based on part-time working agreement.

## The Police and Crime Commissioner's Team 2016-17

Post holder information (Post title)	Notes	Salary (including fees & allowances) £	Bonuses £	Expense allowances £	Compensation for loss of office £	Benefits in Kind (e.g. car allowance) £	Total Remuneration excluding pension contributions 2016-17 £	Pension contributions (employers) £	Total Remuneration including pension contributions 2016-17 £
Police and Crime Commissioner		85,000	0	0	0	0	<b>85,000</b>	10,115	<b>95,115</b>
Deputy Police and Crime Commissioner	Note 1	6,801	0	0	0	75	<b>6,876</b>	0	<b>6,876</b>
Assistant Police and Crime Commissioner	Note 2	17,043	0	0	0	0	<b>17,043</b>	1,781	<b>18,824</b>
Assistant Police and Crime Commissioner	Note 3	54,203	0	0	0	0	<b>54,203</b>	6,450	<b>60,653</b>
Assistant Police and Crime Commissioner	Note 4	43,293	0	0	0	0	<b>43,293</b>	5,152	<b>48,445</b>
Assistant Police and Crime Commissioner	Note 5	33,034	0	0	0	0	<b>33,034</b>	3,930	<b>36,964</b>
Chief of Staff		73,021	0	0	0	129	<b>73,150</b>	8,690	<b>81,840</b>
Chief Financial Officer	Note 6	67,697	0	0	0	2	<b>67,699</b>	8,056	<b>75,755</b>

**Note 1:** DPCC from 1st April 2016 to 31st May 2016 annualised salary £68,008. Not in pension scheme

**Note 2:** APCC from 1st April 2016 to 18th July 2016 annualised salary £50,154.

**Note 3:** APCC from 1st April 2016 to 5th June 2016 paid as Principal Officer 7 SCP53 (£50,154) From 6th June 2016 to 31st March 2017 paid as Assistant Director Level 7.1 SCP58 (£55,253)

**Note 4:** APCC from 6th June 2016 to 31st March 2017 annualised salary £49,567.

**Note 5:** APCC from 5th September 2016 to 31st March 2017 annualised salary £57,711.

**Note 6:** Annualised salary £85,302 Salary based on part-time working agreement.

## The Chief Constable 2017-18

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) £	Total Remuneration excluding pension contributions 2017-18 £	Pension contributions £	Total Remuneration including pension contributions 2017-18 £
Chief Constable P. Vaughan	Note 1	120,805	0	0	0	5,313	12,822	<b>138,940</b>	0	<b>138,940</b>
Chief Constable M. Jukes	Note 2	48,646	0	0	0	0	0	<b>48,646</b>	8,071	<b>56,717</b>

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) £	Total Remuneration excluding pension contributions 2017-18 £	Pension contributions £	Total Remuneration including pension contributions 2017-18 £
Deputy Chief Constable 1	Note 2	87,362	0	0	0	5,331	0	<b>92,693</b>	21,270	<b>113,963</b>
Deputy Chief Constable 2	Note 3	40,133	0	0	0	0	0	<b>40,133</b>	9,712	<b>49,845</b>
Deputy Chief Constable 3	Note 7	127,966	0	0	0	6,357	0	<b>134,323</b>	30,968	<b>165,291</b>
ACC Territorial Policing		102,470	0	0	0	5,023	0	<b>107,493</b>	24,974	<b>132,467</b>
ACC Specialist Crime		105,863	0	0	0	1,563	0	<b>107,426</b>	25,029	<b>132,455</b>
Director of Finance		106,760	0	0	0	8,417	0	<b>115,177</b>	16,460	<b>131,637</b>
ACC Specialist Ops 1	Note 3	78,945	0	0	0	5,687	1,413	<b>86,045</b>	18,412	<b>104,457</b>
ACC Specialist Ops 2	Note 4	30,776	0	0	0	0	0	<b>30,776</b>	7,448	<b>38,224</b>
Director of Human Resources 1	Note 5	35,433	0	0	0	1,559	0	<b>36,992</b>	5,276	<b>42,268</b>
Director of Human Resources 2	Note 6	64,373	0	0	0	0	0	<b>64,373</b>	7,210	<b>71,583</b>

**Note 1:** Chief Constable from 1st April 2017 to 31 December 2017. Not in pension scheme.

**Note 2:** Chief Constable from 8th December 2017 to 31st March 2018. Deputy Chief Constable from 1st April 2017 to 7th December 2017. Annualised Salary £155,754.

**Note 3:** Deputy Chief Constable from 8th December 2017 to 31st March 2018. Annualised DCC Salary £128,496. Assistant Chief Constable from 1st April 2017 to 7th December 2017. Annualised ACC Salary £111,249.

**Note 4:** Temporary ACC from 8th December 2017 to 31st March 2018. Annualised Salary £98,538.

**Note 5:** Director of Human Resources from 1st April 2017 to 23 July 2017. Provided services for both South Wales Police and Gwent Police and a share of their costs are recharged. Annualised Salary £104,640.

**Note 6:** Acting Director of Human Resources from 24 July 2017 to 31st March 2018. Annualised Salary £93,611.

**Note 7:** Deputy Chief Constable - All Wales from 1st April 2017 to 31st March 2018.

## The Chief Constable 2016-17

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) £	Total Remuneration excluding pension contributions 2016-17 £	Pension contributions £	Total Remuneration including pension contributions 2016-17 £
Chief Constable P. Vaughan	Note 1	159,461	0	0	0	4,527	4,651	<b>168,639</b>	0	<b>168,639</b>

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) £	Total Remuneration excluding pension contributions 2016-17 £	Pension contributions £	Total Remuneration including pension contributions 2016-17 £
Deputy Chief Constable		126,648	0	0	0	5,522	0	<b>132,170</b>	30,661	<b>162,831</b>
ACC Territorial Policing	Note 2	111,911	0	0	0	5,215	1,850	<b>118,976</b>	26,420	<b>145,396</b>
ACC Specialist Crime		82,164	0	0	0	15,961	0	<b>98,125</b>	19,680	<b>117,805</b>
Director of Finance		103,057	0	0	0	8,535	0	<b>111,592</b>	12,278	<b>123,870</b>
ACC Specialist Ops	Note 4	77,841	0	0	0	19,734	0	<b>97,575</b>	18,838	<b>116,413</b>
Director of Human Resources	Note 3	102,739	0	0	0	4,767	0	<b>107,506</b>	12,278	<b>119,784</b>

**Note 1:** Not in pension scheme.

**Note 2:** ACC from 31st May 2016 to 31st March 2017.

**Note 3:** Provided services for both South Wales Police and Gwent Police and a share of their costs are recharged.

**Note 4:** ACC from 13th June 2016 to 31st March 2017.

## NOTE 25: EXTERNAL AUDIT COSTS

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

	2017-18 £000	2016-17 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	101	96
<b>Total</b>	<b>101</b>	<b>96</b>

## NOTE 26 GRANT AND OTHER INCOME

South Wales Police/the Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017-18:

Credited to Services	Funding body	2017-18 £000	2016-17 £000
Home Office funded facilities	Home Office	0	(477)
Police Apprenticeships	Welsh Govt	(470)	0
Community Support officers	Welsh Govt	(6,821)	(6,893)
Counter Terrorism Intelligence Unit	Home Office	(5,565)	(6,418)
UEFA Champions League Final	Home Office	(3,542)	0
Headquarters Development	Home Office	0	(147)
Counter Terrorism/Firearms	Home Office	(1,497)	(187)
Counter Terrorism Intelligence Unit - National Data Management Centre	Home Office	(1,196)	0
Regional Organised Crime Unit/Regional Intelligence Unit	Home Office	(2,726)	(2,013)
Regional Organised Crime Unit - Disruption	Home Office	(165)	0
Regional Organised Crime Unit - Specialist Tactics Unit	Home Office	(409)	0
Speed Reduction Camera Partnership Casualty Reduction	Home Office/Welsh Govt	(1,963)	(1,669)
Police Innovation Fund	Home Office	(205)	(749)
Victim Support	Ministry of Justice	(1,408)	(1,538)
Transformation - Wisdom	Home Office	(357)	(490)
Transformation - Adverse Childhood Experiences	Home Office	(680)	0
Child Sexual Exploitation	Home Office	0	(211)
Early Intervention	Home Office	(324)	(312)
Dedicated Security Posts	Home Office	(841)	(857)
All Wales Schools Programme	Welsh Govt/Other Local Govt bodies	(1,980)	(856)
Regional Task Force/Tarian	Home Office/Welsh Govt	(500)	(500)
Criminal Records Bureau	Home Office	(600)	0
Counter Terrorism Security Advisors	Home Office	(455)	(486)
Police Incentivisation Fund	Home Office	(83)	(248)
Cyber Crime	Home Office	(619)	(360)
Forensic Science Fingerprinting	Home Office	0	(572)
National Planning Exercise	Home Office	0	(360)

## NOTE 26

Credited to Services	Funding body	2017-18 £000	2016-17 £000
Asset Confiscation Enforcement Team	Home Office	(129)	(162)
Other miscellaneous grants (less than £150,000 individually)	Various	(893)	(586)
Less grants shared with other collaborative partners		6,839	6,728
<b>Total Credited to Services</b>		<b>(26,589)</b>	<b>(19,363)</b>
<b>Corporate Grants</b>			
Pension top up grant	Home Office	(52,906)	(48,131)
		<b>(52,906)</b>	<b>(48,131)</b>
<b>Total</b>		<b>(79,495)</b>	<b>(67,494)</b>

	2017-18 £000	2016-17 £000
<b>Other Income</b>		
Recovery of costs from other police forces	(1,774)	(947)
Seconded Officers	(851)	(750)
Special Duty Charges	(764)	(801)
Special Services to Welsh Government	(654)	(588)
Vehicle Recovery Scheme	(178)	(187)
Rents	(368)	(340)
Mutual Aid to other police forces	(433)	(473)
Police costs recovered	(4,091)	(6,563)
Training course fees	(411)	(542)
Partnership contributions	(3,137)	(2,812)
Sale of vehicles	(272)	(315)
Sale of accident reports	(112)	(120)
Speed awareness	(542)	(314)
Reimbursement of legal fees	(1,000)	(3,000)
Other (less than £150,000 individually)	(1,020)	(630)
Less income shared with other collaborative partners	323	155
<b>Total</b>	<b>(15,284)</b>	<b>(18,227)</b>

## Financing from Council Taxpayers

In accordance with the Local Government Finance Act 1992, as amended by the Police Reform and Social Responsibility Act 2011, the Police and Crime Commissioner for South Wales in February 2017 issued the following precepts on the Council Tax Collection Funds of the following Local Authorities.

	Tax base (no. of Band D properties)	2017-18 £000	2016-17 £000
<b>Precepts:</b>			
Cardiff County Council	143,032.00	31,216	29,367
City and County of Swansea	89,465.00	19,525	18,530
Bridgend County Borough Council	52,759.00	11,514	10,791
Merthyr Tydfil CBC	18,069.00	3,944	3,720
Neath Port Talbot CBC	46,642.00	10,179	9,673
Rhondda Cynon Taf CBC	74,978.00	16,364	15,444
The Vale of Glamorgan Council	57,920.00	12,641	11,754
<b>TOTAL</b>	<b>482,865.00</b>	<b>105,383</b>	<b>99,279</b>
<b>Resultant Council Tax payable by tax payers in each authority area:</b>			
Band A		£145.50	£138.57
Band B		£169.75	£161.66
Band C		£193.99	£184.76
<b>Band D</b>		<b>£218.24</b>	<b>£207.85</b>
Band E		£266.74	£254.04
Band F		£315.24	£300.23
Band G		£363.74	£346.42
Band H		£436.49	£415.70
Band I		£509.24	£484.99



## NOTE 27: 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 26, most of which have strict terms and conditions.

The total of members' allowances paid is shown in Note 23.

A member of the Joint Audit Committee (JAC) is Chair of the Audit Committee for Swansea Council. Another JAC member is an independent member of the Standards Committee for Swansea Council. During 2017-18, the Commissioner received £3,298 from Swansea Council and made payments amounting to £494,854 (£302,412 of which related to Non Domestic Rates). The debtor balance at year end was £298, while the creditor balance was £31,550 (both net of VAT).

One JAC member is a senior assessor with the College of Policing. During 2017-18, income of £6,456 was receivable by South Wales Police from the College of Policing, with a debtor balance at the year end of £1,567 (net of VAT). South Wales Police made payments of £245,200 to the College of Policing during the same period. There was no creditor balance at the year end.

The Commissioner has a statutory responsibility to declare any interests and these are published on the website, under money matters and interests.  
<http://commissioner.south-wales.police.uk/end/right-information/specified-information/>

An Assistant Police and Crime Commissioner is a Director on the Board of Cardiff Business Improvement District (BID), also known as FOR Cardiff. South Wales Police has received net income of £126,049 from Cardiff BID during the year, with no payments being made to them. There were no debtor or creditor balances with Cardiff BID at the year end.

The Chief Financial Officer (CFO) to the Commissioner is also the CFO to the Police and Crime Commissioner for Gwent. During 2017-18, income of £4,521,685 was receivable by South Wales Police from Gwent Police. The debtor balance at year end was £2,091,186 (net of VAT). Expenditure of £3,003,427 was payable to Gwent Police by South Wales Police. There was a creditor balance of £1,015,319 (net of VAT) at the year end.

The CFO to the Commissioner is the CFO for the Police ICT Company, and South Wales Police have had net expenditure transactions with the Police ICT Company during the year of £353,866, with no income received. There were no creditor or debtor balances at year end.

A robust process is in place to approve and register the business interests of both police staff and officers.

## NOTE 28: CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (no assets were acquired under finance leases or 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.

	2017-18 £000	2016-17 £000
<b>Opening Capital Financing Requirement</b>	<b>17,061</b>	<b>19,004</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	10,680	8,171
Assets under Construction	1,871	9,301
Intangible Assets	2,128	1,542
<b>Sources of finance</b>		
Capital receipts	(240)	(514)
Minimum Revenue Provision	(1,911)	(1,959)
Government grants and other contributions	(733)	(1,771)
Direct revenue contributions	(13,725)	(16,713)
<b>Closing Capital Financing Requirement</b>	<b>15,131</b>	<b>17,061</b>
<b>Movement in the year (increase)/decrease</b>	<b>1,930</b>	<b>1,943</b>
<b>Explanation of movement in the year:</b>		
Repayment of Capital Financing (MRP)	1,911	1,959
Other movements	0	0
Decrease/(Increase) in underlying need to borrow (unsupported government financial assistance)	19	(16)
<b>(Increase)/decrease in Capital Financing Requirement</b>	<b>1,930</b>	<b>1,943</b>

## NOTE 29: LEASES

### Operating Leases

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

	2017-18 £000	2016-17 £000
Not later than one year	877	985
Later than one year and not later than five years	2,043	1,924
Later than five years	247	256
	<b>3,167</b>	<b>3,165</b>

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

	2017-18 £000	2016-17 £000
Minimum lease payments(annual cost)	1,043	1,236
	<b>1,043</b>	<b>1,236</b>

## NOTE 30 DEFINED BENEFIT PENSION SCHEMES

### 30.1 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 Taf (RCT) County Borough Council. This is a funded defined benefit final salary scheme, meaning that South Wales Police/ the Commissioner and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The method used to determine the rate of employer's contribution is based on review by the scheme actuaries. There is no agreement with other public bodies to share other employer deficits.
- Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. Following the full actuarial valuation of that Scheme, as at March 2016, 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 Police Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Police Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme and Unfunded Discretionary Benefits	Pension Scheme 2017-18 £000	Discretionary Benefits Arrangements 2017-18 £000	Total 2017-18 £000	Pension Scheme 2016-17 £000	Discretionary Benefits Arrangements 2016-17 £000	Total 2016-17 £000
<b>Comprehensive Income and Expenditure Statement Cost of Services:</b>						
- Current service cost	17,460	0	<b>17,460</b>	12,070	0	<b>12,070</b>
- Past service costs	120	10	<b>130</b>	240	0	<b>240</b>
<b>Financing and Investment Income and Expenditure</b>						
- Interest on net defined benefit liability/(asset)	3,390	40	<b>3,430</b>	3,480	50	<b>3,530</b>
<b>Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement</b>	<b>20,970</b>	<b>50</b>	<b>21,020</b>	<b>15,790</b>	<b>50</b>	<b>15,840</b>
<b>Other Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement</b>						
- Return on plan assets (in excess of)/below that recognised in net interest	(7,460)	0	<b>(7,460)</b>	(43,170)	0	<b>(43,170)</b>
<b>- Actuarial (gains)/losses:</b>						
Due to changes in financial assumptions	0	0	<b>0</b>	94,520	150	<b>94,670</b>
Due to changes in demographic assumptions	0	0	<b>0</b>	(16,190)	(50)	<b>(16,240)</b>
Due to liability experience	1,770	(50)	<b>1,720</b>	(10,520)	(10)	<b>(10,530)</b>
<b>Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement</b>	<b>(5,690)</b>	<b>(50)</b>	<b>(5,740)</b>	<b>24,640</b>	<b>90</b>	<b>24,730</b>
<b>Total Amount Recognised</b>	<b>15,280</b>	<b>0</b>	<b>15,280</b>	<b>40,430</b>	<b>140</b>	<b>40,570</b>
<b>Movement in Reserves Statement</b> - Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(20,970)</b>	<b>(50)</b>	<b>(21,020)</b>	<b>(15,790)</b>	<b>(50)</b>	<b>(15,840)</b>
<b>Actual amount charged against the Police Fund Balance for pensions in the year:</b>						
- Employers' contributions payable to scheme	10,912	0	<b>10,912</b>	8,163	0	<b>8,163</b>
- Retirement benefits payable to pensioners	0	0	<b>0</b>	0	0	<b>0</b>

Assets and liabilities in relation to Post-employment Benefits						
Reconciliation of present value of the scheme liabilities (defined benefit obligation):	Funded Pension Scheme 2017-18 £000	Unfunded Discretionary Benefits 2017-18 £000	Total 2017-18 £000	Funded Pension Scheme 2016-17 £000	Unfunded Discretionary Benefits 2016-17 £000	Total 2016-17 £000
<b>Opening balance at 1 April</b>	<b>(435,430)</b>	<b>(1,490)</b>	<b>(436,920)</b>	<b>(349,300)</b>	<b>(1,440)</b>	<b>(350,740)</b>
Current service cost	(17,460)	0	<b>(17,460)</b>	(12,070)	0	<b>(12,070)</b>
Interest cost	(11,260)	(40)	<b>(11,300)</b>	(12,120)	(50)	<b>(12,170)</b>
Contributions by scheme participants	(3,820)	0	<b>(3,820)</b>	(3,530)	0	<b>(3,530)</b>
Benefits paid	8,590	90	<b>8,680</b>	9,640	90	<b>9,730</b>
Past service costs	(120)	(10)	<b>(130)</b>	(240)	0	<b>(240)</b>
Due to changes in financial assumptions	0	0	<b>0</b>	(94,520)	(150)	<b>(94,670)</b>
Due to changes in demographic assumptions	0	0	<b>0</b>	16,190	50	<b>16,240</b>
Due to liability experience	(1,770)	50	<b>(1,720)</b>	10,520	10	<b>10,530</b>
<b>Closing balance at 31 March</b>	<b>(461,270)</b>	<b>(1,400)</b>	<b>(462,670)</b>	<b>(435,430)</b>	<b>(1,490)</b>	<b>(436,920)</b>

Reconciliation of fair value of the scheme (plan) assets:	Local Government Pension Scheme	2017-18 £000	2016-17 £000
<b>Opening balance at 1 April</b>		<b>299,640</b>	<b>245,430</b>
Interest income on assets		7,870	8,640
Remeasurement gains/(losses) on assets		7,460	43,170
Employer contributions		10,890	8,510
Contributions by scheme participants		3,820	3,530
Benefits paid		(8,590)	(9,640)
<b>Closing balance at 31 March</b>		<b>321,090</b>	<b>299,640</b>

Scheme history	2017-18 £000	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(461,270)	(435,430)	(349,300)	(357,700)	(295,540)
Discretionary Benefits	(1,400)	(1,490)	(1,440)	(1,570)	(1,510)
Fair value of assets in the Local Government Pension Scheme	321,090	299,640	245,430	235,280	193,190
<b>Total</b>	<b>(141,580)</b>	<b>(137,280)</b>	<b>(105,310)</b>	<b>(123,990)</b>	<b>(103,860)</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(140,180)	(135,790)	(103,870)	(122,420)	(102,350)
Discretionary Benefits	(1,400)	(1,490)	(1,440)	(1,570)	(1,510)
<b>Total</b>	<b>(141,580)</b>	<b>(137,280)</b>	<b>(105,310)</b>	<b>(123,990)</b>	<b>(103,860)</b>

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of £141.6m 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; and
- 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 2016.

The principal assumptions used by the actuary are detailed in the following table.

Local Government Pension Scheme	Pension Scheme 2017-18	Discretionary Benefits 2017-18	Pension Scheme 2016-17	Discretionary Benefits 2016-17
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
- Men	22.9	22.9	22.8	22.8
- Women	25.0	25.0	24.9	24.9
<b>Longevity at 65 for future pensioners:</b>				
- Men	25.1		25.0	
- Women	27.3		27.2	
<b>Principal Financial Assumptions:</b>				
Rate of increase in salaries	3.3%		3.3%	
Rate of increase in pensions	2.0%	2.0%	2.0%	2.0%
Rate for discounting scheme liabilities	2.6%	2.6%	2.6%	2.6%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>				
- pre 1 April 2010 pension entitlements	75%		75%	-
- post 31 March 2010 pension entitlements	75%		75%	-

## Asset Allocation

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

Local Government Pension Scheme	31 March 2018 %	31 March 2017 %
Equity Investments	74.80%	72.60%
Property	5.40%	5.90%
Government Bonds	8.50%	9.40%
Corporate Bonds	9.40%	10.00%
Cash and other Assets	1.90%	2.10%
	<b>100.00%</b>	<b>100.00%</b>



## Contributions for the accounting period ending 31 March 2019

The employers' regular contributions to the Fund for the accounting period ending 31 March 2019 are estimated to be £11.01m. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

### Note 30.2 The Police Pension Scheme (for Police Officers)

This includes the 1987, 2006, and 2015 police pension schemes plus the 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.
- 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 schemes 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 Police Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Police Fund Balance via the Movement in Reserves Statement during the year:

	Pension Scheme and Discretionary Benefits 2017-18 £000	Total 2017-18 £000	Pension Scheme and Discretionary Benefits 2016-17 £000	Total 2016-17 £000
<b>Police Pension and Unfunded Injury Benefit Scheme</b>				
<b>Comprehensive Income and Expenditure Statement</b>				
- Current service cost	56,340	<b>56,340</b>	40,430	<b>40,430</b>
- Past service costs	2,140	<b>2,140</b>	10	<b>10</b>
<b>Financing and Investment Income and Expenditure</b>				
- Interest on net defined benefit liability/(asset)	86,600	<b>86,600</b>	95,360	<b>95,360</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>145,080</b>	<b>145,080</b>	<b>135,800</b>	<b>135,800</b>
<b>Other Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement - Actuarial (gains) /losses</b>				
Due to changes in financial assumptions	104,210	<b>104,210</b>	612,640	<b>612,640</b>
Due to changes in demographic assumptions	(110,130)	<b>(110,130)</b>	(71,060)	<b>(71,060)</b>
Due to liability experience	(57,270)	<b>(57,270)</b>	(26,430)	<b>(26,430)</b>
<b>Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement</b>	<b>(63,190)</b>	<b>(63,190)</b>	<b>515,150</b>	<b>515,150</b>
<b>Total Amount Recognised</b>	<b>81,890</b>	<b>81,890</b>	<b>650,950</b>	<b>650,950</b>
<b>Movement in Reserves Statement</b>				
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(145,080)</b>	<b>(145,080)</b>	<b>(135,800)</b>	<b>(135,800)</b>
<b>Actual amount charged against the Police Fund Balance for pensions in the year:</b>				
- Employers' contributions payable to scheme	25,059	<b>25,059</b>	25,334	<b>25,334</b>
- Retirement benefits payable to pensioners (grant funded)	0	<b>0</b>	0	<b>0</b>

Assets and liabilities in relation to Post-employment Benefits				
	Unfunded Discretionary Benefits 2017-18 £000	Total 2017-18 £000	Unfunded Discretionary Benefits 2016-17 £000	Total 2016-17 £000
<b>Reconciliation of present value of the scheme liabilities (defined benefit obligation):</b>				
<b>Opening balance at 1 April</b>	<b>(3,279,390)</b>	<b>(3,279,390)</b>	<b>(2,703,080)</b>	<b>(2,703,080)</b>
Current service cost	(56,340)	<b>(56,340)</b>	(40,430)	<b>(40,430)</b>
Past service charge	(2,140)	<b>(2,140)</b>	(10)	<b>(10)</b>
Interest cost	(86,600)	<b>(86,600)</b>	(95,360)	<b>(95,360)</b>
Contributions by scheme participants	(13,960)	<b>(13,960)</b>	(14,150)	<b>(14,150)</b>
Actuarial gains and (losses)	63,190	<b>63,190</b>	(515,150)	<b>(515,150)</b>
Benefits paid	95,250	<b>95,250</b>	88,790	<b>88,790</b>
<b>Closing balance at 31 March</b>	<b>(3,279,990)</b>	<b>(3,279,990)</b>	<b>(3,279,390)</b>	<b>(3,279,390)</b>

The liabilities show the underlying commitments that South Wales Police/ the Commissioner has in the long run to pay post employment (retirement) benefits. The total liability of £3.28bn 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; and
- 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 are detailed in the following table:

Police Pension and Unfunded Injury Benefit Scheme	Pension Scheme and Discretionary Benefits 2017-18	Pension Scheme and Discretionary Benefits 2016-17
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
- Men	22.6	23.2
- Women	24.2	25.2
<b>Longevity at 65 for future pensioners:</b>		
- Men	24.5	25.2
- Women	26.1	27.3
<b>Principal Financial Assumptions:</b>		
Rate of inflation RPI	2.55%	2.65%
Rate of inflation CPI	2.30%	2.35%
Rate of increase in salaries	4.30%	4.35%
Rate of increase in pensions	2.30%	2.35%
Rate for discounting scheme liabilities	2.55%	2.65%
Assumed rate of return in excess of pensions	0.25%	0.30%
Assumed rate of return in excess of earnings	-1.75%	-1.70%
Take-up of option to convert annual pension into retirement lump sum	actuarially neutral	actuarially neutral

## Contributions for the accounting period ending 31 March 2019

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2019 are estimated to be £30.0m.

Membership numbers in the various 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.

## NOTE 31 CONTINGENT LIABILITIES & CONTINGENT ASSETS

### 31.1 Police Pension Scheme 2015 Legal Challenge

The Chief Constable of South Wales Police, along with other Chief Constables and the Home Office, currently has numerous claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters' Pension regulations and in 2016/17 these claims were heard in the Employment Tribunal.

In 2017/18 the Judiciary and Firefighter claims were heard in the Appeal Tribunal. Subsequent to this the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may influence the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation and who it would impact.

Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy and quantum at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the Balance Sheet date.

### Note 31.2 Ill Health Regulations

A claim has been made against the Force concerning its interpretation and application of the Police Pension Regulations 1987 and 2006. The case was heard at the Court of Justice in London on June 9th, 2017.

Whilst the High court ruled in favour of South Wales Police, the judge has allowed an appeal to the Court of Appeal which is scheduled to be heard in June 2018.

### Note 31.3 Contingent Assets

These are also not recognised in the Balance Sheet.

There are no contingent assets for the financial year ended 31 March 2018.

## NOTE 32 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; and
- **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; and
- 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 Strategy considered by 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 2018 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise.

South Wales Police/ the Commissioner does not generally allow credit for debtors including balances owing by government departments, other local authorities, business organisations and individuals.

The past due but not impaired amount can be analysed by age as follows:

	31 March 2018 £000	31 March 2017 £000
Less than three months	4,123	1,522
Three to six months	144	1,057
Six months to one year	52	100
More than one year	276	826
	<b>4,595</b>	<b>3,505</b>
Value of doubtful debts impaired:	246	239
Impairment of doubtful debts as % of total debt	5.4%	6.8%

### 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 2018 £000	31 March 2017 £000
Less than one year	68	0
Between one and two years	232	136
Between two and five years	2,608	2,640
Between five and ten years	3,029	4,495
More than ten years	12,569	9,803
	<b>18,506</b>	<b>17,074</b>

### Market Risk - Interest Rate Risk

South Wales Police/ the Commissioner is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on South Wales Police/ the Commissioner.

For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise. South Wales Police/ the Commissioner does not normally borrow at variable rates;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise. South Wales Police/ the Commissioner does not normally invest at variable rates; and
- 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 Police 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 2018, 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
<b>Impact on Surplus/Deficit on the Provision of Services</b>	<b>0</b>
Decrease in fair value of fixed rate long term investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities (but with no impact on the Surplus/Deficit on the Provision of Services)	1,609
The impact of a 1% fall in interest rates would be as above but with the movements being reversed	

Generally borrowings or investments are on fixed rates.

### Market Risk - 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 33 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, they will look to work in collaboration with other Commissioners and Forces to provide the most effective service possible. Such agreements are regulated by Section 22A of the Police Act 1996, as amended by the Police Reform and Social Responsibility Act 2011.

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

In 2017/18 an All Wales Collaboration Team was established on a short term basis to coordinate existing activities and identify new opportunities for collaboration across the four Forces in Wales. The team is led by a Deputy Chief Constable and is funded based on agreed contributions from each Force in Wales. The total costs of the team in 2017/18 were £0.24m (2016/17 – nil) and South Wales Police's contribution to these costs was £0.06m in 2017/18 (2016/17 – nil).



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

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

As a result of the requirements of IFRS11, gross expenditure in the CIES has been reduced by £9.02m and income/grants have been reduced by £7.16m, a decrease in net expenditure of £1.86m. This net increase has been reversed in the Movement in Reserves Statement with no impact on the Police Fund balance.

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

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

2017/18										
COLLABORATIVE SERVICE AREA	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Counter Terrorism Special Branch	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit (inc CTSFO)	Total
Service Classification in CIES	National Policing	National Policing	National Policing	Intelligence / Investigation	Intelligence	National Policing	Support Service	Investigative Support	Specialist Operations	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pay Expenditure	5,574	425	4,356	4,793	1,554	0	1,217	5,122	11,292	<b>34,333</b>
Non Pay Expenditure	1,142	30	285	1,201	411	0	26	431	1,568	<b>5,094</b>
<b>Gross Expenditure</b>	<b>6,716</b>	<b>455</b>	<b>4,641</b>	<b>5,994</b>	<b>1,965</b>	<b>0</b>	<b>1,243</b>	<b>5,553</b>	<b>12,860</b>	<b>39,427</b>
Specific Grant Income	(6,772)	(455)	(4,641)	(4,320)	(500)	0	0	0	(1,473)	<b>(18,161)</b>
Income	56	0	0	(43)	(2)	0	(6)	(0)	(163)	<b>(158)</b>
<b>Total Income &amp; Grants</b>	<b>(6,716)</b>	<b>(455)</b>	<b>(4,641)</b>	<b>(4,363)</b>	<b>(502)</b>	<b>0</b>	<b>(6)</b>	<b>0</b>	<b>(1,636)</b>	<b>(18,319)</b>
South Wales Police	0	0	0	(889)	(785)	0	(786)	(3,788)	(5,173)	<b>(11,421)</b>
Dyfed Powys Police	0	0	0	(348)	(298)	0	0	0	(3,457)	<b>(4,103)</b>
Gwent Police	0	0	0	(394)	(380)	0	(451)	(1,765)	(2,594)	<b>(5,584)</b>
North Wales Police	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,631)</b>	<b>(1,463)</b>	<b>0</b>	<b>(1,237)</b>	<b>(5,553)</b>	<b>(11,224)</b>	<b>(21,108)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

2016/17										
COLLABORATIVE SERVICE AREA	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Counter Terrorism Special Branch	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit	Total
Service Classification in CIES	National Policing	National Policing	National Policing	Intelligence / Investigation	Intelligence	National Policing	Support Service	Investigative Support	Specialist Operations	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pay Expenditure	4,792	458	4,551	4,121	1,790	2,030	0	4,856	10,358	<b>32,956</b>
Non Pay Expenditure	1,701	28	358	1,174	381	110	0	565	1,366	<b>5,683</b>
<b>Gross Expenditure</b>	<b>6,493</b>	<b>486</b>	<b>4,909</b>	<b>5,295</b>	<b>2,171</b>	<b>2,140</b>	<b>0</b>	<b>5,421</b>	<b>11,724</b>	<b>38,639</b>
Specific Grant Income	(6,471)	(486)	(4,909)	(2,705)	(500)	0	0	0	0	<b>(15,071)</b>
Income	(22)	0	0	(56)	(54)	(161)	0	(12)	0	<b>(305)</b>
<b>Total Income &amp; Grants</b>	<b>(6,493)</b>	<b>(486)</b>	<b>(4,909)</b>	<b>(2,761)</b>	<b>(554)</b>	<b>(161)</b>	<b>0</b>	<b>(12)</b>	<b>0</b>	<b>(15,376)</b>
South Wales Police	0	0	0	(1,377)	(873)	(1,059)	0	(3,708)	(5,432)	<b>(12,449)</b>
Dyfed Powys Police	0	0	0	(544)	(340)	(494)	0	0	(3,475)	<b>(4,853)</b>
Gwent Police	0	0	0	(613)	(404)	(426)	0	(1,701)	(2,817)	<b>(5,961)</b>
North Wales Police	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Force Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,534)</b>	<b>(1,617)</b>	<b>(1,979)</b>	<b>0</b>	<b>(5,409)</b>	<b>(11,724)</b>	<b>(23,263)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>

2017/18										
SHARE OF SERVICE COLLABORATION	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Counter Terrorism Special Branch	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit (inc CTSFO)	Total
Share of service benefit	Population (national benefit basis)	Population (national benefit basis)	Population (national benefit basis) - Exc NWP	Population (national benefit basis) - Exc NWP	Agreed financial contribution (local delivery)	Own Spending	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Expenditure</b>										
South Wales Police	2,842	193	1,206	3,266	1,055	0	829	3,808	5,795	<b>18,994</b>
Dyfed Powys Police	1,113	75	472	1,279	400	0	0	0	3,998	<b>7,337</b>
Gwent Police	1,260	85	535	1,449	510	0	414	1,745	3,067	<b>9,065</b>
North Wales Police	1,501	102	2,428	0	0	0	0	0	0	<b>4,031</b>
	<b>6,716</b>	<b>455</b>	<b>4,641</b>	<b>5,994</b>	<b>1,965</b>	<b>0</b>	<b>1,243</b>	<b>5,553</b>	<b>12,860</b>	<b>39,427</b>
<b>Total Income &amp; Grants</b>										
South Wales Police	(2,842)	(193)	(1,206)	(2,378)	(270)	0	(4)	0	(737)	<b>(7,630)</b>
Dyfed Powys Police	(1,113)	(75)	(472)	(931)	(102)	0	0	0	(509)	<b>(3,202)</b>
Gwent Police	(1,260)	(85)	(535)	(1,054)	(130)	0	(2)	0	(390)	<b>(3,456)</b>
North Wales Police	(1,501)	(102)	(2,428)	0	0	0	0	0	0	<b>(4,031)</b>
	<b>(6,716)</b>	<b>(455)</b>	<b>(4,641)</b>	<b>(4,363)</b>	<b>(502)</b>	<b>0</b>	<b>(6)</b>	<b>0</b>	<b>(1,636)</b>	<b>(18,319)</b>

2016/17										
SHARE OF SERVICE COLLABORATION	Counter Terrorism Intelligence Unit	Counter Terrorism Specialist Advisors	Counter Terrorism Port / Dedicated Security	Regional Organised Crime Unit	Regional Task Force	Counter Terrorism Special Branch	Joint Legal Services	Scientific Investigation Unit	Joint Firearms Unit	Total
Share of service benefit	Population (national benefit basis)	Population (national benefit basis)	Population (national benefit basis)	Population (national benefit basis)	Agreed financial contribution (local delivery)	Own Spending	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	Agreed financial contribution (local delivery)	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Gross Expenditure										
South Wales Police	2,738	205	1,300	2,878	1,172	1,212	0	3,716	5,432	18,653
Dyfed Powys Police	1,081	81	513	1,136	456	494	0	0	3,475	7,236
Gwent Police	1,219	91	578	1,281	543	434	0	1,705	2,817	8,668
North Wales Police	1,455	109	2,518	0	0	0	0	0	0	4,082
	6,493	486	4,909	5,295	2,171	2,140	0	5,421	11,724	38,639
Total Income & Grants										
South Wales Police	(2,738)	(205)	(1,300)	(1,501)	(299)	(153)	0	(8)	0	(6,204)
Dyfed Powys Police	(1,081)	(81)	(513)	(592)	(116)	0	0	0	0	(2,383)
Gwent Police	(1,219)	(91)	(578)	(668)	(139)	(8)	0	(4)	0	(2,707)
North Wales Police	(1,455)	(109)	(2,518)	0	0	0	0	0	0	(4,082)
	(6,493)	(486)	(4,909)	(2,761)	(554)	(161)	0	(12)	0	(15,376)

## 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 accounting 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

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

### 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 ADJUSTMENT ACCOUNT

The capital adjustment 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 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 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.

### **CURRENT VALUE**

The current 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.

### **INVENTORIES (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 current assets.

### **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**

This reserve 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 capital expenditure 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 Welsh Government 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.

### **TEMPORARY BORROWING/ INVESTMENT**

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





